

Our Response to Rapid Environmental Changes

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Today's financial results announcement relate to the performance of Toyota over the past six months.

However, these financial results reflect not only what has occurred over these six months but also the outcome of our longstanding efforts since the global financial crisis.

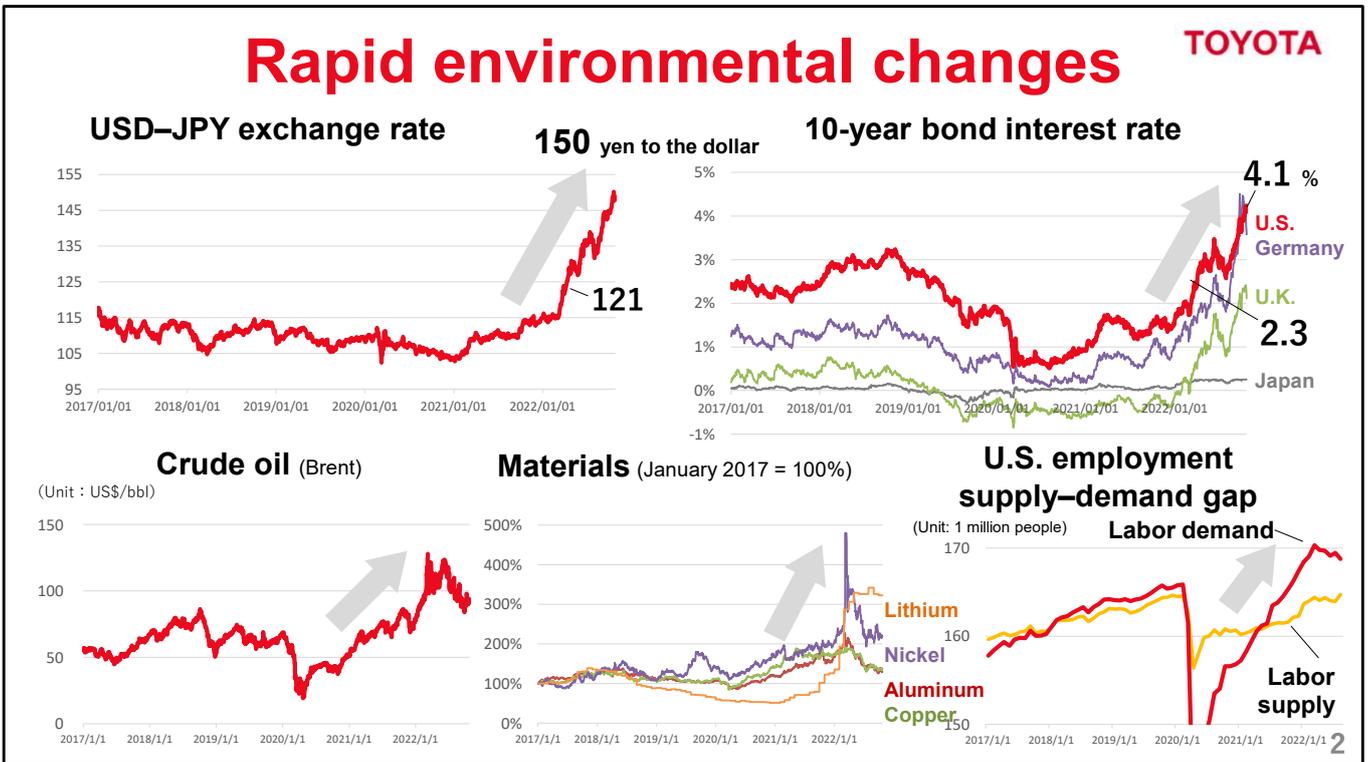
I believe that they also reflect the competitiveness of Toyota as a whole, including our many colleagues in the auto industry.

So that customers around the world will want Toyota products, we have continuously evolved our products by introducing such things as an in-house company system, a regional system, and the TNGA common vehicle platform.

We believe that this has resulted in our products being accepted by the market.

