

# **FINANCIAL SUMMARY**

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

## **FY2003 Third Quarter**

(October 1, 2002 through December 31, 2002)

English translation from the original Japanese-language document

**TOYOTA MOTOR CORPORATION**

# BUSINESS RESULTS

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

## 1. Summary of Consolidated Financial Results of FY2003 Third Quarter

### Financial Results

Domestic vehicle sales increased by 39 thousand units, or 7.8%, to 545 thousand units in FY2003 third quarter (the three-month period from October 1, 2002 to December 31, 2002) compared with FY2002 third quarter, as a result of the active introduction of new products that met customer needs and the strong sales efforts of domestic dealers. Toyota's market share (excluding minivehicles) achieved 43.6% in FY2003 third quarter, continuing to exceed 40.0% as in the previous year. Including minivehicles, the market share was 39.7% in FY2003 third quarter. Meanwhile, overseas vehicle sales increased by 177 thousand units, or 20.6%, to 1.034 million units in FY2003 third quarter compared with FY2002 third quarter, mainly due to the introduction of new products that met local customer needs worldwide. As a result, total vehicle sales in Japan and overseas increased by 216 thousand units, or 15.9%, to 1.579 million units in FY2003 third quarter compared with FY2002 third quarter.

Net sales increased by 488.9 billion yen, or 13.2%, to 4,186.7 billion yen in FY2003 third quarter compared with FY2002 third quarter, and operating income increased by 71.7 billion yen, or 23.3%, to 379.4 billion yen in FY2003 third quarter compared with FY2002 third quarter. Among the factors contributing to the increase in operating income, cost reduction efforts accounted for 70.0 billion yen, the marketing efforts accounted for 60.0 billion yen and the effect of changes in exchange rates accounted for 20.0 billion yen, for a total of 150.0 billion yen. On the other hand, the factors contributing to the decrease in operating income of 78.3 billion yen included increases in depreciation expenses and labor costs. Ordinary income increased by 137.4 billion yen, or 59.0%, to 370.2 billion yen in FY2003 third quarter compared with FY2002 third quarter. Net income increased by 104.6 billion yen, or 93.9%, to 216.0 billion yen in FY2003 third quarter compared with FY2002 third quarter.

In conjunction with enforcement of the Defined Benefit Enterprise Pension Plan Law, Toyota Motor Corporation ("TMC") and some of its domestic consolidated subsidiaries and domestic affiliates accounted for under the equity method received approval from the Minister of Health, Labour and Welfare, for exemption from payment of future benefits regarding the substituted portion of the employee pension fund.

TMC and these subsidiaries and affiliates applied the transitional accounting treatment specified in paragraph 47-2 of the "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)", and recognized an extinguishment of retirement benefit obligations with respect to such substituted portion as of the date of the approval.

As a result, TMC has recorded a 10.9 billion yen impact on profit during FY2003 third quarter. TMC has accounted for 0.5 billion yen (representing TMC's portion of the impact recorded by an affiliate) as "Equity in earnings of affiliates" in non-operating income and 10.4 billion yen (the impact recorded by a subsidiary) as "Gains on return of substituted portion of employee pension fund" in extraordinary gains.

## 2. Consolidated Financial Results of FY2003 Third Quarter by Segment

### (1) Business Segment

#### Automotive:

Net sales of the automotive segment increased by 466.2 billion yen, or 13.7%, to 3,870.6 billion yen in FY2003 third quarter compared with FY2002 third quarter, and operating income increased by 66.4 billion yen, or 23.2%, to 352.0 billion yen in FY2003 third quarter compared with FY2002 third quarter. The increase in operating income was mainly due to cost reduction efforts made by TMC and its subsidiaries as well as an increase in vehicle units sold in North America and Asia, partially offset by increases in depreciation expenses, labor costs and other expenses.

#### Financial services:

Net sales of the financial services segment increased by 20.3 billion yen, or 12.1%, to 188.6 billion yen in FY2003 third quarter compared with FY2002 third quarter, and operating income decreased by 6.6 billion yen, or 21.3%, to 24.3 billion yen in FY2003 third quarter compared with FY2002 third quarter. The decrease in operating income was mainly due to a decrease in the valuation gains on interest rate swaps, recorded by sales financing subsidiaries in the United States in accordance with the Statement of Financial Accounting Standards No.133 and No.138, despite solid performance mainly due to an increase in finance receivables. The valuation gains on interest rate swaps decreased by 8.1 billion yen to 2.1 billion yen in FY2003 third quarter compared with FY2002 third quarter.

