

TOYOTA MOTOR CORP/  
Form 20-F  
June 25, 2012  
Table of Contents

As filed with the Securities and Exchange Commission on June 25, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 20-F**

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended: March 31, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Commission file number: 001-14948

# TOYOTA JIDOSHA KABUSHIKI KAISHA

(Exact Name of Registrant as Specified in its Charter)

## TOYOTA MOTOR CORPORATION

(Translation of Registrant's Name into English)

Japan

(Jurisdiction of Incorporation or Organization)

1 Toyota-cho, Toyota City

Aichi Prefecture 471-8571

Japan

+81 565 28-2121

(Address of Principal Executive Offices)

Kenichiro Makino

Telephone number: +81 565 28-2121

Facsimile number: +81 565 23-5800

Address: 1 Toyota-cho, Toyota City, Aichi Prefecture 471-8571, Japan

(Name, telephone, e-mail and/or facsimile number and address of registrant's contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

**Title of Each Class:**  
American Depositary Shares\*  
Common Stock\*\*

**Name of Each Exchange on Which Registered:**  
The New York Stock Exchange

\* American Depositary Receipts evidence American Depositary Shares, each American Depositary Share representing two shares of the registrant's Common Stock.

\*\* No par value. Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the U.S. Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **3,166,809,753 Shares of Common Stock (including 81,289,063 Shares of Common Stock in the form of American Depositary Shares) as of March 31, 2012**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files): Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes  No

**Table of Contents****TABLE OF CONTENTS**

	<b>Page</b>
ITEM 1.	<u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>
	1
ITEM 2.	<u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>
	1
ITEM 3.	<u>KEY INFORMATION</u>
	1
3.A	<u>SELECTED FINANCIAL DATA</u>
	1
3.B	<u>CAPITALIZATION AND INDEBTEDNESS</u>
	4
3.C	<u>REASONS FOR THE OFFER AND USE OF PROCEEDS</u>
	4
3.D	<u>RISK FACTORS</u>
	4
ITEM 4.	<u>INFORMATION ON THE COMPANY</u>
	8
4.A	<u>HISTORY AND DEVELOPMENT OF THE COMPANY</u>
	8
4.B	<u>BUSINESS OVERVIEW</u>
	9
4.C	<u>ORGANIZATIONAL STRUCTURE</u>
	50
4.D	<u>PROPERTY, PLANTS AND EQUIPMENT</u>
	51
ITEM 4A.	<u>UNRESOLVED STAFF COMMENTS</u>
	52
ITEM 5.	<u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>
	52
5.A	<u>OPERATING RESULTS</u>
	52
5.B	<u>LIQUIDITY AND CAPITAL RESOURCES</u>
	85
5.C	<u>RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES</u>
	88
5.D	<u>TREND INFORMATION</u>
	91
5.E	<u>OFF-BALANCE SHEET ARRANGEMENTS</u>
	91
5.F	<u>TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS</u>
	92
5.G	<u>SAFE HARBOR</u>
	93
ITEM 6.	<u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>
	93
6.A	<u>DIRECTORS AND SENIOR MANAGEMENT</u>
	93
6.B	<u>COMPENSATION</u>
	99
6.C	<u>BOARD PRACTICES</u>
	99
6.D	<u>EMPLOYEES</u>
	100
6.E	<u>SHARE OWNERSHIP</u>
	101
ITEM 7.	<u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>
	102
7.A	<u>MAJOR SHAREHOLDERS</u>
	102
7.B	<u>RELATED PARTY TRANSACTIONS</u>
	103
7.C	<u>INTERESTS OF EXPERTS AND COUNSEL</u>
	103
ITEM 8.	<u>FINANCIAL INFORMATION</u>
	103
8.A	<u>CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION</u>
	103
8.B	<u>SIGNIFICANT CHANGES</u>
	104
ITEM 9.	<u>THE OFFER AND LISTING</u>
	104
9.A	<u>LISTING DETAILS</u>
	104
9.B	<u>PLAN OF DISTRIBUTION</u>
	104
9.C	<u>MARKETS</u>
	104
9.D	<u>SELLING SHAREHOLDERS</u>
	105
9.E	<u>DILUTION</u>
	105
9.F	<u>EXPENSES OF THE ISSUE</u>
	105
ITEM 10.	<u>ADDITIONAL INFORMATION</u>
	105
10.A	<u>SHARE CAPITAL</u>
	105
10.B	<u>MEMORANDUM AND ARTICLES OF ASSOCIATION</u>
	105
10.C	<u>MATERIAL CONTRACTS</u>
	111

**Table of Contents**

10.D	<u>EXCHANGE CONTROLS</u>	111
10.E	<u>TAXATION</u>	112
10.F	<u>DIVIDENDS AND PAYING AGENTS</u>	118
10.G	<u>STATEMENT BY EXPERTS</u>	118
10.H	<u>DOCUMENTS ON DISPLAY</u>	118
10.I	<u>SUBSIDIARY INFORMATION</u>	118
ITEM 11.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	119
ITEM 12.	<u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	120
12.A	<u>DEBT SECURITIES</u>	120
12.B	<u>WARRANTS AND RIGHTS</u>	120
12.C	<u>OTHER SECURITIES</u>	120
12.D	<u>AMERICAN DEPOSITARY SHARES</u>	121
ITEM 13.	<u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	122
ITEM 14.	<u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	122
ITEM 15.	<u>CONTROLS AND PROCEDURES</u>	122
ITEM 16.	<u>[RESERVED]</u>	123
ITEM 16A.	<u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	123
ITEM 16B.	<u>CODE OF ETHICS</u>	123
ITEM 16C.	<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	123
ITEM 16D.	<u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	125
ITEM 16E.	<u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	125
ITEM 16F.	<u>CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	126
ITEM 16G.	<u>CORPORATE GOVERNANCE</u>	126
ITEM 16H.	<u>MINE SAFETY DISCLOSURE</u>	127
ITEM 17.	<u>FINANCIAL STATEMENTS</u>	128
ITEM 18.	<u>FINANCIAL STATEMENTS</u>	128
ITEM 19.	<u>EXHIBITS</u>	129

## **Table of Contents**

As used in this annual report, the term *fiscal* preceding a year means the twelve-month period ended March 31 of the year referred to. All other references to years refer to the applicable calendar year, unless the context otherwise requires. As used herein, the term *Toyota* refers to Toyota Motor Corporation and its consolidated subsidiaries as a group, unless the context otherwise indicates.

In parts of this annual report, amounts reported in Japanese yen have been translated into U.S. dollars for the convenience of readers. Unless otherwise noted, the rate used for this translation was ¥82.19 = \$1.00. This was the approximate exchange rate in Japan on March 31, 2012.

### **CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

Written forward-looking statements may appear in documents filed with the Securities and Exchange Commission, or the SEC, including this annual report, documents incorporated by reference, reports to shareholders and other communications.

The U.S. Private Securities Litigation Reform Act of 1995 provides a *safe harbor* for forward-looking information to encourage companies to provide prospective information about themselves without fear of litigation so long as the information is identified as forward looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information. Toyota relies on this *safe harbor* in making forward-looking statements.

Forward-looking statements appear in a number of places in this annual report and include statements regarding Toyota's current intent, belief, targets or expectations or those of its management. In many, but not all cases, words such as *aim*, *anticipate*, *believe*, *estimate*, *expect*, *hope*, *intend*, *may*, *plan*, *predict*, *probability*, *risk*, *should*, *will*, *would*, and similar expressions, are used as they relate to Toyota or its subsidiaries to identify forward-looking statements. These statements reflect Toyota's current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, actual results may vary materially from those which are anticipated, aimed at, believed, estimated, expected, intended or planned.

Forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those in forward-looking statements as a result of various factors. Important factors that could cause actual results to differ materially from estimates or forecasts contained in the forward-looking statements are identified in *Risk Factors* and elsewhere in this annual report, and include, among others:

- (i) the impact of natural calamities including the negative effect on Toyota's vehicle production and sales;
- (ii) changes in economic conditions and market demand affecting, and the competitive environment in, the automotive markets in Japan, North America, Europe, Asia and other markets in which Toyota operates;
- (iii) fluctuations in currency exchange rates, particularly with respect to the value of the Japanese yen, the U.S. dollar, the euro, the Australian dollar, the Canadian dollar and the British pound, and interest rates fluctuations;
- (iv) changes in funding environment in financial markets and increased competition in the financial services industry;
- (v) Toyota's ability to market and distribute effectively;
- (vi) Toyota's ability to realize production efficiencies and to implement capital expenditures at the levels and times planned by management;
- (vii) changes in the laws, regulations and government policies in the markets in which Toyota operates that affect Toyota's automotive operations, particularly laws, regulations and government policies relating

**Table of Contents**

to vehicle safety including remedial measures such as recalls, trade, environmental protection, vehicle emissions and vehicle fuel economy, as well as changes in laws, regulations and government policies that affect Toyota's other operations, including the outcome of current and future litigation and other legal proceedings, government proceedings and investigations;

(viii) political and economic instability in the markets in which Toyota operates;

(ix) Toyota's ability to timely develop and achieve market acceptance of new products that meet customer demand;

(x) any damage to Toyota's brand image;

(xi) Toyota's reliance on various suppliers for the provision of supplies;

(xii) increases in prices of raw materials;

(xiii) Toyota's reliance on various digital and information technologies; and

(xiv) fuel shortages or interruptions in electricity, transportation systems, labor strikes, work stoppages or other interruptions to, or difficulties in, the employment of labor in the major markets where Toyota purchases materials, components and supplies for the production of its products or where its products are produced, distributed or sold.

**Table of Contents****PART I****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION****3.A SELECTED FINANCIAL DATA**

You should read the U.S. GAAP selected consolidated financial information presented below together with Operating and Financial Review and Prospects and Toyota's consolidated financial statements contained in this annual report.

**U.S. GAAP Selected Financial Data**

The following selected financial data have been derived from Toyota's consolidated financial statements. These financial statements were prepared in accordance with U.S. GAAP.

	2008	2009	Year Ended March 31,		2012	2012
			2010	2011		
	(in millions, except share and per share data)					
<b>Consolidated Statement of Income Data:</b>						
Automotive:						
Revenues	¥ 24,177,306	¥ 18,564,723	¥ 17,197,428	¥ 17,337,320	¥ 16,994,546	\$ 206,771
Operating income (loss)	2,171,905	(394,876)	(86,370)	85,973	21,683	264
Financial Services:						
Revenues	1,498,354	1,377,548	1,245,407	1,192,205	1,100,324	13,388
Operating income (loss)	86,494	(71,947)	246,927	358,280	306,438	3,728
All Other:						
Revenues	1,346,955	1,184,947	947,615	972,252	1,048,915	12,762
Operating income (loss)	33,080	9,913	(8,860)	35,242	42,062	512
Elimination of intersegment:						
Revenues	(733,375)	(597,648)	(439,477)	(508,089)	(560,132)	(6,815)
Operating income (loss)	(21,104)	(4,101)	(4,181)	(11,216)	(14,556)	(177)
Total Company:						
Revenues	26,289,240	20,529,570	18,950,973	18,993,688	18,583,653	226,106
Operating income (loss)	2,270,375	(461,011)	147,516	468,279	355,627	4,327
Income (loss) before income taxes and equity in earnings of affiliated companies	2,437,222	(560,381)	291,468	563,290	432,873	5,267
Net income (loss) attributable to Toyota Motor Corporation	1,717,879	(436,937)	209,456	408,183	283,559	3,450
Net income (loss) attributable to Toyota Motor Corporation per share:						
Basic	540.65	(139.13)	66.79	130.17	90.21	1.10
Diluted	540.44	(139.13)	66.79	130.16	90.20	1.10
Shares used in computing net income (loss) attributable to Toyota Motor Corporation per share, basic (in thousands)						
	3,177,445	3,140,417	3,135,986	3,135,881	3,143,470	
Shares used in computing net income (loss) attributable to Toyota Motor Corporation per						
	3,178,662	3,140,417	3,135,998	3,135,915	3,143,470	



share, diluted (in thousands)

1

**Table of Contents**

	2008	2009	Year Ended March 31,			2012
			2010	2011	2012	
(in millions, except per share and numbers of vehicles sold data)						
<b>Consolidated Balance Sheet Data (end of period):</b>						
Total Assets:	¥ 32,458,320	¥ 29,062,037	¥ 30,349,287	¥ 29,818,166	¥ 30,650,965	\$ 372,928
Short-term debt, including current portion of long-term debt	6,228,152	6,317,184	5,497,997	5,951,836	5,963,269	72,555
Long-term debt, less current portion	5,981,931	6,301,469	7,015,409	6,449,220	6,042,277	73,516
Toyota Motor Corporation shareholders equity	11,869,527	10,061,207	10,359,723	10,332,371	10,550,261	128,364
Common stock	397,050	397,050	397,050	397,050	397,050	4,831
<b>Other Data:</b>						
Dividends per share	¥ 140.0	¥ 100.0	¥ 45.0	¥ 50.0	¥ 50.0	\$ 0.61
Number of vehicles sold						
Japan	2,188,389	1,944,823	2,162,418	1,913,117	2,070,799	
North America	2,958,314	2,212,254	2,097,374	2,031,249	1,872,423	
Europe	1,283,793	1,061,954	858,390	795,534	797,993	
Asia	956,509	904,892	979,651	1,255,016	1,326,829	
Other*	1,526,934	1,443,433	1,139,329	1,313,123	1,283,885	
Worldwide total	8,913,939	7,567,356	7,237,162	7,308,039	7,351,929	

\* Other consists of Central and South America, Oceania, Africa and the Middle East, etc.