Rapid environmental changes

TOYOTA



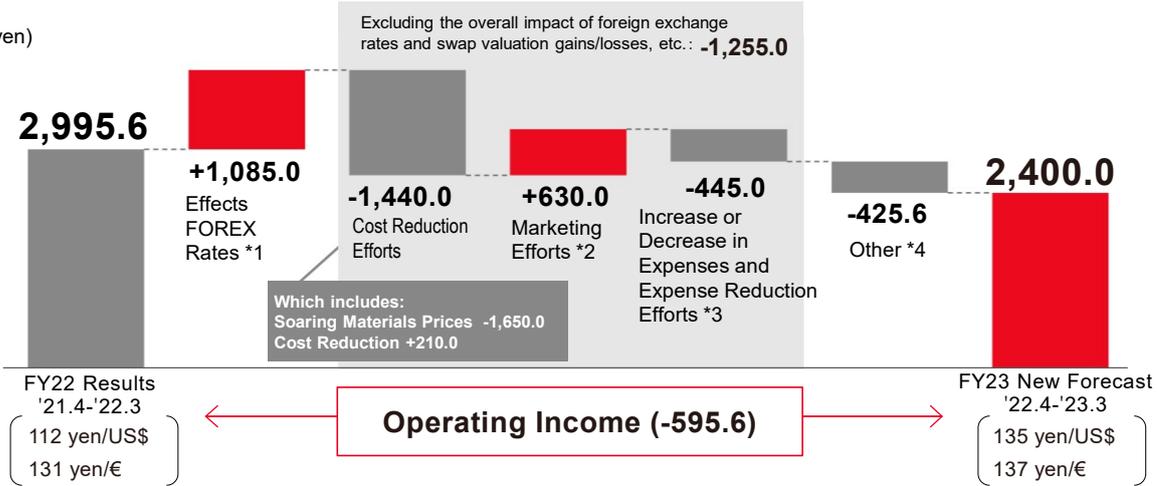
However, the environment has rapidly and significantly changed in the last half year. The U.S. dollar – Japanese yen exchange rate, which since 2017 had long remained stable between 105 yen and 115 yen to the dollar, rose from 121 yen at March-end to 150 yen recently, while the yield of 10-year U.S. government bonds has risen from 2.3% to 4.1%.

Also, as shown on this slide, energy and materials price, as well as the worldwide labor situation, are rapidly and significantly fluctuating.

All of these tremendous changes, including the semiconductor procurement situation and other factors, are occurring concurrently and, for the broadly based auto industry, these changes could have a significant impact in the future as well. My honest feeling is that it is difficult to predict the future of the auto industry even six months from now, let alone Toyota's earnings and production volume.

Analysis of FY2023 Forecast: Consolidated Operating Income (vs. FY2022 Results)

(billions of yen)



*1 Details	*2 Details	*3 Details	*4 Details
Transactional (Imports/Exports)	Translational FOREX Impact Concerning Overseas Subsidiaries	Volume, Model Mix	Labor Cost
+1,000.0	+105.0	+175.0	-140.0
- US \$	Other	Financial Services	Valuation Gains / Losses from Swaps, etc.
+930.0	-20.0	-85.0	-220.0
- €	(Translational FOREX Impact of Fiscal Year-end Balance of Provisions in Foreign Currencies, etc.)	Other	End of Vehicle Production in Russia
+40.0		+540.0	-96.9
- Other			Other
+30.0			-108.7
			Expenses, etc.
			-170.0

I would like to explain our response to the soaring raw materials prices.

