

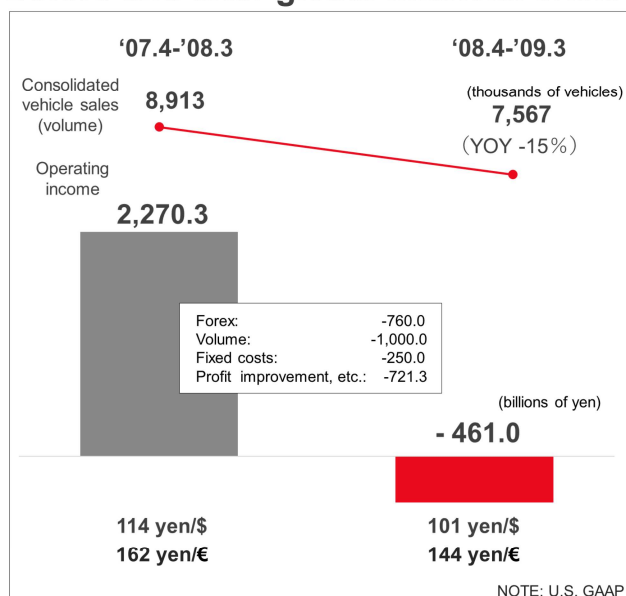
Changes in Profit Structure



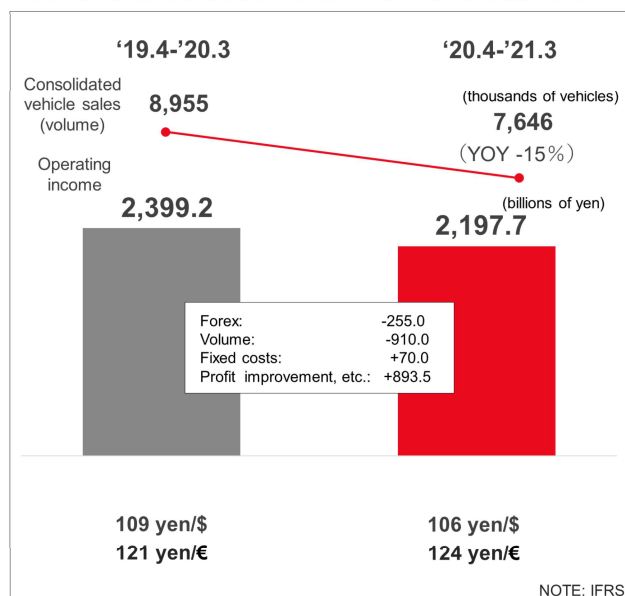
Although the results for the fiscal year ended March 31, 2022, are for a single fiscal year, they represent the accumulation of improvements so far in our profit structure, so I would like to add a few words from that perspective.

Comparison of before and after the global financial crisis and COVID-19 outbreak

Before and after global financial crisis



Before and after COVID-19 outbreak



(The impact of differences between U.S. GAAP and IFRS have not been taken into consideration in this analysis.)

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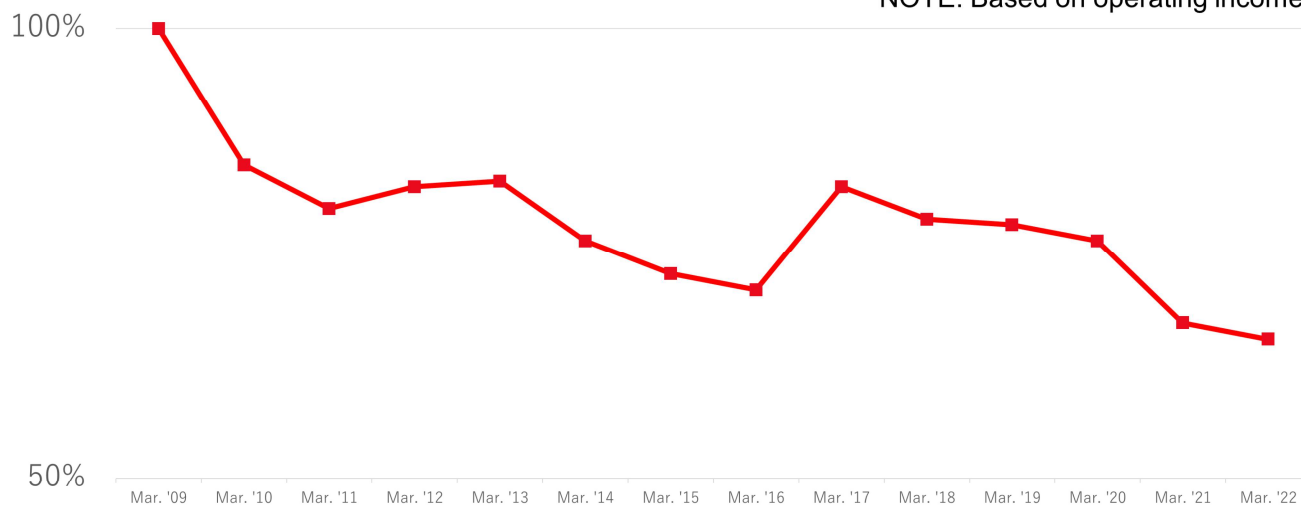
These graphs compare the change in our operating income in the year of the 2009 global financial crisis and the COVID-19 pandemic last year, in each case compared to the previous year.