**Dividend Information**

Toyota normally pays dividends twice per year, including an interim dividend and a year-end dividend. Although Toyota's articles of incorporation provide that retained earnings can be distributed as dividends pursuant to the resolution of its board of directors, Toyota's board of directors recommends the payment of year-end dividends to shareholders and pledgees of record as of March 31 in each year. Year-end dividends are usually paid to the shareholders immediately following approval of the dividends at the general shareholders' meeting, normally around the end of June of each year. In addition to these year-end dividends, Toyota may pay interim dividends in the form of cash distributions from its distributable surplus to shareholders and pledgees of record as of September 30 in each year by resolution of its board of directors. Toyota normally pays the interim dividend in late November.

In addition, under the Corporation Act of Japan (the Corporation Act), dividends may be paid to shareholders and pledgees of record as of any record date, other than those specified above, as set forth in Toyota's articles of incorporation or as determined by its board of directors from time to time. Toyota's articles of incorporation also permit Toyota to pay dividends, in addition to interim dividends mentioned in the preceding paragraph, by a resolution of its board of directors. Toyota has incorporated such a provision into its articles of incorporation in order to enable a flexible capital policy. Under the Corporation Act, dividends may be distributed in cash or (except in the case of interim dividends mentioned in the preceding paragraph) in kind, subject to limitations on distributable surplus and to certain other conditions.

**Table of Contents**

The following table sets forth the dividends declared by Toyota for each of the periods shown. The periods shown are the six months ended on that date. The U.S. dollar equivalents for the cash dividends shown are based on the noon buying rate for Japanese yen on the last date of each period set forth below.

Period Ended	Cash Dividends per Share	
	Yen	U.S. dollars
September 30, 2007	65.0	0.65
March 31, 2008	75.0	0.75
September 30, 2008	65.0	0.61
March 31, 2009	35.0	0.35
September 30, 2009	20.0	0.22
March 31, 2010	25.0	0.26
September 30, 2010	20.0	0.24
March 31, 2011	30.0	0.36
September 30, 2011	20.0	0.25
March 31, 2012	30.0	0.36

The payment and the amount of any future dividends are dependent on the amount of Toyota's future earnings, its financial condition and other factors, including statutory restrictions on the payment of dividends.

Toyota deems the benefit of its shareholders as one of its priority management policies, and it is working to improve corporate structure towards the realization of sustainable growth in order to enhance its corporate value. Toyota will strive to continue to pay stable dividends while giving due consideration to factors such as business results for each term, investment plans and its cash reserves. In order to successfully compete in this highly competitive industry, Toyota plans to utilize its internal funds for the early commercialization of next-generation environment and safety technologies, giving priority to customer safety and reliability. Considering these factors, an annual dividend of 50 yen per share was paid for fiscal 2012, consisting of a year-end dividend of 30 yen per share and an interim dividend of 20 yen per share.

Toyota has decided, for the time being, to refrain from repurchasing its own shares in order to prioritize retention of cash reserves given the uncertain future of global financial condition. Since Toyota began repurchasing shares in fiscal 1997, the cumulative number of shares repurchased as of the end of March 2012 was 736.98 million shares at a total cost of ¥2,868.8 billion. The following table shows the approximate number of shares repurchased and the approximate cost of repurchase of those shares for each of the periods indicated:

	Year Ended March 31,				
	2008	2009	2010	2011	2012
Number of shares repurchased	49	151	0	0	0
Amount paid	¥31	¥77	0	0	0

Toyota's future share repurchases will be influenced by factors such as Toyota's future earnings and financial position. For a further discussion of Toyota's share repurchases, please see "Purchases of Equity Securities by the Issuer and Affiliated Purchasers".

**Exchange Rates**

In parts of this annual report, yen amounts have been translated into U.S. dollars for the convenience of investors. Unless otherwise noted, the rate used for the translations was ¥82.19 = \$1.00. This was the approximate exchange rate in Japan on March 31, 2012.

**Table of Contents**

The following table sets forth information regarding the noon buying rates for Japanese yen in New York City as announced for customs purposes by the Federal Reserve Bank of New York expressed in Japanese yen per \$1.00 during the periods shown. At the end of May 2012, the noon buying rate was ¥78.29 = \$1.00. The average exchange rate for the periods shown is the average of the month-end rates during the period.

Fiscal Year Ended or Ending March 31,	At End of Period	Average (of month-end rates) (¥ per \$1.00)	High	Low
2008	99.85	113.61	124.09	96.88
2009	99.15	100.85	110.48	87.80
2010	93.40	92.49	100.71	86.12
2011	82.76	85.00	94.68	78.74
2012	82.41	78.86	85.26	75.72
2013 (through May 31, 2012)	78.29	79.05	82.62	78.29

Month Ended	High (¥ per \$1.00)	Low
December 31, 2011	78.13	76.98
January 31, 2012	78.13	76.28
February 29, 2012	81.10	76.11
March 31, 2012	83.78	80.86
April 30, 2012	82.62	79.81
May 31, 2012	80.36	78.29

Fluctuations in the exchange rate between the Japanese yen and the U.S. dollar will affect the dollar equivalent of the price of the shares on the Japanese stock exchanges. As a result, exchange rate fluctuations are likely to affect the market price of the American Depositary Shares ( ADSs ) on the New York Stock Exchange ( NYSE ). Toyota will declare any cash dividends on shares in Japanese yen. Exchange rate fluctuations will also affect the U.S. dollar amounts received on conversion of cash dividends.

Exchange rate fluctuations can also materially affect Toyota's reported operating results. In particular, a strengthening of the Japanese yen against the U.S. dollar can have a material adverse effect on Toyota's reported operating results. For a further discussion of the effects of currency rate fluctuations on Toyota's operating results, please see Operating and Financial Review and Prospects Operating Results Overview Currency Fluctuations .

**3.B CAPITALIZATION AND INDEBTEDNESS**

Not applicable.

**3.C REASONS FOR THE OFFER AND USE OF PROCEEDS**

Not applicable.

**3.D RISK FACTORS****Risks relating to the Great East Japan Earthquake**

*Toyota may be adversely affected by the continuing effects of the Great East Japan Earthquake and ensuing events.*

The Japanese economy as a whole suffered significant damage as a result of the Great East Japan Earthquake that occurred on March 11, 2011 and the ensuing tsunami and accidents at nuclear power plants in Fukushima Prefecture (collectively, the Great East Japan Earthquake ).

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## **Table of Contents**

The Japanese economy has been negatively impacted by damage caused by the Great East Japan Earthquake, costs associated to rebuild the affected areas and interrupted infrastructure, including energy shortages as a result of suspended operations at nuclear power plants throughout Japan. The duration and impact on the Japanese economy are unclear. In addition, the nuclear power plants in Fukushima Prefecture are not yet fully under control and the resolution of the situation at these plants, including timing, remains unclear. Continuing radiation leakage and further aggravation of the nuclear power plants are possible. These various issues in connection with the Great East Japan Earthquake may cause significant and unforeseeable adverse effects on the Japanese economy, Toyota's operations, and demand for Toyota's products.

### **Industry and Business Risks**

#### ***The worldwide automotive market is highly competitive.***

The worldwide automotive market is highly competitive. Toyota faces intense competition from automotive manufacturers in the markets in which it operates. Although the global economy is gradually recovering, competition in the automotive industry has further intensified amidst difficult overall market conditions. In addition, competition is likely to further intensify in light of further continuing globalization in the worldwide automotive industry, possibly resulting in further industry reorganization. Factors affecting competition include product quality and features, safety, reliability, fuel economy, the amount of time required for innovation and development, pricing, customer service and financing terms. Increased competition may lead to lower vehicle unit sales, which may result in a further downward price pressure and adversely affect Toyota's financial condition and results of operations. Toyota's ability to adequately respond to the recent rapid changes in the automotive market and to maintain its competitiveness will be fundamental to its future success in existing and new markets and to maintain its market share. There can be no assurances that Toyota will be able to compete successfully in the future.

#### ***The worldwide automotive industry is highly volatile.***

Each of the markets in which Toyota competes has been subject to considerable volatility in demand. Demand for vehicles depends to a large extent on social, political and economic conditions in a given market and the introduction of new vehicles and technologies. As Toyota's revenues are derived from sales in markets worldwide, economic conditions in such markets are particularly important to Toyota. During fiscal 2012, in Japan, despite continuing harsh business conditions due to the impact of the Great East Japan Earthquake, the economic environment is gradually recovering as a result of various government policies aimed at economic revival following the disaster. In the United States, there has been a gradual recovery in economic conditions, but in Europe, the economic environment is at a standstill, due to the ongoing sovereign debt crisis, which has also slowed economic development in numerous emerging economies throughout the world. Toyota was adversely affected by changes in the market structures of each region with further shifts in consumer demand to compact and low-priced vehicles. Such weakness in demand for automobiles and changes in market structure is continuing, and it is unclear how this situation will transition in the future. Toyota's financial condition and results of operations may be adversely affected if the weakness in demand for automobiles and changes in market structure continue or progress further. Demand may also be affected by factors directly impacting vehicle price or the cost of purchasing and operating vehicles such as sales and financing incentives, prices of raw materials and parts and components, cost of fuel and governmental regulations (including tariffs, import regulation and other taxes). Volatility in demand may lead to lower vehicle unit sales, which may result in a further downward price pressure and adversely affect Toyota's financial condition and results of operations.

#### ***Toyota's future success depends on its ability to offer new innovative competitively priced products that meet customer demand on a timely basis.***

Meeting customer demand by introducing attractive new vehicles and reducing the amount of time required for product development are critical to automotive manufacturers. In particular, it is critical to meet customer demand with respect to quality, safety and reliability. The timely introduction of new vehicle models, at competitive prices, meeting rapidly changing customer preferences and demand is more fundamental to Toyota's

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**Table of Contents**

success than ever, as the automotive market is rapidly transforming in light of the changing global economy. There is no assurance, however, that Toyota will adequately and appropriately respond to changing customer preferences and demand with respect to quality, safety, reliability, styling and other features in a timely manner. Even if Toyota succeeds in perceiving customer preferences and demand, there is no assurance that Toyota will be capable of developing and manufacturing new, price competitive products in a timely manner with its available technology, intellectual property, sources of raw materials and parts and components, and production capacity, including cost reduction capacity. Further, there is no assurance that Toyota will be able to implement capital expenditures at the level and times planned by management. Toyota's inability to develop and offer products that meet customers' preferences and demand with respect to quality, safety, reliability, styling and other features in a timely manner could result in a lower market share and reduced sales volumes and margins, and may adversely affect Toyota's financial condition and results of operations.

*Toyota's ability to market and distribute effectively is an integral part of Toyota's successful sales.*

Toyota's success in the sale of vehicles depends on its ability to market and distribute effectively based on distribution networks and sales techniques tailored to the needs of its customers. There is no assurance that Toyota will be able to develop sales techniques and distribution networks that effectively adapt to changing customer preferences or changes in the regulatory environment in the major markets in which it operates. Toyota's inability to maintain well-developed sales techniques and distribution networks may result in decreased sales and market share and may adversely affect its financial condition and results of operations.

*Toyota's success is significantly impacted by its ability to maintain and develop its brand image.*

In the highly competitive automotive industry, it is critical to maintain and develop a brand image. In order to maintain and develop a brand image, it is necessary to further increase customers' confidence by providing safe, high-quality products that meet customer preferences and demand. If Toyota is unable to effectively maintain and develop its brand image as a result of its inability to provide safe, high-quality products or as a result of the failure to promptly implement safety measures such as recalls when necessary, vehicle unit sales and/or sale prices may decrease, and as a result revenues and profits may not increase as expected or may decrease, adversely affecting its financial condition and results of operations.

*Toyota relies on suppliers for the provision of certain supplies including parts, components and raw materials.*

Toyota purchases supplies including parts, components and raw materials from a number of external suppliers located around the world. For some supplies, Toyota relies on a single supplier or a limited number of suppliers, whose replacement with another supplier may be difficult. Inability to obtain supplies from a single or limited source supplier may result in difficulty obtaining supplies and may restrict Toyota's ability to produce vehicles. Furthermore, even if Toyota were to rely on a large number of suppliers, first-tier suppliers with whom Toyota directly transacts may in turn rely on a single second-tier supplier or limited second-tier suppliers. Toyota's ability to continue to obtain supplies from its suppliers in a timely and cost-effective manner is subject to a number of factors, some of which are not within Toyota's control. These factors include the ability of Toyota's suppliers to provide a continued source of supply, and Toyota's ability to effectively compete and obtain competitive prices from suppliers. A loss of any single or limited source supplier or inability to obtain supplies from suppliers in a timely and cost-effective manner could lead to increased costs or delays or suspensions in Toyota's production and deliveries, which could have an adverse effect on Toyota's financial condition and results of operations.

*The worldwide financial services industry is highly competitive.*

The worldwide financial services industry is highly competitive. Increased competition in automobile financing may lead to decreased margins. A decline in Toyota's vehicle unit sales, an increase in residual value risk due to lower used vehicle price, an increase in the ratio of credit losses and increased funding costs are factors which may impact Toyota's financial services operations. If Toyota is unable to adequately respond to the changes and competition in automobile financing, Toyota's financial services operations may adversely affect its financial condition and results of operations.

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**Table of Contents*****Toyota's operations and vehicles rely on various digital and information technologies.***

Toyota depends on various information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, including sensitive data, and to manage or support a variety of business processes and activities, including manufacturing, research and development, supply chain management, sales and accounting. In addition, Toyota's vehicles may rely on various digital and information technologies, including information service and driving assistance functions. Despite security measures, Toyota's digital and information technology networks and systems may be vulnerable to damage, disruptions or shutdowns due to attacks by hackers, computer viruses, breaches due to unauthorized use, errors or malfeasance by employees and others who have or gain access to the networks and systems Toyota depends on, service failures or bankruptcy of third parties such as software development or cloud computing vendors, power shortages and outages, and utility failures or other catastrophic events like natural disasters. Such incidents could materially disrupt critical operations, disclose sensitive data, interfere with information services and driving assistance functions in Toyota's vehicles, and/or give rise to legal claims or proceedings, liability or regulatory penalties under applicable laws, which could have an adverse effect on Toyota's brand image and its financial condition and results of operations.