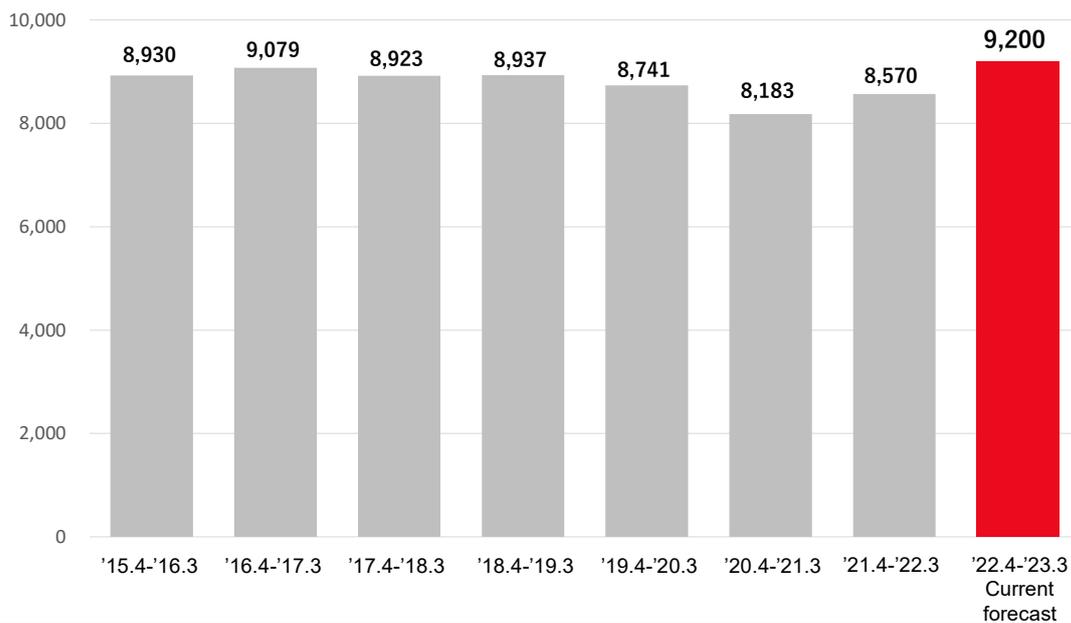
We have constantly been discussing with our suppliers without drifting away from our focus of enhancing competitiveness in the medium to long term.

Cars consist of about 30,000 parts, and competitiveness cannot be increased by Toyota's efforts alone.

Toyota and every one of our suppliers are working as one in implementing measures to address soaring raw materials prices while adhering to our focus.

Changes in production volume (Toyota/Lexus) TOYOTA

(Unit: 1,000 vehicles)



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Even now, a solution to our order-backlog issue is not in sight.

Although we are revising our forecast for production volume, our basic stance of doing our utmost to deliver products as soon as possible to customers who soon order them has not changed.

In reality, there are many times when things don't go the way we want them to, and we apologize for the long delays but will continue to do our best.

There have been many times in the past when it was difficult to predict the future, such as at the time of the global financial crisis.

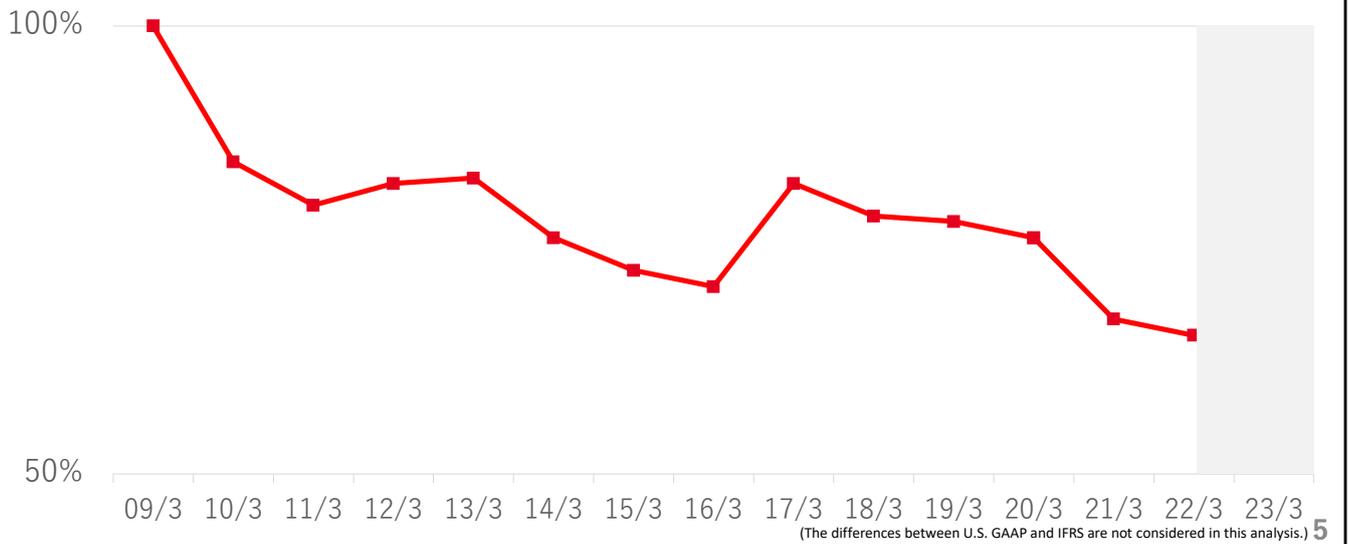
And each time, we have been greatly impacted.

