Targeting sustainable growth through steadfast efforts to improve quality and reduce costs

Fiscal 2010 Business Results

In fiscal 2010, ended March 31, 2010, on a consolidated basis vehicle sales declined 330 thousand units, to 7,237 thousand units, and net revenues decreased 7.7%, to ¥18,950.9 billion. However, we recorded operating income of ¥147.5 billion, up ¥608.5 billion from the operating loss posted in fiscal 2009. Net income totaled ¥209.4 billion, an increase of ¥646.4 billion from a net loss in fiscal 2009.

Factors contributing to the increase in operating income included ¥520.0 billion from cost-reduction efforts, ¥470.0 billion from the reduction in fixed costs, a ¥270.0 billion increase in income from our financial services operations, excluding valuation gains/losses from interest rate swaps and ¥38.5 billion from other factors. Major factors reducing earnings were a lower sales volume and changes in the product mix, totaling ¥370.0 billion, and exchange rate fluctuations, amounting to ¥320.0 billion. A worsening market environment due to the financial crisis affected sales volume and the sales mix, which was lower in the first half, compared with the same period of the previous fiscal year. In the second half despite the impact of the recall, unit sales were up year on year. This was due to measures by various nations to stimulate demand, which revitalized the market, as well as the effect of our sales promotion measures. Also, the rapid appreciation of the Japanese yen against the U.S. dollar, the euro and other currencies reduced the profitability of exports.

Despite the severe business environment, our dealers and suppliers remained fully committed to providing as many vehicles as possible to customers. Our employees in Japan, as well as those involved in overseas operations, made every effort to work together to achieve cost reductions and decrease fixed costs. The result of their continued hard work was ¥1,690.0 billion in cost reductions, as well as lowering the break-even point. These cost reductions were a result of the further strengthening of activities in collaboration with our suppliers, including the expansion of models covered under emergency VA (Value Analysis) from 15 to 50 vehicles. We also reviewed all expenses related to fixed costs as well as made reductions to raise the efficiency of capital expenditures. We will continue to improve our corporate structure in the fiscal year ending March 31, 2011 and beyond.

Consolidated Financial Forecasts for Fiscal 2011

For fiscal 2011, ending March 31, 2011, we forecast vehicle sales of 7.29 million units, net revenues of ¥19,200.0 billion, operating income of ¥280.0 billion, and net income of ¥310.0 billion on a consolidated basis. The exchange rates assumed for this forecast are ¥90 per US$1 and ¥125 per €1.

Consolidated operating income is expected to increase as a result of ongoing activities to improve profitability, including ¥130.0 billion cost-reduction and a ¥160.0 billion decrease in expenses. Factors that are expected to decline operating income include the effect of exchange rate fluctuations amounting to ¥80.0 billion, sales volume/mix effects of ¥50.0 billion and ¥27.5 billion from other factors.

Looking ahead, to realize sustainable growth we will continue working to improve our corporate structure and maintain and improve the break-even point, while placing the highest priority on customer safety and confidence. We will also make every effort toward the early commercialization of next-generation environmental and safety technologies that will be successful in the face of intense competition.

With regard to cost reductions and the decrease in fixed costs, we promoted large cost reductions as an emergency countermeasure in the fiscal year ended March 31, 2010. We will ensure that these work structures and approaches remain in place to achieve steady results. From the perspective of development and design, we will devote our efforts to cost reductions and quality maintenance and improvements while strengthening the training and development of employees in these processes. We aim to improve both quality and profitability by putting Toyota's *Monozukuri* (manufacturing) philosophy into practice in all three areas of quality, cost and human resource cultivation.

Message from the Executive Vice President Responsible for Accounting

Financial Section

Financial Strategy

The three key components of Toyota's 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

We believe that automotive markets worldwide will grow over the medium to long term. As they expand, the center of market growth will shift toward fuel-efficient vehicles, such as hybrid vehicles and compact vehicles and toward resource-rich and emerging markets. We plan to invest actively in these areas to respond to structural shifts in demand and ensure long-term sustainable growth. Concurrently, we plan to continue accelerating measures to provide high-quality, affordable and attractive products that meet customers' needs in each country and region and to provide further support in the areas where we want to advance, namely, emerging markets and next-generation eco-cars.

2) Efficiency: Improving profitability and capital efficiency

To meet ongoing demand for hybrid and compact vehicles, we aim to provide high-quality vehicles at affordable prices and to improve profitability through further cost reductions. We will also create a structure for efficient development, production and sales that can respond flexibly to changes in the external environment. In manufacturing, we will expand local production in high-growth emerging markets. On the other hand, in the developed countries such as Japan, the United States and Europe, we intend to revise our current product lineup to reflect changes in the market structure. We will also build a flexible and efficient production system that is resistant to foreign exchange fluctuations. Through the creation of a global and optimal supply system, we aim to realize a strong profit structure.

3) Stability: Maintaining a solid financial base

We preserve a solid financial base by ensuring sufficient liquidity and stable shareholders' equity. Our sound financial position enables us to maintain our level of capital expenditures and investment in research and development even when the price of raw materials increases or there is drastic foreign exchange rate fluctuation. In view of anticipated medium- to long-term growth in automotive markets worldwide, we believe that maintaining adequate liquidity is essential for the implementation of forward-looking investment to improve products and develop next-generation technologies, as well as to establish a structure for production and sales in both the Japanese and overseas markets. We will continue to pursue further capital efficiency and improved cash flows.

Dividends and Share Acquisitions

We consider benefiting shareholders one of our top management priorities, and makes an effort to realize sustainable growth through ongoing structural improvements to enhance our corporate value. We strive to continue paying dividends while giving due consideration to factors such as the business results in each term, investment plans, and cash reserves.

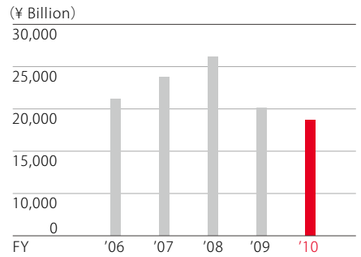
To survive amid tough competition, we will utilize our internal funds for the early commercialization of next-generation technologies targeting safety and the environment. We will make customer safety and security our highest priority, along with initiatives that respond to the needs of customers in emerging markets. Accordingly, we declared an annual dividend payment of ¥45 per share for the fiscal year ended March 31, 2010.

Given the uncertain outlook for global financial conditions, we will put a priority on securing cash reserves. Accordingly, we did not repurchase our own shares in fiscal 2010, and we plan to forgo such repurchases for the foreseeable future.

We will continue striving to further improve profits and meet the expectations of our shareholders.

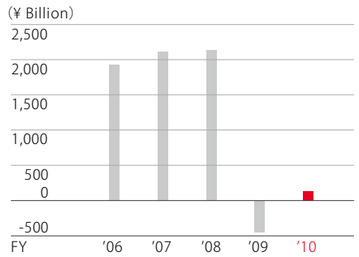
Satoshi Ozawa, Executive Vice President

Net Revenues



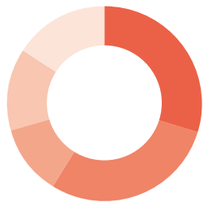
Note: Fiscal years ended March 31

Operating Income



Note: Fiscal years ended March 31

Vehicle Sales by Region



Japan	29.9%
North America	29.0%
Europe	11.9%
Asia	13.5%
Others	15.7%