**Financial Market and Economic Risks*****Toyota's operations are subject to currency and interest rate fluctuations.***

Toyota is sensitive to fluctuations in foreign currency exchange rates and is principally exposed to fluctuations in the value of the Japanese yen, the U.S. dollar and the euro and, to a lesser extent, the Australian dollar, the Canadian dollar and the British pound. Toyota's consolidated financial statements, which are presented in Japanese yen, are affected by foreign currency exchange fluctuations through both translation risk and transaction risk. Changes in foreign currency exchange rates may affect Toyota's pricing of products sold and materials purchased in foreign currencies. In particular, strengthening of the Japanese yen against the U.S. dollar can have an adverse effect on Toyota's operating results. The Japanese yen has been appreciating against major currencies including the U.S. dollar in the past year. If the Japanese yen continues to appreciate against major currencies, including the U.S. dollar, Toyota's financial condition and results of operations may be adversely affected.

Toyota believes that its use of certain derivative financial instruments including interest rate swaps and increased localized production of its products have reduced, but not eliminated, the effects of interest rate and foreign currency exchange rate fluctuations. Nonetheless, a negative impact resulting from fluctuations in foreign currency exchange rates and changes in interest rates may adversely affect Toyota's financial condition and results of operations. For a further discussion of currency and interest rate fluctuations and the use of derivative financial instruments, see Operating and Financial Review and Prospects Operating Results Overview Currency Fluctuations, Quantitative and Qualitative Disclosures About Market Risk, and notes 20 and 21 to Toyota's consolidated financial statements.

***High prices of raw materials and strong pressure on Toyota's suppliers could negatively impact Toyota's profitability.***

Increases in prices for raw materials that Toyota and Toyota's suppliers use in manufacturing their products or parts and components such as steel, precious metals, non-ferrous alloys including aluminum, and plastic parts, may lead to higher production costs for parts and components. This could, in turn, negatively impact Toyota's future profitability because Toyota may not be able to pass all those costs on to its customers or require its suppliers to absorb such costs.

***The downturn in the financial markets could adversely affect Toyota's ability to raise capital.***

Should the world economy suddenly deteriorate, a number of financial institutions and investors will face difficulties in providing capital to the financial markets at levels corresponding to their own financial capacity.

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## **Table of Contents**

and, as a result, there is a risk that companies may not be able to raise capital under terms that they would expect to receive with their creditworthiness. If Toyota is unable to raise the necessary capital under appropriate conditions on a timely basis, Toyota's financial condition and results of operations may be adversely affected.

### **Political, Regulatory, Legal and Other Risks**

*The automotive industry is subject to various governmental regulations.*

The worldwide automotive industry is subject to various laws and governmental regulations including those related to vehicle safety and environmental matters such as emission levels, fuel economy, noise and pollution. In particular, automotive manufacturers such as Toyota are required to implement safety measures such as recalls for vehicles that do not or may not comply with the safety standards of laws and governmental regulations. In addition, Toyota may, in order to reassure its customers of the safety of Toyota's vehicles, decide to voluntarily implement recalls or other safety measures even if the vehicle complies with the safety standards of relevant laws and governmental regulations. Many governments also impose tariffs and other trade barriers, taxes and levies, or enact price or exchange controls. Toyota has incurred, and expects to incur in the future, significant costs in complying with these regulations. If Toyota launches products that result in safety measures such as recalls, Toyota may incur various costs including significant costs for free repairs. Furthermore, new legislation or changes in existing legislation may also subject Toyota to additional expenses in the future. If Toyota incurs significant costs related to implementing safety measures or meeting laws and governmental regulations, Toyota's financial condition and results of operations may be adversely affected.

*Toyota may become subject to various legal proceedings.*

As an automotive manufacturer, Toyota may become subject to legal proceedings in respect of various issues, including product liability and infringement of intellectual property. Toyota may also be subject to legal proceedings brought by its shareholders and governmental proceedings and investigations. Toyota is in fact currently subject to a number of pending legal proceedings and government investigations. A negative outcome in one or more of these pending legal proceedings could adversely affect Toyota's financial condition and results of operations. For a further discussion of governmental regulations, see [Information on the Company Business Overview Governmental Regulation, Environmental and Safety Standards](#) and for legal proceedings, please see [Information on the Company Business Overview Legal Proceedings](#).

*Toyota may be adversely affected by natural calamities, political and economic instability, fuel shortages or interruptions in social infrastructure, wars, terrorism and labor strikes.*

Toyota is subject to various risks associated with conducting business worldwide. These risks include natural calamities; political and economic instability; fuel shortages; interruption in social infrastructure including energy supply, transportation systems, gas, water, or communication systems resulting from natural hazards or technological hazards; wars; terrorism; labor strikes and work stoppages. Should the major markets in which Toyota purchases materials, parts and components and supplies for the manufacture of Toyota products or in which Toyota's products are produced, distributed or sold be affected by any of these events, it may result in disruptions and delays in the operations of Toyota's business. Should significant or prolonged disruptions or delays related to Toyota's business operations occur, it may adversely affect Toyota's financial condition and results of operations.

## **ITEM 4. INFORMATION ON THE COMPANY**

### **4.A HISTORY AND DEVELOPMENT OF THE COMPANY**

Toyota Motor Corporation is a limited liability, joint-stock company incorporated under the Commercial Code of Japan and continues to exist under the Companies Act. Toyota commenced operations in 1933 as the automobile division of Toyota Industries Corporation (formerly, Toyoda Automatic Loom Works, Ltd.). Toyota became a separate company on August 28, 1937. In 1982, the Toyota Motor Company and Toyota Motor Sales



**Table of Contents**

merged into one company, the Toyota Motor Corporation of today. As of March 31, 2012, Toyota operated through 507 consolidated subsidiaries and 212 affiliated companies, of which 57 companies were accounted for through the equity method.

See Business Overview Capital Expenditures and Divestitures for a description of Toyota's principal capital expenditures and divestitures between April 1, 2009 and March 31, 2012 and information concerning Toyota's principal capital expenditures and divestitures currently in progress.

Toyota's principal executive offices are located at 1 Toyota-cho, Toyota City, Aichi Prefecture 471-8571, Japan. Toyota's telephone number in Japan is +81-565-28-2121.

**4.B BUSINESS OVERVIEW**

Toyota primarily conducts business in the automotive industry. Toyota also conducts business in finance and other industries. Toyota sold 7,352 thousand vehicles in fiscal 2012 on a consolidated basis. Toyota had net revenues of ¥18,583.6 billion and net income attributable to Toyota Motor Corporation of ¥283.5 billion in fiscal 2012.

Toyota's business segments are automotive operations, financial services operations and all other operations. The following table sets forth Toyota's sales to external customers in each of its business segments for each of the past three fiscal years.

	Yen in millions		
	Year Ended March 31,		
	2010	2011	2012
Automotive	¥ 17,187,308	¥ 17,322,753	¥ 16,964,378
Financial Services	1,226,244	1,173,168	1,071,737
All Other	537,421	497,767	547,538

Toyota's automotive operations include the design, manufacture, assembly and sale of passenger cars, minivans and commercial vehicles such as trucks and related parts and accessories. Toyota's financial services business consists primarily of providing financing to dealers and their customers for the purchase or lease of Toyota vehicles. Toyota's financial services also provide retail leasing through the purchase of lease contracts originated by Toyota dealers. Related to Toyota's automotive operations is its development of intelligent transport systems ( ITS ). Toyota's all other operations business segment includes the design and manufacture of prefabricated housing, information technology related businesses including an e-commerce marketplace called GAZOO.com, and sales promotions for KDDI communication related products (predominantly the au brand).

Toyota sells its vehicles in approximately 170 countries and regions. Toyota's primary markets for its automobiles are Japan, North America, Europe and Asia. The following table sets forth Toyota's sales to external customers in each of its geographical markets for each of the past three fiscal years.

	Yen in millions		
	Year Ended March 31,		
	2010	2011	2012
Japan	¥ 7,314,813	¥ 6,966,929	¥ 7,293,804
North America	5,583,228	5,327,809	4,644,348
Europe	2,082,671	1,920,416	1,917,408
Asia	2,431,648	3,138,112	3,116,849
Other*	1,538,613	1,640,422	1,611,244

\* Other consists of Central and South America, Oceania and Africa.

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## **Table of Contents**

During fiscal 2012, 28.2% of Toyota's automobile unit sales on a consolidated basis were in Japan, 25.5% were in North America, 10.8% were in Europe and 18.0% were in Asia. The remaining 17.5% of consolidated unit sales were in other markets.

The Japanese economy as a whole suffered significant damage as a result of the Great East Japan Earthquake that occurred on March 11, 2011, including the ensuing tsunami and nuclear incident in Fukushima Prefecture.

After the earthquake's occurrence on March 11, 2011, Toyota temporarily suspended operations at its domestic and overseas factories due to damage to social infrastructure including energy supply, transportation systems, gas, water and communication systems caused by the earthquake, shortages of parts from suppliers, and damage sustained by some subsidiaries of Toyota in regions adjacent to the disaster zone. Toyota was able to achieve full normalization of production and begin its recovery from the disaster sooner than initially anticipated. Toyota is working to minimize the negative impact on production and company activities resulting from the disaster's effect on infrastructure, including potential electricity shortages as a result of suspended operations at nuclear power plants throughout Japan.

In addition, with regard to the series of product quality related issues that began in early 2010, in March 2010, Toyota established a Special Committee for Global Quality to thoroughly investigate the cause of the product quality issues and review all of Toyota's processes, including design, production, sales, service, and human resource development. Toyota believes it is making steady and solid improvements in these regards.

Building on the work of the Special Committee for Global Quality, each region is implementing comprehensive improvements to the company's operations and strengthening the company's quality improvement activities.

Further, in order to obtain objective third-party evaluation, in July 2010, Toyota obtained a report concerning Toyota's quality-assurance review-and-improvement measures from the Union of Japanese Scientists and Engineers and external experts recommended by the union. This report evaluated the preventative measures undertaken by Toyota in response to the series of product quality related issues it experienced beginning in early 2010, such as strengthening analysis of customer information and human resource development, and indicated places where these measures should be deepened in order to bring about further improvement. Toyota has received the evaluation with humility, and is making efforts toward further improvements.

Through the quality control approach described above, Toyota and its officers and employees will unite to do their best to make customer safety their first emphasis, ensure that thorough quality control is a constant element of their work, strengthen quality control infrastructure and cultivate customers' trust. For further details concerning recalls and other safety measures, see "Operating and Financial Review and Prospects" Operating Results Results of Operations Fiscal 2012 Compared with Fiscal 2011 Operating Costs and Expenses .

## **The Worldwide Automotive Market**

Toyota estimates that annual worldwide vehicle sales totaled approximately 78 million units in 2011.

Automobile sales are affected by a number of factors including:

social, political and economic conditions,

introduction of new vehicles and technologies, and

costs incurred by customers to purchase and operate automobiles.

These factors can cause consumer demand to vary substantially from year to year in different geographic markets and in individual categories of automobiles.

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**Table of Contents**

The global economy in fiscal 2012 recovered gradually, with recovery in the United States and strong growth in investment and consumption in the developing economies mainly in Asia, despite downward pressure stemming from the European sovereign debt crisis. The automotive industry was also impacted by this trend. In 2011, markets in developing countries continued to grow, despite the negative effects of the Great East Japan Earthquake and the floods in Thailand. In developed countries, while markets in the United States recovered, market strength in Japan was at lower levels than the previous year due to the impact of the Great East Japan Earthquake. European markets expanded overall, with strong recovery trends in Russia, despite fiscal austerity measures enacted to address the sovereign debt crisis in Europe, and sluggish market activity in southern European nations.

Toyota expects the automotive market to grow in the medium- to long-term driven principally by the growth in resource-rich markets and the emerging markets. Global competition is severe, as competition in compact and low-price vehicles intensifies, and technological development and development of new products become more frequent with a heightened global awareness of the environment.

In 2011, Europe, China, North America, Asia, Central and South America, and Japan were the world's largest automotive markets. The share of each market across the globe, which we estimate based on the available automobile sales data in each country and region information, was 25% for Europe, 24% for China, 20% for North America (18% excluding Mexico and Puerto Rico), 10% for Asia, 8% for Central and South America, and 7% for Japan. In Europe, new vehicle sales remained at the same level as the previous year at approximately 19.9 million units. In China, new vehicle sales increased to approximately 18.8 million units. In North America, new vehicle sales increased to approximately 15.7 million units. In Asia (including India but excluding Japan and China), new vehicle unit sales increased to approximately 8.0 million units. In Central and South America, new vehicle sales increased to approximately 5.9 million units. In Japan, total new vehicle unit sales (including mini-vehicles) decreased to approximately 4.2 million units.

The worldwide automotive industry is affected significantly by government regulations aimed at reducing harmful effects on the environment, enhancing vehicle safety and improving fuel economy. These regulations have added to the cost of manufacturing vehicles. Many governments also mandate local procurement of parts and components and impose tariffs and other trade barriers and price or exchange controls as a means of creating jobs, protecting domestic producers or influencing their balance of payments. Changes in regulatory requirements and other government-imposed restrictions can limit an automaker's operations. These regulations can also make it difficult to repatriate profits to an automaker's home country.

The development of the worldwide automotive market includes the continuing globalization of automotive operations. Manufacturers seek to achieve globalization by localizing the design and manufacture of automobiles and their parts and components in the markets in which they are sold. By expanding production capabilities beyond their home markets, automotive manufacturers are able to reduce their exposure to fluctuations in foreign exchange rates as well as to trade restrictions and tariffs.