This time, we are seeing changes that are beyond the scale of anything that we have seen before. I believe that the fact that we have managed to maintain our production levels is not an overnight achievement.

Changes in break-even volume TOYOTA

(Year ended March 31, 2009 = 100%)

Note: On an operating income basis



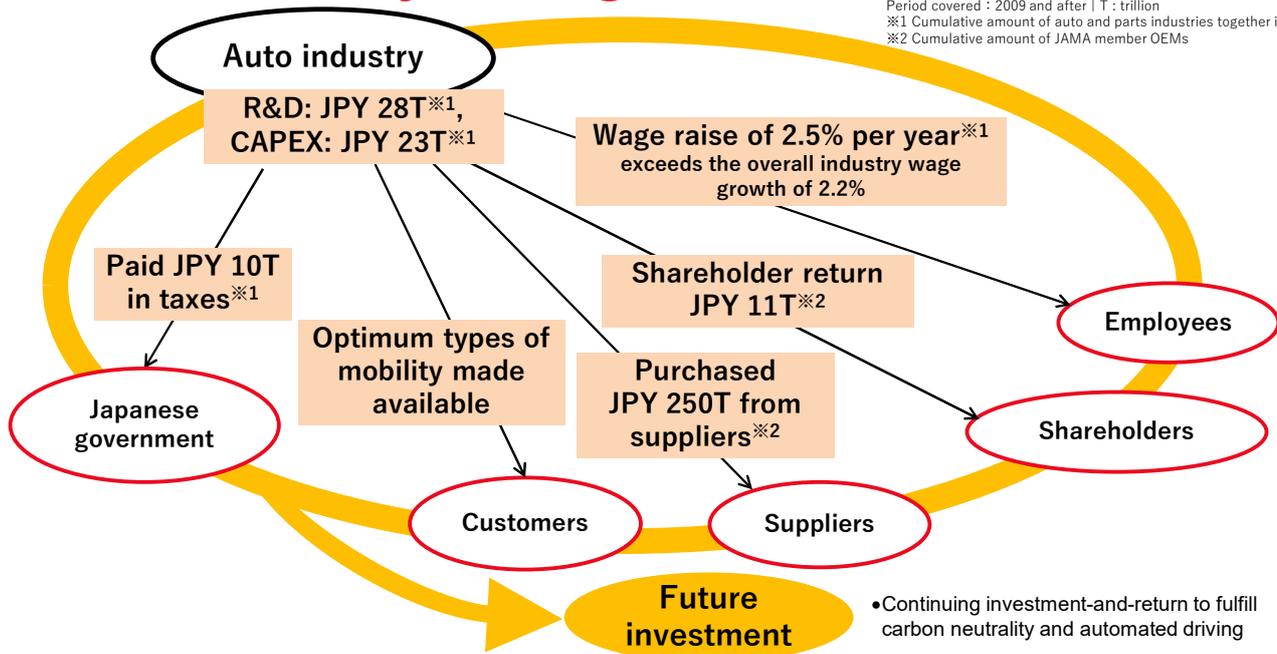
The product-centric management we have implemented following the global financial crisis has not only strengthened our product competitiveness but also honed manufacturing skills and techniques at our suppliers and production sites.

It has also led to significant improvements in efficiency in development, sales, and production, which allowed us to reduce the break-even number of units by more than 30% compared to before the global financial crisis.

I believe that this is the result of steady efforts with many stakeholders over a long period to improve our structure.

