Message from the Executive Vice President Responsible for Accounting

Fiscal 2014 Business Results

On a consolidated basis for the fiscal year ended March 31, 2014, the Toyota Group reported an increase in both revenue and earnings. Vehicle sales increased 2.245 million units to 9.116 million units compared with the previous fiscal year. Net revenues expanded ¥3,627.7 trillion to ¥25,691.9 trillion, operating income grew ¥971.2 billion to ¥2,292.1 billion, and net income rose ¥860.9 billion to ¥1,853.1 billion.

Factors that contributed to the increase in operating income included a ¥165.0 billion boost due to exchange-rate fluctuations as well as ¥290.0 billion contributed by cost reduction efforts, ¥180.0 billion by marketing efforts, and ¥81.2 billion by other factors. Factors that were detrimental to operating income included a ¥480.0 billion rise in expenses.

From a marketing perspective, the active release of fully remodeled cars, including the Harrier, Voxy, and Noah, together with the efforts of dealers nationwide helped boost sales in Japan. On a global basis, the Group's performance was mixed. Sales in Thailand and India due mainly to market contraction and increasingly fierce competition. In contrast, the continued recovery in North America, coupled with the release of remodeled cars, including the RAV4, Lexus IS, and Tundra, served to drive sales forward. We thus saw vehicle sales grow mainly in North America, Europe, and the Middle East. The sales increase in Japan and across many countries and regions worldwide reflects the introduction of new car models that accurately address the needs of domestic and overseas customers as well as the intense efforts of the Group's global dealers.

I strongly believe that the revitalization of the Group's operations and management is attributable to the hard work of dealers and suppliers along with the concerted efforts of the entire Toyota Group of companies to improve profitability.

Consolidated Financial Forecasts for Fiscal 2015

For the fiscal year ending March 31, 2015, we forecast vehicle sales of 9.1 million units, net revenues of ¥25.7 trillion, operating income of ¥2.3 trillion, and net income of ¥1.78 trillion on a consolidated basis. Our exchange rate assumptions are ¥100 per US$1 and ¥1.40 per €1.

In our forecast for consolidate operating income we expect cost reduction efforts (¥165 billion) to be a contributing factor. We also expect exchange-rate fluctuations (¥95 billion), marketing efforts (¥45 billion), and an increase in expenses (¥17.1 billion) to negatively impact operating income. While the aforementioned cost reduction efforts and the absence of the one-off expense incurred in the fiscal year ended March 31, 2014, will help boost earnings, the anticipated deterioration in model composition, impact of low-priced currencies in emerging markets, and aggressive forward-looking expenditures aimed at securing sustainable growth on the back of increased competitiveness are projected to hold operating income at its current level.

We will be looking to build a foundation that is capable of generating sustainable growth by implementing a wide range of measures. As we work to enhance our competitiveness by developing human resources, undertaking capital investments, and implementing our new management structure, we will take care not to be overly influenced by short-term financial results. Meanwhile, in order to absorb the increase in fixed costs associated with forward-looking investments, we will not let up in our efforts to reduce costs through Companywide value analysis (VA) activities, or to improve profitability by efficiently promoting sales.

We have been aiming to establish a cycle of developing ever-better cars that delight our customers and benefit society while fulfilling our duty to increase sales and profits that are, of course, reinvested in development. To support this cycle, we will endeavor to maintain and build on our strong earnings base and to steadfastly engage in activities that improve our profit structure. To this end, we will continue to increase the gross profit margin per unit and place suitable controls on fixed costs.

Financial Strategy

The three key priorities of our financial strategy are growth, efficiency, and stability.

We believe that the balanced pursuit of these three priorities over the medium to long term will allow us to achieve steady and sustainable growth as well as increase corporate value.

1. Growth: Sustainable growth through continuous forward-looking investments

The structure of the automotive market is undergoing dramatic change. Along with burgeoning environmental awareness, we are witnessing rising demand for diverse types of eco cars as well as the rapid development of information technology and telecommunications. At the same time, global competition is becoming increasingly fierce. Focusing on environmental and safety as well as information and telecommunications technology development and investing capital in areas aimed at enhancing productivity, Toyota will actively undertake all necessary expenditure to remain at the forefront. This will include the development of human resources, which we recognize is key to maximizing conscientious manufacturing and investment in IT.
systems that support efficient workplace practices. We will place considerable weight on investments that accurately reflect market trends and lead toward sustainable growth over the long term.

For example, as part of the Company’s environmental activities, Toyota is working diligently to improve the fuel economy of conventional engines and is actively engaging in the development of a wide range of technologies, including hybrid technologies for plug-in hybrid, electric, and fuel cell vehicles (FCVs). The Company is placing particular emphasis on FCVs, which are being designed as part of efforts to respond to the growing diversity of automotive fuels. Boasting zero CO2 or environmentally hazardous substance emissions while running as well as a level of convenience that is comparable to current gasoline vehicles, FCVs are the ultimate in eco cars. In a bid to promote their widespread use, Toyota plans to launch a sedans-type FCV in Japan before March 2015 and some time in summer 2015 in the United States and Europe.

From the perspective of safety, Toyota is drawing on the integrated safety concept, which pursues connectivity between a wide variety of safety systems while providing optimal driver support across all driving scenarios, to vigorously develop safety technologies, including the practical application of advanced driver assistance systems that support efficient workplace practices.

In the area of information and telecommunications technology, Toyota is active across a broad spectrum of fields. In addition to an interactive interface that links directly to a vehicle’s operations, sophisticated navigation systems, and big data analysis, the Company has begun developing technologies that deliver new value both in terms of vehicle safety and performance. For example, Toyota is rolling out T-Connect, an innovative new telematics service. T-Connect features an interactive voice response service that handles queries about locations and news, as well as a predictive information service that draws on data from user route histories to predict a car’s destination. Based on the predicated destination, T-Connect provides voice guidance that is comparable to navigation services that are already commercially available.

Within this context, Toyota declared an annual dividend payment of ¥165 per share for the fiscal year ended March 31, 2014.

Moving forward, we will continue striving to further improve profits and meet the expectations of our shareholders.

July 2014

Nobuyori Kodaira
Executive Vice President