In both cases, sales volume decreased by 15 percent compared to the previous year. But at the time of the global financial crisis, profits decreased significantly, pushing Toyota into the red, while in the fiscal year ended March 2021, we were able to secure a profit.

Changes in break-even volume

(Year ended March 2009 = 100%)

NOTE: Based on operating income



(The impact of differences between U.S. GAAP and IFRS have not been taken into consideration in this analysis.)

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This shows the break-even volume from the fiscal year ended March 31, 2009, onward.

If we assign our break-even volume at the time of the global financial crisis a value of 100, we have lowered our break-even volume most recently to the 60-to-70 range, demonstrating that we have made significant progress in improving our condition over the past 13 years.

This was not something that could be done overnight. Immediately after the global financial crisis, we had to put the brakes on all of our R&D expenditures and capital investments. We could do nothing to invest in the future. But while overcoming the numerous crises known as the “Six Hardships”, such as our quality crisis, we continuously worked to improve our profitability.

Improved profitability was not something that Toyota was able to achieve on its own. Rather, it was the result of a desperate and concerted effort with all of our stakeholders.

To them, we say thank you.

In-house company system

Passionate, responsible people for each genre

TNGA

Platform with good basic performance for enhanced basic vehicle performance and product appeal

Best in Town

Being close to each region and customer



During that period, as one of Toyota's strengths is having a full lineup of products globally, we shifted to an in-house company system that would allow us to provide high-quality and reasonably priced vehicles at the right place and time to an even higher degree.

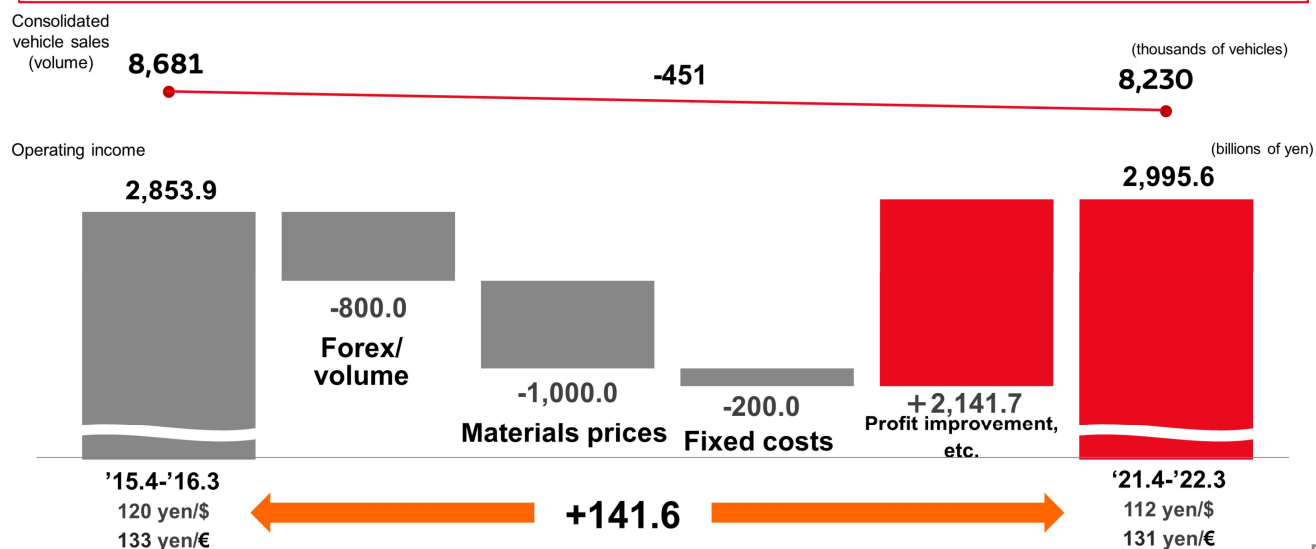
Along with the in-house company system, we introduced our Toyota New Global Architecture, or TNGA, shared vehicle platform to improve the basic performance and product appeal of our vehicles and enhance the reflection of regional characteristics with the aim of not being the best in the world but the best in town.

