

To Our Shareholders

Performance Overview

In the semi-annual period ended September 30, 2004, Toyota continued to perform strongly. Efforts to build a globally balanced operational system and market attractive products that accurately reflect demand helped us to sell a record 3.56 million vehicles worldwide on a consolidated basis. As a result, we posted new highs for net revenues and operating income for the fifth consecutive semi-annual period. The maintenance of a high operating income margin of 9.6% testified to Toyota's simultaneous achievement of growth and efficiency. Further, we raised the FY 2005 interim cash dividend ¥5.00 to ¥25.00 per share compared with the FY 2004 interim dividend.

Regional Breakdown

In Japan, despite unfavorable market conditions, Toyota increased its market share thanks to brisk sales of such new models as the Crown Majesta. In North America, we captured our highest-ever share of the U.S. market due to continued favorable sales of the Siena, the Prius, and other vehicles as well as to the growing popularity of Scion-marque cars, which we began marketing across the United States in June 2004. In Europe, sales remained strong on the back of favorable performances by core models, including the Avensis and the Corolla. In Asia, we developed new pickup trucks and multi-purpose vehicles as part of the IMV project, the aim of which is to build an optimal production and supply system on a global scale. Production under the IMV project started smoothly in Thailand and Indonesia.

Management Strategy

We believe that the automobile industry still has huge potential for growth and expect that competition among automakers in markets worldwide will continue to intensify. In response to that business environment, Toyota will focus on the following issues over the medium-to-long term: reinforcing development of environmental technologies; developing and supplying products that anticipate customer needs; creating a globally balanced business structure that efficiently utilizes group resources; and promoting the development of human resources, which is the source of corporate competitiveness.

By addressing those issues, we will seek to increase shareholder value. At the same time, we aim to become a company that can successfully compete on a global scale while continuing to grow in the 21st century and to become a global company that is trusted worldwide and contributes to the development of a prosperous society. With sincerity and humility, we will therefore pursue growth in harmony with society.

In closing, we ask all of our shareholders for their continued support.

December 2004



Hiroshi Okuda, Chairman



Fujio Cho, President