#### All other:

In FY2003 third quarter, net sales of all other segments increased by 18.6 billion yen, or 10.4%, to 197.3 billion yen compared with FY2002 third quarter, and operating income increased by 6.6 billion yen to 4.8 billion yen compared with FY2002 third quarter.

### (2) Geographical Segment

#### Japan:

Net sales in Japan increased by 314.7 billion yen, or 12.0%, to 2,929.2 billion yen in FY2003 third quarter compared with FY2002 third quarter, and operating income increased by 56.5 billion yen, or 25.6%, to 277.4 billion yen in FY2003 third quarter compared with FY2002 third quarter. The increase in operating income was mainly due to cost reduction efforts made by TMC and its subsidiaries as well as an increase in vehicle units sold overseas, partially offset by depreciation and R&D expenses.

#### North America:

Net sales in North America increased by 98.0 billion yen, or 6.4%, to 1,633.7 billion yen in FY2003 third quarter compared with FY2002 third quarter, and operating income decreased by 2.4 billion yen, or 2.6%, to 89.1 billion yen in FY2003 third quarter compared with FY2002 third quarter. The decrease in operating income was mainly due to a decrease in the valuation gains on interest rate swaps, recorded by sales financing subsidiaries in the United States, despite solid performance in North America mainly due to local cost reduction efforts, as well as increases in both local production volume and vehicle units sold.

#### Europe:

Net sales in Europe increased by 97.0 billion yen, or 31.4%, to 405.8 billion yen in FY2003 third quarter compared with FY2002 third quarter, and operating income increased by 1.9 billion yen to 0.2 billion yen in FY2003 third quarter compared with FY2002 third quarter. The increase in operating income was mainly due to increases in local production volume in France and the United Kingdom and in vehicle units sold.

#### Other:

Net sales in other regions increased by 186.4 billion yen, or 61.9%, to 487.5 billion yen in FY2003 third quarter compared with FY2002 third quarter, and operating income increased by 8.9 billion yen, or 119.3%, to 16.3 billion yen in FY2003 third quarter compared with FY2002 third quarter. The increase in operating income was primarily due to an increase in vehicle units sold mainly in Asia.

# CONSOLIDATED SALES

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

## Sales (by destination)

(Units)

		FY2003 third quarter (October 2002 through December 2002)	FY2002 third quarter (October 2001 through December 2001)	Increase (Decrease)
Vehicles (new)	Japan	544,782	505,582	39,200
	North America	533,311	461,514	71,797
	Europe	169,799	154,492	15,307
	Others	331,572	241,734	89,838
	Overseas total	1,034,682	857,740	176,942
	Total	<b>1,579,464</b>	<b>1,363,322</b>	<b>216,142</b>
Houses (Japan)		<b>839</b>	<b>611</b>	<b>228</b>

Note: The total sales of vehicles (new) includes Daihatsu brand vehicles of 156,444 units in FY2003 third quarter and 128,563 units in FY2002 third quarter, and Hino brand vehicles of 13,632 units in FY2003 third quarter and 12,048 units in FY2002 third quarter.

# CONSOLIDATED STATEMENTS OF INCOME

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

(Million yen; amounts less than one million yen are omitted.)