Since 2000, various transactions have promoted consolidation within the global automotive industry. There are various reasons behind these transactions including the need to respond to the excessive global capacity in the production of automobiles, the need to reduce costs and improve efficiency by increasing the number of automobiles produced using common vehicle platforms and by sharing research and development expenses for environmental and other technology, the desire to expand a company's global presence through increased size and the desire to expand into particular segments or geographic markets. Recently these have included business alliances and investments between major manufacturers in Japan, the United States, and Europe.

Toyota believes that its research and development initiatives, particularly the development of environmentally friendly new vehicle technologies, vehicle safety and information technology, provide it with a strategic advantage.

## **Table of Contents**

Toyota's ability to compete in the global automotive industry will depend in part on Toyota's successful implementation of its business strategy. This is subject to a number of factors, some of which are not in Toyota's control. These factors are discussed in Operating and Financial Review and Prospects and elsewhere in this annual report.

### **Toyota Global Vision**

In March 2011, Toyota unveiled its Toyota Global Vision corporate outline for the future, which serves not only to give direction to Toyota employees around the world, but also to convey such direction to customers and to the public at large. Toyota will work to achieve sustained growth through the realization of the following ideals which are parts of the Vision:

#### **The safest and most responsible ways of moving people**

Safety is Toyota's highest priority, and Toyota will continue to provide world-class safety.

Toyota will also continue to contribute to environmental quality and to human happiness by using leading environmental technology and by deploying that technology in a growing line of vehicle models. At the same time, Toyota will work through the provision of products, sales and services that exceed customer expectation to offer a rewarding experience for customers.

#### **Enriching lives around the world**

Toyota has been consistently true to its founding spirit of serving society through conscientious manufacturing, and it will continue working in that spirit to contribute to enhance the quality of life wherever it has operations.

Toyota will strive to continue contributing to economic vitality wherever it has operations by generating stable employment and by participating in mutually beneficial business relationships with dealers and suppliers. It will also strive to continue to actively engage in initiatives for human resources development and the promotion of cultural activities of its host communities.

#### **Lead the way to the future of mobility**

Toyota will lead the industry in technological development that will spawn next-generation mobility. For example, it will explore possibilities in personal mobility and in the convergence of information technology for automobiles and smart grids for optimizing energy generation and consumption. Toyota will strive to offer products and services that match the needs in each market.

Toyota will strive to advance environmental technology and develop low-carbon technologies and technologies for maximizing safety through interaction with the transport infrastructure to lay a foundation for sustainable and amenable future mobility.

#### **Our commitment to quality, constant innovation**

Toyota is committed to providing quality vehicles that are highly reliable and driven with a sense of safety and reliability.

Toyota will constantly reinvent itself and continue to engage in cutting-edge technology development. Toyota will work towards offering vehicles around the world that address the needs of today and of tomorrow at affordable prices.

#### **Continued awareness for the Earth and environment**

Toyota will continue to work towards minimizing environmental impact in its manufacturing and other operations, and products.

## **Table of Contents**

With an emphasis on environmental awareness, Toyota will in its operations work towards energy conservation, reduction in carbon dioxide emission, efficient use of resources such as recycling, and human resource development and production methods that allow for coexistence with nature.

### **Exceed expectations and be rewarded with a smile**

Everyone at Toyota will continuously maintain a sense of gratitude to customers and will strive to earn smiles with products and services that are stimulating and inspiring and exceed customer expectation.

### **There is always a better way**

All Toyota employees will share the recognition that there is always a better way and share a commitment to continuous improvement, which are fundamental to The Toyota Way.

### **Meet challenging goals by engaging the talent and passion of people**

Toyota will nurture a corporate culture where teamwork and individual creativity thrive and where people will approach their work with pride and passion.

Toyota will honor the spirit of diversity in recruiting, training and promoting capable individuals around the world. Human resources development at Toyota will continue to promote the transfer of the company's *monozukuri* spirit of conscientious manufacturing and related skills and know-how from one generation to the next.

With respect to the future business environment, it is expected that the economies of emerging countries, principally China and India, will continue to expand and the economies of developed countries, such as the United States, will continue to slowly recover. However, attention must be paid to risks such as an increase in crude oil prices and high unemployment rates continuing in Europe and the United States and the sovereign debt crisis in Europe. The Japanese economy is expected to recover against the background of positive factors such as the improvement of the overseas economy and the various policy measures by the government, but may be impacted by negative pressure from numerous factors such as the appreciation of the yen, which continues from the previous year, and electricity shortages which may occur due to the impact of the Great East Japan Earthquake resulting in suspended operations at nuclear power plants throughout Japan.

From a medium- to long-term viewpoint, while the automobile market is expected to expand centering around developing economies, competition among small and low-cost vehicles will gain momentum, and fierce global competition is also expected with respect to environmentally-friendly vehicles.

Even in this harsh business environment, the Toyota Group as a whole will make an even greater effort to address the following in order to realize two of Toyota's enduring wishes: to be a company customers choose and to bring smiles to every customer who chooses Toyota :

First, in product development, Toyota intends to make substantial improvements in design and perceived quality and to establish systems by which products launched in a certain region will be developed based on the customer needs of that region. For environmentally-friendly vehicles (eco-cars), Toyota will make efforts to expand its product line-up of hybrid vehicles and develop next-generation eco-cars such as plug-in hybrid vehicles, electric vehicles and fuel cell vehicles, along with the high-efficiency gasoline engine.

Second, as for emerging markets with strong promise for future growth, Toyota intends to reinforce core models for local production such as IMV and newly developed compact vehicles, while launching more hybrid vehicles. Through these efforts, Toyota will build a well-balanced business structure that impartially allocates resources to both developed countries and emerging countries.

(\* IMV is an abbreviation for Innovative International Multi-purpose Vehicle, which refers to sport-utility vehicles (SUVs), pickup trucks, and other multi-purpose vehicles that are produced overseas for markets worldwide.



## **Table of Contents**

Third, to quickly reflect feedback from customers around the world in Toyota's research and development, production and sales operations, Toyota will build a structure where decisions can be made regionally, in areas closest to the customers.

Fourth, Toyota will further reinforce three basic functions: quality improvement, cost reduction, and human resource development.

Based on these efforts, Toyota will enrich the lives of its communities through manufacturing good automobiles that are accepted by customers and society. This will encourage more customers to purchase Toyota cars and thereby lead to the establishment of a stable business base. By perpetuating this good cycle, Toyota will aim to realize sustainable growth and enhance corporate value. Toyota will fulfill its social responsibilities by carrying out its Corporate Social Responsibility (CSR).

## **Automotive Operations**

Toyota's revenues from its automotive operations were ¥17.0 trillion in fiscal 2012, ¥17.3 trillion in fiscal 2011 and ¥17.2 trillion in fiscal 2010.

Toyota produces and sells passenger cars, minivans and commercial vehicles such as trucks. Toyota Motor Corporation's subsidiary, Daihatsu Motor Co., Ltd. (Daihatsu), produces and sells mini-vehicles and compact cars. Hino Motors, Ltd. (Hino), also a subsidiary of Toyota Motor Corporation, produces and sells commercial vehicles such as trucks and buses. Toyota also manufactures automotive parts, components and accessories for its own use and for sale to others.

## ***Vehicle Models***

Toyota's vehicles (produced by Toyota, Daihatsu and Hino) can be classified into two categories: hybrid vehicles and conventional engine vehicles. Toyota's product line-up includes subcompact and compact cars, mini-vehicles, mid-size, luxury, sports and specialty cars, recreational and sport-utility vehicles, pickup trucks, minivans, trucks and buses.

## ***Hybrid Vehicles***

The world's first mass-produced hybrid car was Toyota's Prius. It runs on an efficient combination of a gasoline engine and motor. This system allows the Prius to travel more efficiently than conventional engine vehicles of comparable size and performance. The hybrid design of the Prius also results in the output of 75% less emission than the maximum amount allowed by Japanese environmental regulations. Toyota views the Prius as the cornerstone of its emphasis on designing and producing eco-friendly automobiles. As of the end of March 2012, the total number of Toyota's hybrid vehicles sold was 3.854 million units.

In May 2008, Toyota introduced the hybrid version of the Crown, which is the signature model of the Toyota brand, in Japan. In April 2009, the Lexus RX450h, which is the fully-remodeled Lexus RX400h, was successively introduced in Japan, North America and Europe. The Prius, of which 2.601 million units have been sold (as of the end of March 2012) since it was first introduced in 1997 and whose name has become synonymous with hybrid vehicles, underwent its second full model change in May 2009. The hybrid vehicles HS250h and SAI were introduced in July 2009 and December 2009, respectively. In December 2009, Toyota began leasing the Prius plug-in hybrid equipped with a lithium ion battery targeted at certain corporate users including electrical power companies. In January 2011, the Lexus hybrid vehicle CT200h was also introduced. Further, Toyota introduced the Prius α (Prius Alpha) wagon in May 2011 and is planning further ways to enhance the Prius series lineup. Furthermore, Toyota has strengthened its hybrid lineup by introducing hybrid versions of the Camry in September 2011, the Alphard and the Vellfire in November in 2011, the compact hybrid vehicle Aqua in December 2011, and in January 2012 the Prius plug-in hybrid and the fully remodeled GS450h. Toyota anticipates strong growth in the hybrid vehicles area and will continue to introduce new models.



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## **Table of Contents**

Toyota began limited sales of a fuel cell hybrid vehicle in Japan and the United States in December 2002. In June 2005, Toyota's new fuel cell hybrid passenger vehicle became the first in Japan to acquire vehicle type certification under the Road Vehicles Act, as amended, on March 31, 2005, by Japan's Ministry of Land, Infrastructure, Transport and Tourism. Leases for the vehicle began in July 2005. By 2007, Toyota was able to make improvements to start-up and cruising distance at temperatures below freezing, which were technological challenges. Toyota has made advances by solving technological issues such as the above and has been working towards the practical use of such solutions.

Toyota aims to continue its efforts to offer a diverse line-up of hybrid vehicles, enhance engine power while improving fuel economy and otherwise work towards increasing the sales of hybrid vehicles.

### *Conventional Engine Vehicles*

#### *Subcompact and Compact*

Toyota's subcompact and compact cars include the four-door Corolla sedan, which is one of Toyota's best selling models. The Yaris, marketed as the Vitz in Japan, is a subcompact car designed to perform better and offer greater comfort than other compact cars available in the market, with low emissions that are particularly attractive to European consumers. In Japan, Toyota introduced the micropremium iQ in November 2008, as well as the remodeled Passo in February 2010, Ractis in November 2010, and Vitz in December 2010. In India, Toyota introduced the Etios in October 2010.

#### *Mini-Vehicles*

Mini-vehicles are manufactured and sold by Daihatsu. Daihatsu manufactures mini-vehicles, passenger vehicles, commercial vehicles and auto parts. Mini-vehicles are passenger cars, vans or trucks with engine displacements of 660 cubic centimeters or less. Daihatsu sold approximately 600 thousand mini-vehicles and 182 thousand automobiles on a consolidated basis during fiscal 2012. Daihatsu's largest market is Japan, which accounted for approximately 80% of Daihatsu's unit sales during fiscal 2012. From 2011, Toyota began to sell some mini-vehicles manufactured by Daihatsu under the Toyota brand.

#### *Mid-Size*

Toyota's mid-size models include the Camry, which has been the best selling passenger car in the United States for fourteen of the past fifteen calendar years (from 1997 to present) and also for the last ten consecutive years. The Camry was fully remodeled in August 2011. Camry sales in the United States for 2011 were approximately 308 thousand units (including Camry hybrids). In addition, Toyota's other mid-size models include (i) the REIZ for the Chinese market, (ii) the Avensis, which was remodeled in November 2008 for the European market, and (iii) the Mark X, which was remodeled in October 2009 for the Japanese market.

#### *Luxury & Large*

In North America, Europe, Japan and other regions, Toyota's luxury lineup consists primarily of vehicles sold under the Lexus brand name. Lexus passenger car models include the LS, the GS, the ES, the HS, the IS, the CT, and the LFA. Lexus models also include the LX, the GX, and the RX sold as luxury sport-utility vehicles in the United States. Toyota commenced sales of its luxury automobiles in Japan under the Lexus brand in August 2005. As of May 31, 2012, the Lexus brand lineup in Japan includes the LS, the GS, the HS, the IS, the CT, the RX, and the LFA. The Toyota brand's full-size luxury car, the Crown, was remodeled in February 2008, and the Crown Majesta was remodeled in March 2009. Toyota also sells the Century limousine in Japan.

#### *Sports and Specialty*

In the United States Toyota sells the Scion tC, a sports model targeted at young drivers. In December 2010, Toyota introduced the LFA model under the Lexus brand as the high-performance sports model, and in April 2012, Toyota introduced the 86 (called Scion FR-S in the U.S.), a compact sports car with a front-mounted engine and rear-wheel drive.

## **Table of Contents**

### *Recreational and Sport-Utility Vehicles and Pickup Trucks*

Toyota sells a variety of sport-utility vehicles and pickup trucks. Toyota sport-utility vehicles available in North America include the Sequoia, the 4Runner, the RAV4, the Highlander, the FJ Cruiser and the Land Cruiser, and pickup trucks available are the Tacoma and Tundra. The Tacoma, the Tundra, the Highlander and the Sequoia are manufactured in the United States. Toyota also offers three types of sport-utility vehicles under the Lexus brand, including the LX, the GX, and the RX. Toyota also manufactures the RX and RAV4 models in Canada. Toyota's pickup truck, the Hilux, has been the best selling model of all Toyota cars sold in Thailand. In December 2008, Toyota introduced the new Venza in North America. The fully remodeled RX was introduced in February 2009 in North America and in March 2009 in Europe. In Japan, the RX was introduced in January 2009, and the FJ Cruiser in December 2010.

