TOYOTA
FINANCIAL SERVICES

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Mr. Fabrice Demarigny
Secretary General
Committee of European Securities Regulators
11-13 Avenue de Friedland
Paris, France 75008

Dear Mr. Demarigny,

Thank you for taking the time recently to meet us and to discuss our principal concerns in relation to the proposed implementing measures under the Prospectus Directive. While we strongly support the objective of the Prospectus Directive to achieve a harmonised and efficient European capital market which provides an appropriate level of investor protection, we continue to have significant concerns on the proposed requirements on the provision of financial information.

By way of background, Toyota Motor Credit Corporation ("TMCC") is an indirectly wholly-owned subsidiary of Toyota Motor Corporation ("TMC"), the world's third largest automaker. TMCC provides retail and wholesale financing, retail leasing and certain other financial products and services to vehicle and industrial equipment dealers in the U.S. and is an active issuer in the global markets, including Europe. TMCC is a AAA rated issuer.

Definition of Equivalence

The requirements in relation to financial information remain unclear. Although CESR has published a consultation paper on financial information (CESR/03-210b), which gives some detail on the requirements which will apply, the essential question of what constitutes "equivalent" financial information has not been addressed. Until this question is addressed appropriately and some real guidance or confirmation that U.S. Generally Accepted Accounting Principles ("US GAAP") will be treated as "equivalent" we are left in a state of uncertainty as to the requirements which will apply.

Planning for Future Funding

It is vital that the question of "equivalent" financial information is addressed as a matter of priority. Although member states will not be required to implement the Directive until 18 months after its date of publication in the Official Journal, we are currently planning our capital raising activity for 2005 and beyond, and therefore need to understand what the future requirements will be. It is important therefore that this issue is resolved in the near future. We recognise that the precise mechanism for determining what is equivalent financial information may be difficult to formulate in a short timeframe but, at the very least, confirmation should be forthcoming to the effect that US GAAP which has been recognised in the EU markets for many years will continue to be accepted under the Prospectus Directive.

Cost and Practicality of Complying with IAS

Any requirement to reconcile or restate US GAAP accounts to International Accounting Standards ("IAS") principles and to then apply auditing requirements to IAS standards will significantly increase the costs of issuing in the EU for TMCC. Based on an internal analysis (but after discussions with external accounting firms), we estimate that the cost of an initial reconciliation or restatement exercise would be approximately US$3-5 million and on-going compliance costs (including additional staff and information systems) would be approximately US$1-3 million. These additional costs would significantly offset the current savings generated by issuing in the EU and accordingly we may be reluctant to incur these costs. The additional time and effort which would be required to restate or reconcile our accounts are also relevant factors. Our accounting function is already stretched due to increased compliance requirements set forth by Sarbanes Oxley and it is questionable as to whether sufficient resources will be available to comply with an IAS reporting requirement.

We would note that the impact is not limited to TMCC. As two of our parent companies, Toyota Financial Services Corporation and TMC, currently provide credit support to issues by TMCC, these companies would also be required to include financial information under the terms of the proposed Guarantor Building Block. Unless US GAAP is recognised as equivalent, these companies would also be required to restate or reconcile their financial information which is currently prepared to US GAAP standards to IAS. This would multiply the costs and effort significantly and may well make it completely uneconomical to continue issuance in Europe.

It would be with enormous regret and, we believe, to the detriment of the market as a whole that, if as a result of the current uncertainty, we would have to decide to withdraw from the EU market. We are one of a limited number of "AAA" rated corporate issuers in the market and have a US$16 billion euro medium-term note program listed in London which is renewed annually and has recently been increased to US$20 billion. We have a long-standing relationship with investors and bankers in Europe in terms of fund-raising, in addition to the Toyota group position in Europe as an important manufacturing investor, and we would like to continue to be active in the EU market.

In any event, IAS has not yet been finalised. We understand that there are 33 statements due to be published by 2004. As the requirements of IAS are not yet certain, a requirement that accounts be restated or reconciled to IAS puts undue pressure on non-EU issuers. Although the main requirements of the Prospectus Directive will not apply until 2005, the requirement to include at least two years comparative data as suggested by CESR means that the systems would need to be in place in 2003. This timetable is simply not realistic. Even if TMCC did take the view that it should follow IAS, it would take 1 to 2 years to put appropriate systems in place after the finalisation of IAS. Given the requirement for comparative data, TMCC would be forced out of the market for a period of at least 3 years.

FASB's International Activities and IASB Convergence

Both IAS and US GAAP can be expected to converge as the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB") continue to work diligently towards international convergence. Any requirement to reconcile or restate US GAAP financial information to IAS standards in the interim period would therefore be a temporary measure. A more sensible approach at least would be to await the outcome of the convergence exercise.

Acceptance of US GAAP

We do not believe that there should be a requirement to reconcile or restate US GAAP accounts to IAS. US GAAP has been accepted in the EU for many years and it is unclear to us why this may now change. US GAAP is an internationally recognised standard of high repute and has achieved worldwide acceptance. We are not aware of any other jurisdiction which requires a reconciliation or restatement exercise from US GAAP (for example, Japan accepts US GAAP and, indeed, TMC, a Japanese incorporated company has itself adopted US GAAP). US GAAP represents a different approach (but not a lower standard) to IAS.

Investors in the EU understand US GAAP as it has been used in the market for a number of years. Many investors prefer financial information prepared to US GAAP standards where, for example, they are comparing information to other US issuers and competitors. A requirement for IAS may therefore be detrimental to investors in some cases. Furthermore, investors, including retail investors, will be disadvantaged if issuers such as TMCC were to withdraw from the EU market because of the costs of issuing here. This would deprive investors of the ability to invest in high quality AAA notes, would limit their ability to access a diverse range of such investments and may lead them to invest in lower quality instruments. This would deprive the market of its depth and liquidity and may increase the cost of funding for EU issuers and, accordingly, be contrary to the objectives in the Prospectus Directive.

The issue of acceptance of US GAAP in the EU should not be used as a political "football" to advance the debate with the US on mutual recognition. The issue of equivalent financial information is too important to the EU market to be dealt with in such a manner. The focus should be on adopting the right approach. The consequences of excluding non-EU issuers such as TMCC will be serious and far-reaching for the EU market.

Conclusion

For the reasons stated above, it is vital that non-EU issuers who currently prepare their accounts and audit to US GAAP standards are given a firm indication in the near future that US GAAP will continue to be acceptable for listings and offers in the EU. The question needs to be addressed now, even if the detail is forthcoming at a later date, to enable issuers to plan appropriately. A positive statement in the very near future by CESR and/or the Commission will avoid potential damage to the EU capital market if issuers are forced by uncertainty to migrate to other capital markets. We would therefore urge CESR and/or the Commission to address the question as a matter of urgency.

Sincerely,

Maura Mizuguchi
National Manager and Treasury Controller

Marcia Morita N.D.

Marcia Morita
Treasury Manager