Virtuous cycle of growth and distribution

Period covered : 2009 and after | T : trillion
 ※1 Cumulative amount of auto and parts industries together in Japan
 ※2 Cumulative amount of JAMA member OEMs

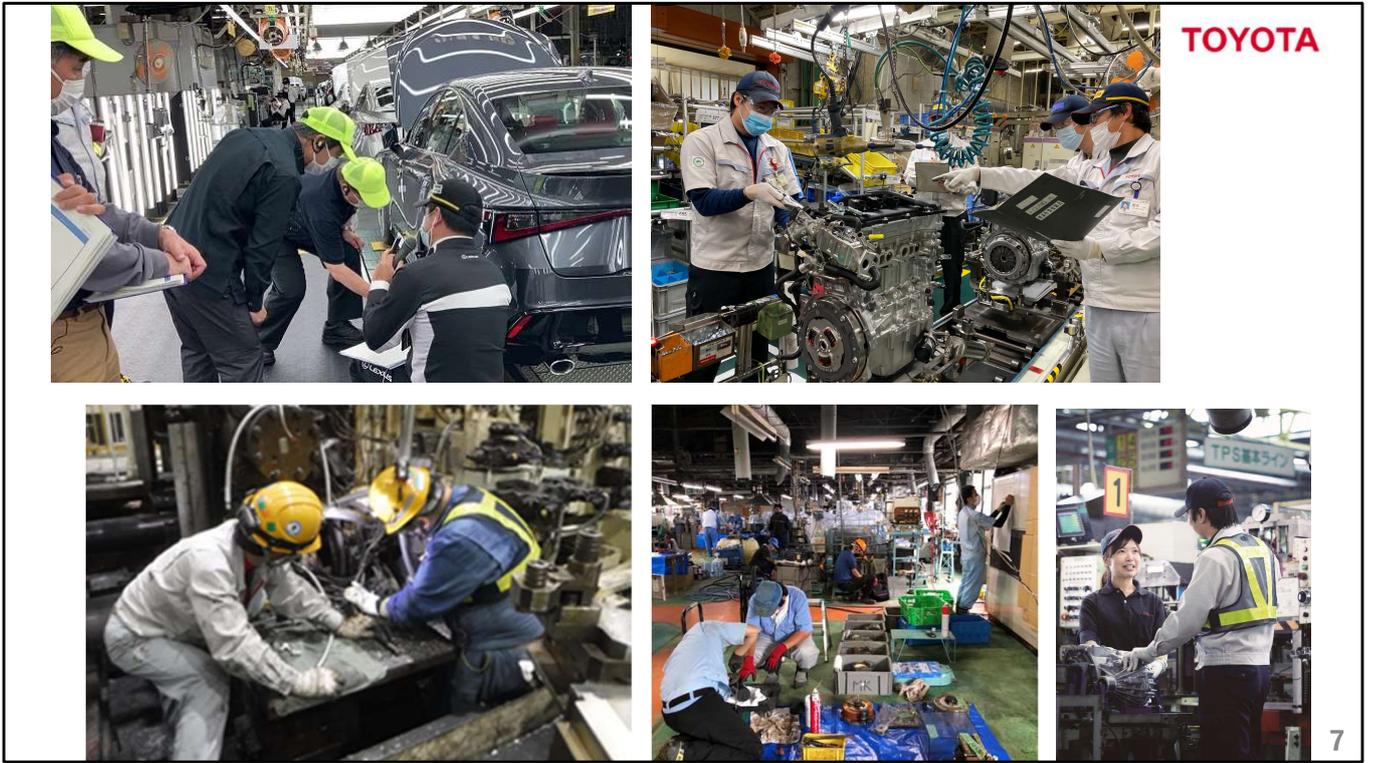


(Source: materials from the January 27, 2022 press briefing by the Japan Automobile Manufacturers Association (JAMA), partially modified by Toyota Motor Corporation) 6

The Japanese auto industry has grown by sharing with many people the value created by mobility. Since 2009, Japanese auto and parts industries have invested a cumulative 28 trillion yen in R&D and 23 trillion yen in capital expenditure, and have provided customers with attractive products, created numerous jobs, paid taxes to the national and local governments, and obtained foreign currency to finance energy imports.

I believe that this is a tremendous strength that will enable the entire Japanese auto industry, including the Japan Automobile Manufacturers Association and the Japan Auto Parts Industries Association, to move forward as one team, even in these times of great change.

This is something that has never happened before.



Even now, headwinds, such as sudden production increases and decreases due to the semiconductor shortage and rising costs due to soaring materials prices, continue. Although, we cannot predict the future, we will leverage our long-cultivated competitiveness, profit structure, and strong bonds and relationships of trust that we share with our many colleagues in the auto industry to overcome challenges and further increase our competitiveness.

We sincerely request your support.