### *Minivans and Cabwagons*

Toyota offers several basic models for the global minivan market. Its largest minivan, the Alphard was remodeled in May 2008 in Japan at the same time that the Vellfire was introduced. In addition, the Corolla Verso was introduced in December 2008 in Europe, and the Wish was remodeled in April 2009 in Japan. Toyota's other minivan models include, in Japan, the Hiace, the Regius Ace, the Estima, the Noah, the Voxy, the Sienta, the Isis and, in North America, the Sienna.

### *Trucks and Buses*

Toyota's product lineup includes trucks (including vans) up to a gross vehicle weight of five tons and micro-buses, which are sold in Japan and in overseas markets. Trucks and buses are also manufactured and sold by Hino, a subsidiary of Toyota. Hino's product lineup includes large trucks with a gross vehicle weight of over eleven tons, medium trucks with a gross vehicle weight of between five and eleven tons, and small trucks with a gross vehicle weight of up to five tons. Hino's bus lineup includes medium to large buses used primarily as tour buses and public buses, small buses and micro-buses. Toyota and Hino maintain a large share of the small bus (including micro-buses) market in Japan.

### *Product Development*

New cars introduced in Japan during fiscal 2012 and thereafter include the Prius Alpha, Avensis, Prius plug-in hybrid Aqua, 86, Pixis Space, Pixis Van/Truck, and Pixis Epoch. Remodeled cars in Japan during fiscal 2012 and thereafter include the Dyna/Toyoace, Camry, Corolla Axio/Fielder, and GS. New vehicles developed during fiscal 2012 and thereafter and introduced outside of Japan include the Prius plug-in hybrid Prius c, Prius V, Scion FR-S, and Scion iQ introduced in the United States, and the Yaris HV, Prius plug-in hybrid Prius c, Prius V, GT86, and iQ introduced in Europe. Remodeled cars outside of Japan during fiscal 2012 and thereafter include the GS, Camry, and Yaris HB in the United States, and the GS, Camry, and Yaris HB in Europe.

In addition, the IMV product lineup based on the IMV project to optimize global manufacturing and supply systems is a lineup of strategic multipurpose vehicles produced from a single platform to meet market demand. The IMV product lineup includes, as of May 31, 2012, the Hilux, Fortuner, and Innova, one or all of which are available in all regions except for Japan.

**Table of Contents****Markets, Sales and Competition**

Toyota's primary markets are Japan, North America, Europe and Asia. The following table sets forth Toyota's consolidated vehicle unit sales by geographic market for the periods shown. The vehicle unit sales below reflect vehicle sales made by Toyota to unconsolidated entities (recognized as sales under Toyota's revenue recognition policy), including sales to unconsolidated distributors and dealers. Vehicles sold by Daihatsu and Hino are included in the vehicle unit sales figures set forth below.

Market	2008		2009		Year Ended March 31, 2010		2011		2012	
	Units	%	Units	%	Units	%	Units	%	Units	%
Japan	2,188,389	24.6%	1,944,823	25.7%	2,162,418	29.9%	1,913,117	26.2%	2,070,799	28.2%
North America	2,958,314	33.2	2,212,254	29.2	2,097,374	29.0	2,031,249	27.8	1,872,423	25.5
Europe	1,283,793	14.4	1,061,954	14.0	858,390	11.9	795,534	10.9	797,993	10.8
Asia	956,509	10.7	904,892	12.0	979,651	13.5	1,255,016	17.2	1,326,829	18.0
Other*	1,526,934	17.1	1,443,433	19.1	1,139,329	15.7	1,313,123	17.9	1,283,885	17.5
<b>Total</b>	<b>8,913,939</b>	<b>100.0%</b>	<b>7,567,356</b>	<b>100.0%</b>	<b>7,237,162</b>	<b>100.0%</b>	<b>7,308,039</b>	<b>100.0%</b>	<b>7,351,929</b>	<b>100.0%</b>

\* Other consists of Central and South America, Oceania, Africa and the Middle East, etc.

The following table sets forth Toyota's vehicle unit sales and market share in Japan, North America, Europe and Asia on a retail basis for the periods shown. Each market's total sales and Toyota's sales represent new vehicle registrations in the relevant year (except for the Asia market where vehicle registration does not necessarily apply). All information on Japan excludes mini-vehicles. The sales information contained below excludes unit sales by Daihatsu and Hino, each a consolidated subsidiary of Toyota. Vehicle unit sales in Asia do not include sales in Pakistan.

	(Thousands of Units)				
	Fiscal Year Ended March 31,				
	2008	2009	2010	2011	2012
<b>Japan:</b>					
Total market sales (excluding mini-vehicles)	3,428	2,894	3,184	2,975	3,067
Toyota sales (retail basis, excluding mini-vehicles)	1,564	1,331	1,535	1,407	1,396
Toyota market share	45.6%	46.0%	48.2%	47.3%	45.5%

	(Thousands of Units)				
	Calendar Year Ended December 31,				
	2007	2008	2009	2010	2011
<b>North America:</b>					
Total market sales	19,360	16,294	12,705	14,058	15,417
Toyota sales (retail basis)	2,923	2,537	2,053	2,008	1,880
Toyota market share	15.1%	15.6%	16.2%	14.3%	12.2%
<b>Europe:</b>					
Total market sales	23,100	21,212	18,314	18,368	19,074
Toyota sales (retail basis)	1,261	1,141	905	808	820
Toyota market share	5.5%	5.3%	4.9%	4.4%	4.3%
<b>Asia:</b>					
Total market sales	5,515	5,567	5,951	7,430	7,861
Toyota sales (retail basis)	779	809	779	991	1,055
Toyota market share	14.1%	14.5%	13.1%	13.3%	13.4%



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**Table of Contents**

*Japan*

Japan is one of the leading countries with respect to technological advancements and improvements and will continue to demonstrate such strength. Toyota strives to earn customer satisfaction by introducing products distinctive of Japan's manufacturing ability such as value-added products including Lexus models, hybrid vehicles, vehicles with 3-seat rows and mini-vehicles. Although the Japanese economy was heavily negatively impacted in various ways by the Great East Japan Earthquake and the floods in Thailand, in fiscal 2012 the economy continued its slow recovery as production and consumption gradually improved. Toyota's consolidated sales in the Japanese market in fiscal 2012 was 2,071 thousand units, a 158 thousand unit increase in comparison with the previous year. Toyota endeavors to secure and maintain its large share of and position atop the Japanese market. Toyota held a domestic market share (excluding mini-vehicles) on a retail basis of 48.2% in fiscal 2010, 47.3% in fiscal 2011, and 45.5% in fiscal 2012. Although there were production disruptions temporarily caused by the Great East Japan Earthquake and the floods in Thailand, Toyota maintained its large share of the Japanese market in fiscal 2012 through actively launching vehicles such as the Prius a (Prius Alpha) and Aqua, which were eligible for subsidies and tax breaks, etc. under government policies promoting eco-cars, and by supporting sales of Toyota's existing models.

Although Toyota's principle is to conduct production in regions where there is demand, it considers Japan to be the source of its good manufacturing practices. Toyota supports its operations worldwide through measures such as the development of new technologies and products, low-volume vehicles to complement local production, production of global vehicle models which straddle multiple regions, and supporting overseas factories. In Japan, Toyota is implementing flexible production based on market needs, in order to support its large share of domestic sales.

In January 2011, Central Motor Co., Ltd., Toyota's subsidiary, began production at its Tohoku plant, implementing innovative production technology that realizes cost reductions. The Tohoku plant produces compact vehicles such as the Yaris sedan and the Corolla Axio. In addition, Kanto Auto Works, Ltd. became a wholly-owned subsidiary of Toyota in January 2012. Toyota plans to integrate Central Motor Co., Ltd., Kanto Auto Works, Ltd. and Toyota Motor Tohoku Corporation in July 2012, to establish Toyota Motor East Japan, Inc. as a new company. This integration is intended to enable Toyota Motor East Japan, Inc. to design, develop, and produce globally competitive compact cars, manufacture auto parts, and support Toyota's overseas operations. Toyota has established three domestic production bases, which are Tokai, Kyushu, and Tohoku regions.

In January 2012, Toyota Auto Body Co., Ltd. became a wholly-owned subsidiary of Toyota. Going forward, Toyota Auto Body Co., Ltd. will primarily be responsible for integrating the planning, development, and production of minivans, commercial vehicles, SUVs, etc.

Since Toyota formed an alliance with Fuji Heavy Industries, Ltd. ( FHI ) in 2005, Toyota and FHI have utilized each other's resources in development and production such as moving some of Toyota's production to FHI's North American production center operated by Subaru of Indiana Automotive, Inc. In April 2008, in order to create synergy and to further strengthen competitiveness, Toyota, Daihatsu and FHI agreed on the following three points: (1) Toyota and FHI will jointly develop a compact rear-wheel-drive sports car that will be marketed by both Toyota and FHI, (2) Toyota will provide FHI with a compact car on an original equipment manufacturing basis ( OEM ) and (3) Daihatsu will supply FHI with mini-vehicles and an FHI version of the Daihatsu Coo compact car on an OEM basis. In order to promote a smooth cooperation, FHI transferred 61 million FHI shares owned by FHI to Toyota in July 2008. As a result of this transfer, Toyota owns 16.5% of FHI issued shares.

In Japan, there are five major domestic manufacturers, five specialized domestic producers and a growing volume of imports from major United States and European manufacturers. The prolonged economic slump in the Japanese economy has also shifted consumer preference towards more affordable automobiles such as compact and subcompact vehicles and towards utility vehicles such as mini-vans. For more than 40 years, Toyota has maintained its position as the largest automobile manufacturer in Japan. Every year since fiscal 1999, Toyota,

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**Table of Contents**

excluding Daihatsu and Hino, has achieved a market share (excluding mini-vehicles) of over 40%, reflecting in part the success of the introduction of new models for subcompact and compact cars, mini-vans and sedans. In August 2005, Toyota launched the Lexus brand in Japan and achieved a record top market share of 24.8% in the luxury market in fiscal 2012. Toyota aims to further distinguish the Lexus brand by continuing to attract new and affluent customers including customers that typically had purchased imported vehicles.

*North America*

North American market, one of Toyota's most significant markets, has struggled since the financial crisis beginning in 2008. Toyota has restructured its production system and improved its product lineup. In addition, Toyota is actively working to promote increased local independence of operations in North America, in accordance with the Toyota Global Vision, announced in 2011.

North American market, with U.S. as its central point, is an important market segment with a wide product lineup (excluding large trucks and buses), representing approximately 26% of Toyota's total global unit sales on a consolidated basis with 1,872 thousand vehicles sold in fiscal 2012, 87% of which are retail sales of Toyota vehicles in the United States. Currently, while the bestselling Camry model was fully remodeled in August 2011, due to the impact of shortages in parts and components resulting from the effects of the Great East Japan Earthquake and the floods in Thailand, sales figures for fiscal 2012 were 94% of those in the previous fiscal year. In 2011, Toyota brand vehicles accounted for approximately 88%, and Lexus brand for approximately 12%, of the vehicle unit sales in the United States.

Toyota commenced sales of the first-generation Prius hybrid model in North America in 2000. The Prius became Toyota's best selling model behind the Corolla and Camry, having gained particular support among persons concerned for the environment. Toyota released the first hybrid model under the Lexus brand, the RX400h, and Highlander hybrid in 2005. Toyota began sales of the HS250h in 2009 and CT200h in 2011, both models under the Lexus brand. Further, Toyota continued expanding its hybrid models with the introduction of models such as the Prius V and Prius C.

Since introducing the LS and ES models under the premium brand model Lexus in the United States in 1989, Toyota has expanded its Lexus sales with models including the GS, IS and RX, etc. In 2011, Toyota introduced the compact hybrid vehicle CT200h, and unit sales reached 199 thousand units. In 2012, Toyota is planning to further increase sales by the introduction of the new GS and ES models.

Toyota is continuing to revise its production system in North America in order to flexibly respond to the substantially contracting sales market caused by the economic downturn brought by the financial crisis. In November 2008, due to a significant decline in demand for the Tundra, Toyota's Texas plant was designated as the sole production facility for the Tundra, which was previously produced jointly by Toyota's Indiana plant and Texas plant. Toyota's Kentucky plant commenced production of the new Venza model in November 2008 and the Indiana plant began local production of the Highlander in October 2009. Toyota is currently making plans to increase production capacity in Indiana plant next year. Toyota plans to increase production capacity at its automatic transmission plant in West Virginia from 400 thousand units per year to 520 thousand units per year by the summer of 2013. The new Woodstock plant in Canada commenced production of the RAV4 by single shift operation in November 2008 and the Cambridge plant in Canada commenced production of the remodeled Lexus RX in January 2009. Due to an increase in demand, production of the RAV4 at the Woodstock plant changed to double shift operation beginning March 2010. Toyota currently plans to increase production capacity at the Woodstock plant from 150 thousand units per year to 200 thousand units per year during the first half of 2013, as well as to further expand local production of vehicles.

On the other hand, due to the termination of the NUMMI joint venture with GM in the middle of 2009, Toyota ceased placing orders for the Tacoma and Corolla with NUMMI and production was stopped at the NUMMI plant in April 2010. Equipment utilized in the production of the Tacoma model was transferred to the

## **Table of Contents**

Texas plant, where production of the Tacoma began in July 2010. The Corolla was produced and supplied by the Cambridge plant in Canada, and finished vehicles were exported into North America from the Takaoka plant and Kanto Auto Works, Ltd. in Japan. Starting October 2011, Toyota, instead of importing from Japan, has begun production of the Corolla at its Mississippi plant.