In the past, we often introduced completely new vehicle models on a one-off basis as the market grew. But now we are continuously evolving our long-time, best-selling cars, such as the Yaris and Corolla, to keep them current so that they can go on being long-time, best sellers.

We believe that this has resulted in our being able to increase profitability.

Year ended March 2016 → Year ended March 2022 TOYOTA (In the 6 years since the adoption of an in-house company system)

Increased profit while under the negative effects of forex, volume and materials prices



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I would like to explain the changes in our profit structure over the past six years since we transitioned to our in-house company system.

Looking at the factors behind increases and decreases in operating income, our profit has increased despite major negative factors such as foreign exchange rates, sales volume, and increases in materials prices.

In terms of sales, our greater-than 2 trillion yen improvement in profit is due to sales price revisions and a reduction in selling expenses. We believe that this is the result of our customers highly evaluating our products.

Also, post-sale vehicle quality helped customers maintain high vehicle value, leading to improved profitability not only in the automotive business but also in the financial services business.

In terms of cost improvements, we believe that significant improvements have been achieved by the effect of switching to new products that are based on the TNGA platform and through the power of our production worksites, including those of suppliers, which can respond to the launch of various new products and environmental changes as well as produce high-quality products.

We used to increase profit through foreign exchange rates and volume growth, but this has certainly changed over the past six years.

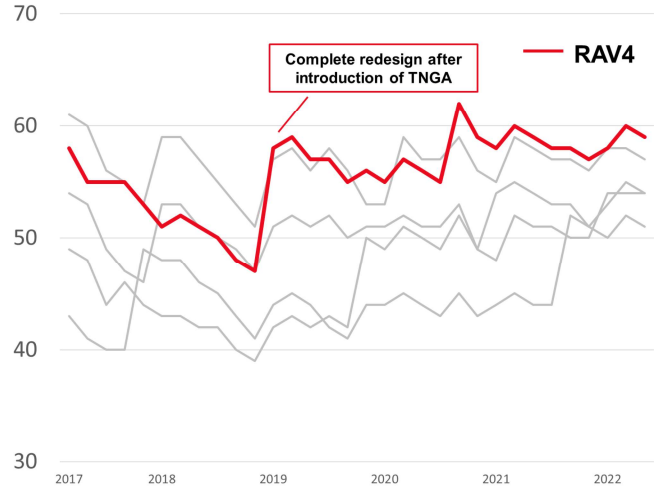
Share of new car sales

(Changes from 2015 to 2021)



Used Car Appraisal

(%) (Changes in U.S. small SUV market)



(ALG (U.S. company) data. Percentages are the expected wholesale used car price 36 months in the future, divided by the new car retail price)

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Comparing 2015 and 2021, we have increased our market share for new car sales in 11 of the 15 major countries, including China, the United States, and Japan.

The graph on the right shows by-model used car prices in the U.S. three years after purchase.

Our RAV4 has received higher appraisals than vehicles by other manufacturers in the same segment, and it is evident that those appraisals have gotten even higher since we switched to the TNGA-based RAV4.

Being able to command a high price in the used car market protects the value of customers' owned assets, and we believe this is building trust in our brand.



As mentioned, although our performance in the fiscal year just ended represents our situation for a single fiscal year, it is the result of efforts that have been ongoing for a long time, and we would once again like to thank everyone involved for their support.

We would like to take this opportunity to apologize again.

This concludes my explanation.