	FY2003 third quarter (October 2002 through December 2002)	FY2002 third quarter (October 2001 through December 2001)	Increase (Decrease)
<b>Net sales</b>	<b>4,186,777</b>	<b>3,697,897</b>	<b>488,880</b>
Cost of sales	3,170,773	2,768,935	401,838
Selling, general and administrative expenses	636,567	621,179	15,388
<b>Operating income</b>	<b>379,436</b>	<b>307,783</b>	<b>71,653</b>
Non-operating income	69,862	57,196	12,666
<i>Interest income</i>	9,237	11,555	(2,318)
<i>Dividend income</i>	2,794	1,138	1,656
<i>Equity in earnings of affiliates</i>	16,560	–	16,560
<i>Other non-operating income</i>	41,270	44,502	(3,232)
Non-operating expenses	79,030	132,106	(53,076)
<i>Interest expenses</i>	6,901	7,999	(1,098)
<i>Equity in losses of affiliates</i>	–	10,319	(10,319)
<i>Other non-operating expenses</i>	72,128	113,787	(41,659)
<b>Ordinary income</b>	<b>370,268</b>	<b>232,873</b>	<b>137,395</b>
Extraordinary gains	10,370	–	10,370
<i>Gains on return of substituted portion of     employee pension fund</i>	10,370	–	10,370
<b>Income before income taxes and minority interest in consolidated subsidiaries</b>	<b>380,638</b>	<b>232,873</b>	<b>147,765</b>
Income taxes	157,398	116,124	41,274
Minority interest in consolidated subsidiaries	7,142	5,276	1,866
<b>Net income</b>	<b>216,097</b>	<b>111,472</b>	<b>104,625</b>

# CONSOLIDATED BALANCE SHEETS

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

(Million yen; amounts less than one million yen are omitted.)

	FY2003 third quarter (As of December 31, 2002)	FY2002 (As of March 31, 2002)	Increase (Decrease)
<b>Assets</b>			
<b>Current assets</b>	<b>10,584,882</b>	<b>10,410,966</b>	<b>173,916</b>
Cash and deposits	750,566	707,233	43,333
Trade notes and accounts receivable	1,339,274	1,561,623	(222,349)
Marketable securities	1,560,966	1,605,460	(44,494)
Inventories	1,042,173	1,022,718	19,455
Installment credit from dealers	3,343,766	3,334,357	9,409
Short-term loans	1,479,316	1,192,054	287,262
Deferred income taxes	384,300	379,668	4,632
Other current assets	808,549	718,693	89,856
Less: allowance for doubtful accounts	(124,031)	(110,843)	(13,188)
<b>Fixed assets</b>	<b>9,474,062</b>	<b>9,477,970</b>	<b>(3,908)</b>
<b>Property, plant and equipment</b>	<b>5,366,227</b>	<b>5,437,777</b>	<b>(71,550)</b>
Buildings and structures	1,223,408	1,230,871	(7,463)
Machinery and equipment	1,151,123	1,179,305	(28,182)
Vehicles and delivery equipment	1,220,841	1,269,275	(48,434)
Land	1,095,700	1,070,869	24,831
Construction in progress	256,881	270,497	(13,616)
Other property, plant and equipment	418,271	416,958	1,313
<b>Intangible fixed assets</b>	<b>5,086</b>	<b>4,328</b>	<b>758</b>
<b>Investments and other assets</b>	<b>4,102,747</b>	<b>4,035,865</b>	<b>66,882</b>
Investments in securities	2,642,615	2,642,122	493
Long-term loans	721,259	796,349	(75,090)
Deferred income taxes	404,127	465,193	(61,066)
Other investments and other assets	357,490	159,450	198,040
Less: allowance for doubtful accounts	(22,746)	(27,251)	4,505
<b>Total assets</b>	<b>20,058,944</b>	<b>19,888,937</b>	<b>170,007</b>

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

(Million yen; amounts less than one million yen are omitted.)