As for Toyota's vehicle development in North America, while the Toyota Technical Center spearheads the design, planning, and evaluation of vehicles and parts as to their ability to meet customer needs, Toyota is actively moving forward with plans to increase the number of staff present at the Center in order for it to function as an independent local entity, in aims that it will produce even better cars in the future.

### *Europe*

While the outlook for the future remains unclear in light of the ongoing European sovereign debt crisis, Toyota has continued to build a basic infrastructure to meet local demand in design and production by introducing the new Yaris and by entering into a diesel engine supply agreement with BMW in the fall of 2011. In addition, Toyota is actively promoting the regionally centralized management model in Europe, in accordance with the Toyota Global Vision, announced in 2011.

In 2011, despite little recovery in Western Europe as a result of a cooling of consumer attitudes in Western Europe due to fiscal austerity measures in Southern European countries such as Italy and Portugal, European market performance exceeded the previous year's levels, led by favorable economic conditions in Russia and Eastern Europe, which were encouraged by rising oil prices.

Despite the negative impact of shortages of parts and components due to the Great East Japan Earthquake in March 2011 and little improvement in sales in Western Europe, the overall number of vehicles sold in 2011 exceeded the previous year's figures for the first time in the past four years, at 822 thousand units, with large sales contributions from the introduction of the new Yaris in October, sales increases in Russian and Central-Eastern European markets. Toyota aims to further increase its market share with stabilized production and the introduction of additional new vehicle models in the future. Consolidated European sales of Toyota in fiscal 2012 was 798 thousand units, up 0.3% from fiscal 2011.

Toyota has in the past increased local production in response to sales growth, establishing Toyota Motor Manufacturing (UK) Ltd. ( TMUK ) in 1992, Toyota Motor Manufacturing Turkey Inc. in 1994 and Toyota Motor Manufacturing France S.A.S. in 2001 as supply factories to Europe. Further, in 2005, Toyota Peugeot Citroën Automobile was formed as a result of a joint venture with PSA Peugeot Citroën, allowing for the expansion of local production. However, in light of the current levels of demand in the United Kingdom, TMUK will limit its production to one production line at its Burnaston plant. TMUK will determine whether and when to reopen the second production line based on the direction of the market. Toyota began operation of a factory in 2007 at Toyota Motor Manufacturing Russia, as a foothold in the Russian market, where future growth is expected. Further, Toyota plans to commence contract assembly of SUVs by Sollers in Vladivostok at the end of 2012.

Toyota's principal European markets are Germany, France, the United Kingdom, Italy, Spain and Russia. Toyota's principal competitors in Europe are Volkswagen, Opel, Renault, Ford and Peugeot, as well as Korean manufacturers Hyundai and Kia, who have made significant expansions in the region.

### *Asia*

In light of the importance of the Asian market that is expected to grow in the long term, Toyota aims to build an operational framework that is efficient and self-reliant as well as a predominant position in the automotive market in Asia. Operating income for Asia in fiscal 2012 decreased compared to fiscal 2011 due to the negative impact of the floods in Thailand. However, the recovery in production capacities, primarily in Thailand and Indonesia, led to an upturn in sales in the fourth quarter. Toyota has responded to increasing competition in Asia by making

## Table of Contents

strategic investments in the market and developing relationships with local suppliers. Toyota believes that its existing local presence in the market provides it with an advantage over new entrants to the market and expects to be able to promptly respond to demand for vehicles in the region.

In this region, Toyota plans to further strengthen its business foundations by improving its product line-up, expanding local procurement, and increasing production capacities. For example, Toyota began producing IMV models (the Hilux, Fortuner and Innova) in Thailand, Indonesia, India, the Philippines and Malaysia in fiscal 2005 and in Vietnam in fiscal 2006. Furthermore, with increased production capacity, the Thailand plant now produces IMV models (the Hilux and Fortuner) for sale outside of Asia, including in Australia and in the Middle East, and has contributed greatly to the expansion of Toyota's automotive business. Furthermore, Toyota Motor Thailand Co., Ltd., Toyota's vehicle production base in Thailand, commenced production of the Camry hybrid in May 2009 and Prius in November 2011. Toyota also plans to start construction on its second new Gateway plant in the middle of 2013, which will increase production capacity by 70 thousand units, and will increase production capacity in Thailand to 760 thousand units. In India, Toyota has expanded its business by constructing a second plant with an annual production capacity of 70 thousand units, Toyota has also commenced production and sales of the Etios compact model designed specifically for the Indian market in December 2010. Toyota plans to further increase production capacity in India during 2012 and 2013. Toyota began exporting the gasoline-fueled model of the Etios to South Africa from India in April 2012. Toyota plans to construct a second plant in Karawang, Indonesia, at the beginning of 2013 in order to meet the diverse customer needs and the expanding market. In addition, in 2012 Toyota began production and sales of the Camry hybrid in Taiwan, to accommodate the spread of environmentally-friendly vehicles. In light of the Korea-USA FTA conclusion, moreover, Toyota has begun sales of the U.S. produced Camry in Korea since January 2012.

Consolidated Asian sales of Toyota vehicles in fiscal 2012 was 1,327 thousand units, up 5.7% from fiscal 2011. In 2011, Toyota had a market share in Asia of 13.4% and achieved annual retail unit sales of approximately 1,055 thousand vehicles. Increased sales in robust economics primarily in Thailand and Indonesia contributed to the growth in the Asian market.

Toyota's principal Asian markets are Thailand, Indonesia, India, Malaysia and Taiwan.

### *China*

Toyota has been conducting its operations in China through joint ventures, and its success in producing products that meet local demands and in establishing its sales and service network has significantly contributed to Toyota's profits. Based on the firm business foundation that it has established, Toyota is conducting its operations with the aim of promoting further growth and increasing profitability through further development of its sales and service network and expansion of its product lineup.

In China, Toyota has been conducting joint ventures with two major partners. First, with respect to the joint venture with China FAW Group Corporation, since Toyota first launched the Vios through the joint venture in 2002, Toyota has been producing and selling nine car models in China, including the Land Cruiser Prado, Land Cruiser, Corolla, Crown, REIZ, Coaster, RAV4 and Prius. With regard to increasing production capacity, in May 2007, Toyota commenced production of the new Corolla on the second line of the Tianjin Teda plant, which has an annual production capacity of 200 thousand units, and commenced production of the RAV4 on the same line in March 2009. Toyota is currently constructing a new factory in Changchun, China, where Toyota began producing the Corolla in May 2012 with an annual production capacity of 100 thousand units. Guangzhou Toyota Motor Co., Ltd., a joint venture between Toyota and Guangzhou Automobile Group Co., Ltd., commenced production of the Camry in May 2006 with an annual production capacity of 100 thousand units on a single shift basis and, by late 2006, it expanded its annual production capacity to 200 thousand units on a double shift basis. In addition, it commenced production of the Yaris in May 2008, and the second Guangzhou line commenced production of the Highlander in May 2009 and the E'z in June 2011.



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**Table of Contents**

In China, vehicle sales increased 3% from 18.3 million in 2010 to 18.8 million in 2011. In this market, Toyota's sales in 2011 were 880 thousand vehicles. In the locally produced passenger vehicle market (total of approximately 12 million units), Toyota's sales were 800 thousand units, for a market share of 7%. In the 2011 market, favorable conditions in the less-than-1.6 liter market continued, and the SUV market expanded as a result of customers' value diversification. Toyota increased the number of the Corolla and Corolla EX, which are Toyota's main models under 1.6 liters, and the RAV4 and Highlander SUV models, which resulted in record high sales. As for Toyota's distribution network, Toyota has been expanding the distribution network for locally produced vehicles in cooperation with Chinese joint venture partners under Tianjin FAW Toyota Motor Co., Ltd. and Guanqi Toyota Motor Co., Ltd., and for imported vehicles, Toyota has also been expanding primarily the Lexus brand sales network. Toyota plans to further increase sales by expanding the number of dealers and the product lineup for both locally produced and imported vehicles. In addition, as the market in China develops, Toyota plans to promote the so-called "Value Chain" businesses such as used cars, services, financing and insurance.

*South and Central America, Oceania, Africa and the Middle East*

Consolidated sales of Toyota vehicles in fiscal 2012 in South and Central America, Oceania, Africa and the Middle East (collectively, the "Four Regions") was 1,284 thousand units, a decrease of 2.2% from fiscal 2011, on the backdrop of reduced production due to the effects of the Great East Japan Earthquake and the floods in Thailand. The core models in this region are global models such as the Corolla, IMV (the Hilux) and Camry, which are designed to satisfy regional demands, while keeping production costs down by using common platforms and core parts and components with vehicle models in other regions. Furthermore, with respect to production, Toyota Motor Corporation Australia Ltd., Toyota's vehicle production base in Australia, commenced production of the Camry hybrid in the beginning of 2010. In addition, in order to increase production of IMV models, Toyota expanded the annual production capacity of its Argentina factory from 70 thousand units to 90 thousand units during the second half of 2011. In order to expand business in Brazil, Toyota constructed a new factory in Sorocaba with an annual production capacity of 70 thousand units, and plans to begin production and sales of the compact vehicles introduced to the Indian market in late 2012. Further, Toyota began local production of the Fortuner in Egypt in April 2012, and plans to sell 3 thousand units per year.

In these regions, which are expected to become increasingly important to Toyota's business strategy, Toyota aims to develop new products which meet the specific demands of each region, increase production and further promote sales.

Toyota's principal markets in the Four Regions are Brazil in South and Central America, Australia in Oceania, South Africa in Africa and Saudi Arabia in the Middle East.

***Production***

Toyota and its affiliates produce automobiles and related parts and components through more than 50 overseas manufacturing companies in 27 countries and regions besides Japan. Toyota's major manufacturing facilities include plants in Japan, the United States, Canada, the United Kingdom, France, Turkey, Thailand, China, Taiwan, India, Indonesia, South Africa, Australia, Argentina, Brazil. Daihatsu brand vehicles are produced at 4 factories in Japan and 4 manufacturing companies in 4 other countries, including Indonesia and Malaysia. Hino brand vehicles are produced at 2 factories in Japan and 5 manufacturing companies in 5 countries, including Indonesia and Thailand. For a listing of Toyota's principal production facilities, see "Information on the Company" Property, Plants and Equipment.

In promoting a sustainable growth strategy, establishing a system capable of providing optimal supply of products in the global market is integral to Toyota's strategy. In May 2010, Toyota announced its production strategy aimed at achieving an optimal supply system in the global market. For example, Toyota will increase its local production capacities to meet a wide range of growing customer demands in a timely manner in emerging

**Table of Contents**

countries such as China and India. On the other hand, in developed countries with mature markets, Toyota will reconsider production models to respond to changes in market demand and establish a flexible and efficient production system that can withstand currency fluctuations. In 2011, approximately 71% of Toyota vehicles sold in overseas markets were manufactured in overseas plants by Toyota and its unconsolidated affiliates. In 2011, approximately 67% of Toyota vehicles sold in North America were produced in North America. Of the vehicles sold in Europe in 2011, approximately 57% were produced in Europe. In fiscal 2012, Toyota produced on a consolidated basis approximately 3,940 thousand vehicles in Japan and approximately 3,495 thousand vehicles overseas, compared to approximately 3,721 thousand vehicles in Japan and approximately 3,448 thousand vehicles overseas in fiscal 2011.

The following table shows the worldwide vehicle unit production by Toyota for the periods shown. These production figures do not include vehicles produced by Toyota's unconsolidated affiliates. The sales unit information elsewhere in this annual report includes sales of vehicles produced by these affiliates. Vehicles produced by Daihatsu and Hino are included in the vehicle production figures set forth below.

	Year Ended March 31,				
	2008	2009	2010	2011	2012
Units Produced	8,547,200	7,051,032	6,809,440	7,169,721	7,435,781

Toyota closely monitors its actual units of sale, market share and units of production data and uses this information to allocate resources to existing manufacturing facilities and to plan for future expansions.

See *Capital Expenditures and Divestitures* for a description of Toyota's recent investments in completed plant constructions and for a description of Toyota's current investments in ongoing plant constructions.

*The Toyota Production System*

Toyota pioneered the internationally recognized production system known as the *Toyota Production System*. The *Toyota Production System* is based on Toyota's own concepts of efficient production of only necessary and quality products and efficient cost reduction, and has the following two principal elements:

*Just-in-Time*, and

*Jidoka*.

*Just-in-Time* is an approach in which necessary parts and components are manufactured and delivered in just the right quantity in a timely manner just as they are needed. This allows Toyota to maintain low levels of inventory while maintaining operating efficiency.

*Jidoka* is a production concept which involves immediate stop of work when problems arise in the production line in order to stop the production of defective items from being passed on to subsequent stages of the process, and therefore making quality assurance an inherent part of the production process. To achieve this, Toyota's equipment is designed to detect and highlight abnormalities and to stop whenever abnormalities occur. Toyota also authorizes its machine operators and other members of its production team to stop production whenever they note anything suspicious. This helps Toyota to build quality into the production process by avoiding defects and preventing the waste that would result from producing a series of defective items.

Toyota believes that the *Toyota Production System* allows it to achieve mass-production efficiencies even in high-mix low-volume production. This belief gives Toyota the flexibility to respond to changing consumer demand without significantly increasing production costs. While the *Toyota Production System* remains the basis of Toyota's automobile production, the system has been expanded for use in Toyota's parts production, logistics and customer service activities as well.

