We are seeking to enhance corporate value by developing a strong earnings base and making further improvements to our structure.

**Fiscal 2011 Business Results**

On a consolidated basis for the fiscal year ended March 31, 2011, year-on-year vehicle sales improved 71 thousand units to 7,308 thousand units, and net revenues increased 0.2% to ¥18,993.6 billion. Operating income rose ¥320.7 billion to ¥468.2 billion, whereas net income advanced ¥198.7 billion to ¥408.1 billion. As a result, Toyota succeeded in increasing both revenue and income.

Factors contributing to the increase in operating income included ¥490.0 billion from marketing efforts (including ¥130.0 billion from our financial services operations) and ¥180.0 billion from our continuous cost-reduction efforts, including companywide VA (Value Analysis) activities. Major factors reducing income were exchange rate fluctuations, amounting to ¥290.0 billion, increases in expenses, etc., of ¥30.0 billion, and other factors reducing income that amounted to ¥29.3 billion. In Japan, subsidies for eco-car purchases ended, which had a negative effect on income, and vehicle sales were drastically down due to the earthquake of March 11. Nonetheless, sales of IMVs were strong, especially in Asian countries such as Thailand and Indonesia, reaching their highest levels ever for the full year and contributing to an increase in income. The negative impact of the Great East Japan Earthquake on income amounted to ¥110.0 billion: ¥100.0 billion was due to operating factors such as reduced vehicle sales as a result of reduced production and the recording of allowances for our financial services business; other factors contributing to a ¥10.0 billion reduction in income were decreased cost reduction associated with lower unit sales and an increase in costs. Taking the above into consideration, we view the increase in income for the fiscal year ended March 31, 2011, as offsetting two major impacts that reduced income, namely, the rapid and steep increase in the value of the yen and the Great East Japan Earthquake.

Although I have noted previously that in the fiscal year ended March 31, 2010, we succeeded in broadly lowering our break-even point, we continued to make structural improvements during the fiscal year ended March 31, 2011, so if we leave out temporary factors such as the impact of the earthquake, I believe we have succeeded in creating “a structure that generates profits even with the exchange rate at ¥85 to the U.S. dollar, and consolidated unit sales of 6.6 million.” We will continue to put strong efforts into marketing, as well as work to achieve cost reductions by holding down fixed costs and conducting companywide VA efforts so as to improve our profitability.

**Consolidated Financial Forecasts for Fiscal 2012**

For the fiscal year ending March 31, 2012, we forecast vehicle sales of 7.24 million units, net revenues of ¥18,600.0 billion, operating income of ¥300.0 billion and net income of ¥280.0 billion on a consolidated basis. The exchange rates assumed for this forecast are ¥82 per US$1 and ¥115 per €1.

Factors that are expected to increase income include cost-reduction efforts amounting to ¥100.0 billion. Factors that are expected to cause a decrease in income include the effect of exchange rate fluctuations amounting to ¥100.0 billion, sales volume/mix effects totaling ¥120.0 billion and an increase in expenses, etc., reaching ¥48.2 billion. In terms of the impact in the next fiscal year of the Great East Japan Earthquake, we expect a decrease in unit sales, including a surplus after recovery to regular production levels amounting to ¥320.0 billion and decreased cost reduction amounting to ¥40.0 billion, for a total impact of ¥360.0 billion. Despite temporary factors such as the effect of the disaster, I believe we are making steady progress toward achieving the goal set forth in our Global Vision of building solid profitability by which we can consistently achieve a return to profitability in nonconsolidated operating income, with a consolidated operating margin of 5% and operating income of around ¥1 trillion even under such severe conditions as an exchange rate of ¥85 to the U.S. dollar, and consolidated unit sales of 7.5 million.

I believe that the profitability called for in the Global Vision represents a “bottom line for sustainable growth,” which means creating a structure that will generate earnings even in the event of another economic downturn that, for example, results in a 20% decline in unit sales. Doing so means creating a stable business base by creating “better cars” that are accepted by our customers and society, and contributing to “enriching lives of communities,” which will result in winning the hearts of a growing number of customers. By fostering that kind of virtuous cycle we can realize sustainable growth and increase our corporate value.
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.

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 and efficiently in these areas to respond to structural shifts in demand and ensure long-term sustainable growth. We will expand our lineup of hybrids and other eco-cars and develop it globally, while making efforts to increase sales in emerging markets by working to strengthen locally produced core models, such as IMVs and newly developed subcompact models. I believe we should work to realize a geographically balanced business structure that favors neither developed nor emerging economies.

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 continue to slim down our plant and equipment investment through the effective use of existing facilities and reducing changeover costs that arise as a result of model changes. Our goal is to achieve the same effect from minimized capital expenditures as we did when they were at their peak. Through such efforts, we will seek effective investment that emphasizes eco-cars and emerging markets while improving our income structure.

Stability: Maintaining a solid financial base
We preserve a solid financial base by ensuring sufficient liquidity and stable shareholders’ equity. Such a sound financial position enables us to maintain a level of capital expenditures and investment in research and development geared towards future growth as well as to maintain the necessary level of working capital, even during difficult business environments such as steep price increases in raw materials or a drastic foreign exchange rate fluctuation, not to mention such unexpected crises as the recent natural disaster. 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 in addition to the crisis measures. 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 make an effort to realize sustainable growth through ongoing structural improvements to enhance our corporate value. We strive for the continuous and stable payment of 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 environmental and safety technologies that prioritize customer safety and confidence. Accordingly, we declared an annual dividend payment of ¥50 per share for the fiscal year ended March 31, 2011, an increase of ¥5 per share over the previous year’s annual dividend.

Given the uncertain outlook for the present business environment, we will prioritize securing cash reserves. Accordingly, we did not repurchase our own shares in the fiscal year ended March 31, 2011, 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.

July 2011

Satoshi Ozawa,
Executive Vice President