	FY2003 third quarter (As of December 31, 2002)	FY2002 (As of March 31, 2002)	Increase (Decrease)
<b>Liabilities</b>			
<b>Current liabilities</b>	<b>7,011,680</b>	<b>7,183,071</b>	<b>(171,391)</b>
Trade notes and accounts payable	1,363,157	1,483,170	(120,013)
Current portion of bonds	1,005,348	1,020,930	(15,582)
Short-term borrowings	998,473	1,104,365	(105,892)
Commercial papers	1,224,852	952,553	272,299
Accrued expenses and other accounts payable	1,335,643	1,433,216	(97,573)
Income taxes payable	222,673	339,304	(116,631)
Deferred income taxes	887	1,769	(882)
Other current liabilities	860,644	847,761	12,883
<b>Long-term liabilities</b>	<b>5,065,923</b>	<b>4,916,572</b>	<b>149,351</b>
Bonds	3,365,279	3,132,372	232,907
Convertible debentures	—	13,308	(13,308)
Long-term borrowings	541,842	481,007	60,835
Deferred income taxes	380,864	398,273	(17,409)
Allowance for retirement benefits	667,527	769,714	(102,187)
Other long-term liabilities	110,408	121,897	(11,489)
<b>Total liabilities</b>	<b>12,077,603</b>	<b>12,099,644</b>	<b>(22,041)</b>
<b>Minority interest in consolidated subsidiaries</b>	<b>471,316</b>	<b>464,220</b>	<b>7,096</b>
<b>Shareholders' equity</b>			
<b>Common stock</b>	<b>397,049</b>	<b>397,049</b>	<b>—</b>
<b>Capital reserve</b>	<b>—</b>	<b>415,150</b>	<b>(415,150)</b>
<b>Capital surplus</b>	<b>417,976</b>	<b>—</b>	<b>417,976</b>
<b>Consolidated earned surplus</b>	<b>—</b>	<b>6,527,956</b>	<b>(6,527,956)</b>
<b>Retained earnings</b>	<b>7,043,890</b>	<b>—</b>	<b>7,043,890</b>
<b>Net unrealized gains on other securities</b>	<b>105,541</b>	<b>152,809</b>	<b>(47,268)</b>
<b>Translation adjustments</b>	<b>(109,188)</b>	<b>22,855</b>	<b>(132,043)</b>
<b>Less: treasury stock</b>	<b>(345,246)</b>	<b>(157,766)</b>	<b>(187,480)</b>
<b>Less: common stock of the Parent held by consolidated subsidiaries</b>	<b>—</b>	<b>(32,983)</b>	<b>32,983</b>
<b>Total shareholders' equity</b>	<b>7,510,024</b>	<b>7,325,072</b>	<b>184,952</b>
<b>Total liabilities and shareholders' equity</b>	<b>20,058,944</b>	<b>19,888,937</b>	<b>170,007</b>

Note: The "Accounting Standard for Treasury Stock and Reversal of Legal Reserves" has been applied from FY2003.

# SEGMENT INFORMATION

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

## 1. Business Segment Information

(1) FY2003 third quarter (October 2002 through December 2002)

(Million yen; amounts less than one million yen are omitted.)

	Automotive	Financial services	All other	Total	Elimination	Consolidated
Net sales						
(1) Sales to external customers	3,864,440	185,880	136,456	4,186,777	–	4,186,777
(2) Inter-segment sales and transfers	6,220	2,763	60,925	69,909	(69,909)	–
Total	3,870,661	188,644	197,382	4,256,687	(69,909)	4,186,777
Operating expenses	3,518,638	164,316	192,574	3,875,529	(68,188)	3,807,341
Operating income	352,022	24,327	4,807	381,157	(1,721)	379,436

(2) FY2002 third quarter (October 2001 through December 2001)

(Million yen; amounts less than one million yen are omitted.)

	Automotive	Financial services	All other	Total	Elimination	Consolidated
Net sales						
(1) Sales to external customers	3,394,471	163,734	139,691	3,697,897	–	3,697,897
(2) Inter-segment sales and transfers	9,984	4,585	39,049	53,620	(53,620)	–
Total	3,404,456	168,320	178,741	3,751,517	(53,620)	3,697,897
Operating expenses	3,118,793	137,405	180,569	3,436,769	(46,654)	3,390,114
Operating income	285,662	30,914	(1,828)	314,748	(6,965)	307,783



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## 2. Geographical Segment Information

(1) FY2003 third quarter (October 2002 through December 2002)

(Million yen; amounts less than one million yen are omitted.)

	Japan	North America	Europe	Other	Total	Elimination	Consolidated
Net sales							
(1) Sales to external customers	1,788,848	1,557,624	386,831	453,473	4,186,777	–	4,186,777
(2) Inter-segment sales and transfers	1,140,429	76,104	19,053	34,102	1,269,690	(1,269,690)	–
Total	2,929,277	1,633,728	405,885	487,576	5,456,468	(1,269,690)	4,186,777
Operating expenses	2,651,792	1,544,555	405,638	471,242	5,073,229	(1,265,887)	3,807,341
Operating income	277,485	89,173	246	16,333	383,239	(3,802)	379,436

(2) FY2002 third quarter (October 2001 through December 2001)

(Million yen; amounts less than one million yen are omitted.)