## **Table of Contents**

Through the Toyota Production System, issues are identified and analyzed at the actual site, the entire production process is made visible, and production efficiency as well as product quality are improved through the application of measures to address the sources of problems. As one method to implement these measures, Toyota utilizes sophisticated information technologies to improve each step of its vehicle development process, from product planning to commencement of mass-production. These technologies are intended to enhance flexibility, simplification, quality, cost competitiveness, and speed. Specifically, detailed computer simulation of the assembly and test-run of a new vehicle or new vehicle production equipment or system is conducted before a prototype is made. An actual prototype is made only after defects and related issues have been identified and resolved by computer simulation, thereby minimizing the time required for rebuilding prototypes and significantly shortening the time required for production. Moreover, this system is used to prepare virtual factories and other visual aids in order to facilitate training and communication at overseas plants and enable the efficient transfer of necessary technology and skills.

In order to strengthen manufacturing and promote localization of overseas production, Toyota established the Global Production Center ( GPC ) in July 2003 as a development and training center for global human resources. The GPC is intended to introduce local managers to the Toyota methodology, allowing them to train their subordinates with the local management. GPC develops simple, easy-to-understand and efficient training systems for the development of explicit knowledge. One characteristic of the GPC is that managers and supervisors, new hires and experienced workers can all receive common skill training. GPC's training system involves a pre-training phase where trainees learn basic skills and discover the skills that they must acquire through image training. This is followed by various steps, from basic skill training, elemental task training, to standard task training, which is a sure method of training. The fruits of this training method are reduced training time, higher levels of achievement and the efficiency of training. Since January 2006, Toyota has opened regional GPCs in North America, Europe and Asia. In each region, Toyota commenced courses where trainees from each department are trained by local trainers to become trainers themselves. Since its establishment, GPC (including regional GPCs) has trained approximately 41 thousand people in nine years.

With the aim of enhancing its competitive edge in self-manufacturing, Toyota, since 2001, has been developing and implementing the simple and user-friendly operation systems & facilities that can be handled by anyone, anywhere. Toyota is developing its innovative production system, facilities and processing technologies and is currently promoting it at a global level.

### ***Distribution***

Toyota's automotive sales distribution network is the largest in Japan. As of March 31, 2012, this network consisted of 283 dealers employing approximately 34 thousand sales personnel and operating approximately 4.7 thousand sales and service outlets. Toyota owns 15 of these dealers and the remainder are independent.

Toyota believes that this extensive sales network has been an important factor in its success in the Japanese market. A large number of the cars sold in Japan are purchased from salespersons who visit customers in their homes or offices. In recent years, however, the traditional method of sales through home visits is being replaced by showroom sales and the percentage of automobile purchases through showrooms has been gradually increasing. Toyota expects this trend to continue, and accordingly, plans to improve its sales activities such as customer reception and meticulous service at showrooms to increase customer satisfaction.

**Table of Contents**

Sales of Toyota vehicles in Japan are conducted through four sales channels – Toyota, Toyopet, Corolla and Netz. In addition, Toyota introduced the Lexus brand to the Japanese market in August 2005, and currently distributes the Lexus brand vehicles through a network of 170 sales outlets in order to enhance its competitiveness in the domestic luxury automobile market. The following table provides information for each channel as of March 31, 2012.

Channel	Dealers			Market Focus
	Toyota Owned	Independent	Total	
Toyota	4	45	49	Luxury channel for Toyota brand vehicles
Toyopet	4	48	52	Leading channel for the medium market
Corolla	4	70	74	Volume retail channel centering on compact models
Netz	3	105	108	Sales channel targeting customers with new values for the 21 <sup>st</sup> century

Brand	Sales Outlets	Market Focus
Lexus	170	Premium brand

Outside Japan, Toyota vehicles are sold through approximately 170 distributors in approximately 170 countries and regions. Through these distributors, Toyota maintains networks of dealers. The chart below shows the number of Toyota distributors as of March 31, 2012 by country and region:

Country/Region	Number of Countries	Number of Distributors
North America	3	5
Europe	36	30
China	1	4
Asia (excluding China)	17	12
Oceania	17	14
Middle East	17	16
Africa	53	45
Central and South America	31	42

*Improve Efficiency*

Toyota is working on the following to create a structure allowing for efficient development, production and sales that can respond flexibly to changes in the external environment:

working with suppliers to dramatically increase the efficiency of development,

creating a production structure that can better withstand fluctuations in demand and currency exchange rates, and

strengthening sales capabilities in line with local conditions.

Toyota also plans to improve profitability and enhance operating efficiency by continuing to pursue aggressive cost reduction programs, including:

improving product development and production efficiencies through the re-integration and improvement of vehicle platforms and power trains and through the development of electronic platforms which organize electronic devices of vehicles as a package and

standardize electronic structure and infrastructure,

implementing Ryohin-Renka Cost Innovation ( RR-CI ) activity, which aims at the elimination of waste in all processes from design to production while ensuring the reliability and safety of each part,

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**Table of Contents**

applying advanced information technologies to improve efficiency throughout the product development and production processes,

increasing the focus on global purchasing opportunities, standardization and modularization to optimize purchasing from suppliers,

streamlining production systems, and

improving the efficiency of domestic and international distribution.

Toyota is further improving production efficiency by installing more versatile equipment and systems, modifying vehicle body designs to allow for a greater variety of models on each production line and sharing more parts among vehicles, not simply among different models, but also among different platforms.

Toyota continues to focus on reducing costs and improving efficiency through various measures. One of these measures is the reduction in the number of platforms used in vehicle production. Platforms are the essential structures that form the base of different vehicle models. By using a common platform for the production of a greater number of models, Toyota believes that it will be able to decrease the substantial expenditures required to design and develop vehicles. In addition, Toyota believes that it will be able to achieve the scale benefits of producing larger volumes per platform, thereby reducing manufacturing cost per vehicle.

In April 2012, Toyota announced a new development framework, the Toyota New Global Architecture ( TNGA ), which reconciles sweeping advances in product appeal with cost reductions. The new framework aims for the development of new vehicle platforms that not only pursue the three fundamental vehicle functions of moving, turning and stopping, but also ideal engineering for occupants, such as driving position, and also freedom of design. These new platforms are to be shared across regions worldwide to efficiently develop cars with high basic-performance attributes. The TNGA provides for handling multiple models simultaneously in grouped development projects that will increase the sharing of parts and core vehicle components. This sharing, carried out in cooperation with suppliers, will result in lowered costs, thereby allowing developmental manpower and funds to be divided between R&D to meet consumer preferences and R&D to meet regional needs, resulting in further product improvement.

***Enhancing Vehicle Functionality and Intelligent Transport Systems Realizing a Smart Mobility Society***

Toyota is striving to enhance vehicle functionality that will increase the attractiveness of vehicles and the excitement of driving. Toyota is also working in various ways to comprehensively realize enhanced transport systems that are aimed at transporting people and goods in a smooth and efficient manner and to build a safe transportation environment. ITS combines automotive technologies and information technologies in an effort to provide vehicle occupants with an array of information and enhanced safety features. Additionally technological innovations allow automobiles to function not just as a means of transport but also additional roles in people's lives and society. Toyota will continue to face this challenging goal and aim to innovate technology that will realize an affluent lifestyle that offers people peace of mind in a smart mobility society where vehicles will manifest new kinds of value-added and attractive functions and features that is closely connect all aspects of human activity and life as a part of smart communities worldwide. Toyota aims to realize a Smart Mobility Society where people feel relief and excitement in every scene of their lives, by connecting vehicles, people and their communities with advanced Information Communication Technologies ( ICT ).

***Enhancing Vehicle Functionality Information service functions.***

To Toyota, enhancing vehicle functionality means advancing information service functions that integrate vehicles with telecommunication systems, and driving assistance functions that use communication technologies and sensing technologies to create vehicles with intelligent features. Information service

**Table of Contents**

functions can improve the convenience and enrich the driving experience by means of information communication technologies, which add new functions connected to the basic vehicle functions of running, turning and stopping. Examples include the following:

Advanced car navigation systems are equipped with functions such as displaying maps and detailed information about the car parking space and the VICS (Vehicle Information and Communication System) that provides real-time information about road traffic such as congestion, accidents, traffic restrictions and parking. These car navigation systems play an important role in providing drivers with various types of information on safety, smooth traveling, comfort and convenience.

G-BOOK is the latest information network service that merges the latest network technologies and car multimedia, prior to the arrival of the ubiquitous network society. G-BOOK provides various types of information useful for driving a car as well as safety and security services that detect unusual conditions in the vehicle, which supports a lifestyle using automobiles anytime and anywhere through a network. In 2005, Toyota started G-BOOK ALPHA and G-Link that is a telematics service exclusive to Lexus, which added various features including the traffic congestion forecast service. In 2007, Toyota launched G-BOOK mX, which has matured as a comprehensive telematics service and is built on the proven reliability and security of G-BOOK with the addition of services allowing drivers to use more convenient navigation systems such as Map-on-Demand the world's first technology for automatically updating map data and Probe Communication Traffic Information that provides drivers with highly precise information on traffic congestion.

HELPNET emergency call service is an emergency notification system that transmits necessary information such as the vehicle location either automatically or through the touch of a button in the event of a traffic accident or medical emergency. It immediately contacts police and fire departments through the HELPNET Operation Center. This system is integrated into G-BOOK and G-Link to improve the quality of services. HELPNET shortens the time taken to report following an emergency situation, which contributes to decreasing the number of traffic accident fatalities and reducing the level of impact, preventing second disasters and easing traffic congestion.

In addition to the above, Toyota also operates a Japanese-language website, GAZOO.com. The name Gazoo originates from the Japanese word *gazo* meaning images. Gazoo was established as a membership Internet service linking Toyota, its national dealer network and Gazoo members, and has provided information on new and used Toyota vehicles and related services as well as online shopping capabilities. Currently, in addition to information on Toyota vehicles, Gazoo provides information on automobile companies, while providing information through an enhanced blog on an automobile portal site where customers can experience the enjoyment that cars offer. Furthermore, Toyota is using new content such as GAZOO Racing and GAZOO Mura to further add to its content line-up. In October 2008, Toyota introduced the new Internet-based service GAZOO METAPOLIS, which is Toyota's own virtual city using 3-D images, to inspire new interest in cars and propose new ways for people to enjoy their vehicles through the Internet. Toyota utilized its GAZOO technology to further expand its automobile information service by launching the G-BOOK telematics service in Japan in fall 2002 and G-Link, which is a service exclusive to Lexus, in August 2005. Toyota also offers a theft detection system, vehicle tracking service, operator support service as standard to enhance services aiming to provide safety, security and comfort for G-BOOK and G-Link users in their lifestyle using vehicles. With G-BOOK mX announced in April 2007, Toyota started offering services that allow drivers to use more convenient navigation systems such as Map-on-Demand the world's first technology for automatically updating map data. Also, Toyota has further strengthened its linkage between Gazoo and G-BOOK and has, for example, allowed map information searched on a blog on GAZOO.com to be used on G-BOOK, further maturing as a comprehensive telematics service. In Japan, Toyota is seeking to promote the use of the G-BOOK by equipping all Crown models with navigation systems with the G-BOOK and increasing the number of car navigation system models that are compatible with G-BOOK. Toyota has also licensed its G-BOOK technology to certain other competitors in Japan. Toyota is applying the technology and experience it has accumulated in Japan to regions outside Japan. G-BOOK services have been available in China since March

**Table of Contents**

2009, and its unique telematics services in the United States was launched in August 2009. In addition, Toyota began offering the new G-BOOK software for smartphones starting from December 2010 in Japan, and began to offer the same service in Thailand starting March 2012.

In addition, in March 2004, Toyota launched its CRM (Customer Relationship Management) system called e-CRB (evolutionary Customer Relationship Building) in Thailand. e-CRB builds on a technology cultivated through the development of Gazoo and G-BOOK and offers its customers a variety of services such as providing information of new vehicles, accepting requests for brochures and estimates and notifying customers when it is time for maintenance by keeping track of the vehicle's maintenance history and mileage. In addition, e-CRB offers an advanced operation system that can be utilized comprehensively at dealers including new and used cars and services. Toyota is currently promoting e-CRB in countries such as China, Thailand, Australia, India and Brazil where steady progress has been made as the service-in ratio has increased.

Also, Toyota introduced a system called Sales Logistics Integrated Management ( SLIM ) in Guangzhou, China. By utilizing real sales information and linking with production and distribution, Toyota is able to realize the Just-in-Time production system of producing and delivering only the number of vehicles that have been sold. SLIM has been recognized to significantly increase the freshness of inventory and improve cash flow.

In September 2010, Toyota announced its smart-grid initiatives, which are intended to demonstrate efficient energy use toward the realization of a low-carbon and energy-saving society. By utilizing technology cultivated through the Internet and telematics services mentioned above, Toyota developed the Toyota Smart Center ( TSC ) that optimally controls electricity and links EV (electric vehicles) and PHV (plug-in hybrid vehicles) with homes, and commenced in Rokkasho Village in Aomori, a demonstration project aimed to reduce overall CO<sub>2</sub> emissions and users' electricity costs. In addition, in April 2010, Toyota City was selected as a Model Region for Next-Generation Energy Systems by the Ministry of Economy, Trade and Industry. Toyota has since joined the Toyota City Low-Carbon Society Verification Council (established in August 2010) , and has conducted research on two themes: Optimization of Energy Use in Homes and Transportation and Establishment of a System for Low-Carbon Emission Transportation in Commutation and Travel . Combining the results of these studies, Toyota conducts experiments to optimize energy consumption across a broad range of lifestyle activities. Toyota will utilize the element technologies developed as a result of these experiments to implement in Japan and overseas energy systems that meet the needs of different environments and societies, and to play a role in the energy management to help spread the next generation eco-cars. In addition, in order to develop a global platform of the Toyota Smart Center, Toyota announced a partnership with Microsoft Corp. in April 2011 and a partnership with Salesforce.com in May 2011. As a first step Toyota began eConnect for PHV and TOYOTA friend services from January 2012. Toyota is implementing cooperative efforts to work with the new information technology and industry to establish a framework for Toyota Smart Center's global implementation and to realize a mobility society in the future.