	Japan	North America	Europe	Other	Total	Elimination	Consolidated
Net sales							
(1) Sales to external customers	1,624,285	1,491,229	305,481	276,901	3,697,897	–	3,697,897
(2) Inter-segment sales and transfers	990,261	44,542	3,365	24,275	1,062,445	(1,062,445)	–
Total	2,614,546	1,535,772	308,847	301,176	4,760,342	(1,062,445)	3,697,897
Operating expenses	2,393,589	1,444,244	310,578	293,728	4,442,140	(1,052,025)	3,390,114
Operating income	220,956	91,528	(1,731)	7,448	318,202	(10,419)	307,783

# <REFERENCE>

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

## UNCONSOLIDATED STATEMENTS OF INCOME

(Million yen; amounts less than one million yen are omitted.)

	FY2003 third quarter (October 2002 through December 2002)	FY2002 third quarter (October 2001 through December 2001)	Increase (Decrease)
<b>Net sales</b>	<b>2,302,043</b>	<b>2,055,511</b>	<b>246,532</b>
<b>Operating income</b>	<b>236,609</b>	<b>195,127</b>	<b>41,482</b>
<b>Ordinary income</b>	<b>261,805</b>	<b>173,707</b>	<b>88,098</b>
<b>Income before income taxes</b>	<b>261,805</b>	<b>173,707</b>	<b>88,098</b>
Income taxes – current	112,500	111,800	700
Income taxes – deferred	(4,400)	(40,100)	35,700
<b>Net income</b>	<b>153,705</b>	<b>102,007</b>	<b>51,698</b>

## UNCONSOLIDATED BALANCE SHEETS

(Million yen; amounts less than one million yen are omitted.)

	FY2003 third quarter (As of December 31,2002)	FY2002 (As of March 31,2002)	Increase (Decrease)
<b>Assets</b>			
<b>Current assets</b>	<b>3,332,804</b>	<b>3,431,039</b>	<b>(98,235)</b>
Cash, deposits and trade accounts receivable	1,050,862	1,260,192	(209,330)
Marketable securities	1,224,270	1,190,085	34,185
Others	1,057,670	980,761	76,909
<b>Fixed assets</b>	<b>4,965,962</b>	<b>5,036,891</b>	<b>(70,929)</b>
<b>Property, plant and equipment</b>	<b>1,242,870</b>	<b>1,275,101</b>	<b>(32,231)</b>
Buildings, machinery and equipment	686,548	691,649	(5,101)
Others	556,321	583,452	(27,131)
<b>Investments and other assets</b>	<b>3,723,092</b>	<b>3,761,789</b>	<b>(38,697)</b>
Investments in securities	1,733,341	1,832,686	(99,345)
Others	1,989,750	1,929,103	60,647
<b>Total assets</b>	<b>8,298,766</b>	<b>8,467,930</b>	<b>(169,164)</b>

	FY2003 third quarter (As of December 31,2002)	FY2002 (As of March 31,2002)	Increase (Decrease)
<b>Liabilities</b>			
<b>Current liabilities</b>	<b>1,614,564</b>	<b>1,961,602</b>	<b>(347,038)</b>
<b>Long-term liabilities</b>	<b>868,620</b>	<b>844,169</b>	<b>24,451</b>
<b>Total liabilities</b>	<b>2,483,184</b>	<b>2,805,772</b>	<b>(322,588)</b>
<b>Shareholders' equity</b>			
<b>Common stock</b>	<b>397,049</b>	<b>397,049</b>	<b>–</b>
<b>Capital surplus</b>	<b>416,970</b>	<b>415,150</b>	<b>1,820</b>
<b>Retained earnings</b>	<b>5,189,465</b>	<b>4,908,068</b>	<b>281,397</b>
<Included net income for the period>	<153,705>	<470,239>	<(316,534)>
<b>Net unrealized gains on other securities</b>	<b>82,406</b>	<b>99,656</b>	<b>(17,250)</b>
<b>Less: treasury stock</b>	<b>(270,310)</b>	<b>(157,766)</b>	<b>(112,544)</b>
<b>Total shareholders' equity</b>	<b>5,815,581</b>	<b>5,662,158</b>	<b>153,423</b>
<b>Total liabilities and shareholders' equity</b>	<b>8,298,766</b>	<b>8,467,930</b>	<b>(169,164)</b>