***Enhancing Vehicle Functionality Driving Assistance Functions.***

Toyota's driving assistance functions offer functions that assist drivers with an aim to lessen the burden of driving, enhance safety and provide pleasure of driving to everyone. Toyota is proceeding with enhancements to commercialize various functions that assist the driver in sensing external information, avoiding danger and making appropriate maneuvers. These functions have started to be incorporated in some Toyota vehicles. Examples of driving assistance functions include the following:

VDIM (Vehicle Dynamics Integrated Management) is a system that constantly monitors the driver's operations and the vehicle's situation and centrally manages the engine, steering mechanisms and brakes. By stabilizing the vehicle before the driver loses control of the vehicle, the VDIM achieves a high level of active safety and improves driving performance namely running, turning and stopping.

Pre-collision System is a system that perceives possibilities of a crash with obstacles or the car in front through a millimeter-wave radar sensor that can precisely detect objects even in bad weather



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**Table of Contents**

conditions. If collision seems to be unavoidable, it proceeds to activate safety devices at an early stage to reduce any damage. Toyota is also developing an advanced system that recognizes unavoidable collisions at an earlier stage with a system using a front camera that better detects objects and a driver monitoring camera that detects facial orientation and the opening and closing of eyes.

Radar Cruise Control (with all-speed tracking function) allows the vehicle to keep a constant distance between itself and the preceding vehicle within a speed range from zero to a preset speed, automatically slowing down and stopping if necessary to avoid collision. When the car in front speeds up, it allows the driver to accelerate, resuming the system.

Lane Keeping Assist System is a system that uses a camera to detect white or yellow lane markers while driving on a highway. The system assists the driver's operation of the steering wheel in order to help keep the vehicle traveling between the lane markers by controlling electric power steering, and also warns the driver if it detects possible deviation. This system does not automatically control the steering to maintain travel between lane markers, but requires the driver to steer.

Intelligent Parking Assist is the world's first parking assistance system that enables the vehicle to be automatically steered by electric steering when backing into a parking spot or when parallel-parking. The driver presets the parking position on the display monitor. The system allows the driver to set the parking position more easily, reducing driver maneuvering by using a spatial cognition feature that detects the parking space through ultrasonic sensors.

Blind Spot Monitor is a system which aims to reduce accidents by alerting the driver to other vehicles in the driver's blind spot diagonally behind the driver's seat with sound and visual display in the side mirrors while changing lanes.

***Enhancing Transport Systems.***

Enhancing transport systems requires taking a general approach that addresses various factors across a wide scope that are pertinent not only to vehicles but also roads, people and public transport systems in order to ensure smooth and efficient movement of people and vehicles and to build a safe transportation environment. Recent advances in information technology and ITS are making it possible to develop various systems that used to be mere concepts, such as the VICS and the ETC (Electronic Toll Collection System), which are already standard in Japan, as well as the Vehicle-Infrastructure Cooperative Systems that Support Safety Driving that has begun to be partially implemented. The following are examples of transport systems enhancements.

Vehicle-Infrastructure Cooperative Systems that support Safety Driving is a system developed with the aim of handling accidents that are difficult to prevent with only existing safety equipment. It utilizes communication between vehicle and road, vehicle and other vehicles and vehicle and pedestrians, providing information to the driver and prompting attention with sound.

ITS Spot Service commenced in 2009 and corresponding products are available for purchase. This service links with car navigation and aims to reduce road accidents and promote effective movements by connecting road and vehicle and supplying drivers with information related to road traffic and safe driving through video and voice.

In summer of 2011, Toyota introduced the products corresponding to the driving safety support system ( DSSS ) which the National Police Agency has started operating. In addition to traffic safety functions such as activating warnings of red traffic lights, the system is also planned to serve the function of contributing to environmentally-friendly driving by improving traffic flow.

Toyota is committed to developing new ITS products. Toyota believes that intelligent transport systems will become an integral part of its overall automotive operations and enhance the competitiveness of its vehicles. As familiarity with and demand for ITS products grows, Toyota expects an increasing number of ITS products to become commercially available and achieve greater acceptance each year.



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## **Table of Contents**

### **Financial Services**

Toyota's financial services include loan programs and leasing programs for customers and dealers. Toyota believes that its ability to provide financing to its customers is an important value-added service. In July 2000, Toyota established a wholly-owned subsidiary, Toyota Financial Services Corporation (TFSC), to oversee the management of Toyota's finance companies worldwide, through which Toyota aims to strengthen the overall competitiveness of its financial business, improve risk management and streamline decision-making processes. Toyota plans to expand its network of financial services, in accordance with its strategy of developing auto-related financing businesses in significant markets. Accordingly, Toyota currently operates financial services companies in 34 countries and regions, which support its automotive operations globally.

Toyota's revenues from its financial services operations were ¥1,100.3 billion in fiscal 2012, ¥1,192.2 billion in fiscal 2011 and ¥1,245.4 billion in fiscal 2010. In fiscal 2011, the financial services operations were steady overall, as a result of expansions of demand in Asia and other emerging countries, an increase in exports from Japan and the effects of the economic stimulus measures in countries throughout the world. Also in fiscal 2012, the financial services operations were steady overall, as a result of timely joint sales promotions with dealers in various countries and regions, despite the harsh economic environment due to the negative impact of the Great East Japan Earthquake and the floods in Thailand. Toyota also maintained more than 30% of financing share in fiscal 2012, with the number of new financings also reaching a high level. Meanwhile, Toyota is making efforts to provide both its customers and dealers with stable financial services, by diversifying its funding mechanisms with ABCP (Asset Backed Commercial Paper) and ABS (Asset Backed Securities), in addition to mid- to long-term financings, primarily in commercial paper issuances, corporate bonds and bank borrowings. Additionally, in fiscal 2011, the percentage of credit losses improved by 0.31% from fiscal 2010 to 0.41%, as Toyota performed timely revisions to its lending standards and strengthened its collection management system. In fiscal 2012, Toyota continued to perform detailed credit appraisals and serve customers by monitoring bad debt and loan payment extensions, and the percentage of credit losses improved by 0.19% from fiscal 2011 to 0.22%. Additionally, operating income of Toyota's financial service operations reached their second highest level to date with decreases in the percentages of credit and residual value losses to lower levels in comparison with previous years, as a result of the favorable impacts of external factors such as rising prices of used cars in the United States. Toyota continues to work towards improving its risk management measures in connection with credit and residual value risks.

Toyota Motor Credit Corporation is Toyota's principal financial services subsidiary in the United States. Toyota also provides financial services in 33 other countries and regions through various financial services subsidiaries, including:

Toyota Finance Corporation in Japan,

Toyota Credit Canada Inc. in Canada,

Toyota Finance Australia Ltd. in Australia,

Toyota Kreditbank GmbH in Germany, and

Toyota Financial Services (UK) PLC in the United Kingdom.

Toyota Motor Credit Corporation provides a wide range of financial services, including retail financing, retail leasing, wholesale financing and insurance. Toyota Finance Corporation also provides a range of financial services, including retail financing, retail leasing, credit cards and housing loans. Toyota's other finance subsidiaries provide services including retail financing, retail leasing and wholesale financing.

In May 2011, Toyota established Toyota Financial Services India Limited, a financial services company, in India.

Net finance receivables for all of Toyota's dealer and customer financing operations were approximately ¥9.7 trillion as of March 31, 2012, representing an increase of approximately 0.2% as compared to the previous year. The majority of Toyota's financial services are provided in North America. As of March 31, 2012,



**Table of Contents**

approximately 58.1% of Toyota's finance receivables were derived from financing operations in North America, 12.0% from Japan, 10.3% from Europe, 7.1% from Asia and 12.5% from other areas.

Approximately 48% of Toyota's unit sales in the United States during fiscal 2012 included a finance or lease arrangement with Toyota. Because the majority of Toyota's financial services operations are related to the sale of Toyota vehicles, a decrease in vehicle unit sales may lead to a contraction of Toyota's financial services operations.

The worldwide financial services market is highly competitive. Toyota's competitors in retail financing and retail leasing include commercial banks, credit unions and other finance companies. Commercial banks and other automobile finance subsidiary companies serving their parent automobile companies are competitors of Toyota's wholesale financing activities. Competitors in Toyota's insurance operations are primarily national and regional insurance companies.

The following table provides information for Toyota's finance receivables and operating leases as of March 31, 2011 and 2012.

	Yen in millions		U.S. dollars
	2011	March 31, 2012	in millions March 31, 2012
<b>Finance Receivables</b>			
Retail	¥ 7,128,453	¥ 7,248,793	\$ 88,195
Finance leases	1,123,188	955,430	11,625
Wholesale and other dealer loans	1,990,557	2,033,954	24,747
	10,242,198	10,238,177	124,567
Deferred origination costs	104,391	105,533	1,284
Unearned income	(496,235)	(494,123)	(6,012)
Allowance for credit losses			
Retail	(92,199)	(77,353)	(941)
Finance leases	(36,024)	(30,637)	(373)
Wholesale and other dealer loans	(28,580)	(24,238)	(295)
	(156,803)	(132,228)	(1,609)
Total finance receivables, net	9,693,551	9,717,359	118,230
Less Current portion	(4,136,805)	(4,114,897)	(50,065)
Noncurrent finance receivables, net	¥ 5,556,746	¥ 5,602,462	\$ 68,165
<b>Operating Leases</b>			
Vehicles	¥ 2,404,032	¥ 2,487,721	\$ 30,268
Equipment	87,914	87,632	1,066
	2,491,946	2,575,353	31,334
Less Accumulated depreciation	(651,443)	(667,406)	(8,120)
Less Allowance for credit losses	(10,812)	(8,135)	(99)
Vehicles and equipment on operating leases, net	¥ 1,829,691	¥ 1,899,812	\$ 23,115

**Retail Financing**

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Toyota's finance subsidiaries acquire new and used vehicle installment contracts primarily from Toyota dealers. Installment contracts acquired must first meet specified credit standards. Thereafter, the finance company retains responsibility for contract collection and administration. Toyota's finance subsidiaries acquire

## **Table of Contents**

security interests in the vehicles financed and can generally repossess vehicles if customers fail to meet their contractual obligations. Almost all retail financings are non-recourse, which relieves the dealers from financial responsibility in the event of repossession. In most cases, Toyota's finance subsidiaries require their retail financing customers to carry automobile insurance on financed vehicles covering the interests of both the finance company and the customer.

Toyota has historically sponsored, and continues to sponsor, special lease and retail programs by subsidizing below market lease and retail contract rates.

### ***Retail Leasing***

In the area of retail leasing, Toyota's finance subsidiaries acquire new vehicle lease contracts originated primarily through Toyota dealers. Lease contracts acquired must first meet specified credit standards after which the finance company assumes ownership of the leased vehicle. The finance company is generally permitted to take possession of the vehicle upon a default by the lessee. Toyota's finance subsidiaries are responsible for contract collection and administration during the lease period. The residual value is normally estimated at the time the vehicle is first leased. Vehicles returned to the finance subsidiaries at the end of their leases are sold by auction. For example, in the United States, vehicles are sold through a network of auction sites as well as through the Internet. In most cases, Toyota's finance subsidiaries require lessees to carry automobile insurance on leased vehicles covering the interests of both the finance company and the lessee.

### ***Wholesale Financing***

Toyota's finance subsidiaries also provide wholesale financing primarily to qualified Toyota vehicle dealers to finance inventories of new Toyota vehicles and used vehicles of Toyota and others. The finance companies acquire security interests in vehicles financed at wholesale. In cases where additional security interests would be required, the finance companies take dealership assets or personal assets, or both, as additional security. If a dealer defaults, the finance companies have the right to liquidate any assets acquired and seek legal remedies.

Toyota's finance subsidiaries also make term loans to dealers for business acquisitions, facilities refurbishment, real estate purchases and working capital requirements. These loans are typically secured with liens on real estate, other dealership assets and/or personal assets of the dealers.

### ***Insurance***

Toyota provides insurance services in the United States through Toyota Motor Credit Corporation's wholly-owned subsidiary, Toyota Motor Insurance Services, Inc. ( TMIS ) and its wholly-owned insurance company subsidiaries. Their principal activities include marketing, underwriting and claims administration. TMIS also provides coverage related to vehicle service agreements and contractual liability agreements through Toyota dealers to customers. In addition, TMIS also provides coverage and related administrative services to affiliates of Toyota Motor Credit Corporation. Toyota dealers in Japan and in other countries and regions also engage in vehicle insurance sales.

Toyota held approximately 34% of the voting rights in leading domestic insurance company Aioi Insurance Company, Limited ( Aioi ) until Aioi's business integration with the Mitsui Sumitomo Insurance Group (Mitsui Sumitomo Insurance Group Holdings, Inc. and Mitsui Sumitomo Insurance Company, Limited) and Nissay Dowa General Insurance Company, Limited in April 2010. As a result of the share transfer effecting the business integration, Toyota now holds approximately 8% of the voting rights in the combined holding company MS&AD Insurance Group Holdings, Inc.

### ***Other Financial Services***

Toyota Finance Corporation launched its credit card business in April 2001 and began issuing Lexus credit cards in 2005 when the Lexus brand was introduced in Japan. As of March 31, 2012, Toyota Finance Corporation has exceeded 10 million members with 10.9 million card holders (including Lexus credit card holders).

## **Table of Contents**

As part of Toyota's restructuring of its domestic financial services businesses, Toyota assigned all of the stock of Toyota Financial Services Securities Corporation (TFSS), a subsidiary of Toyota Financial Services Corporation (TFSC), to Tokai Tokyo Financial Holdings, Inc. (TTFH) and agreed to the merger of TFSS with Tokai Tokyo Securities Co., Ltd., a subsidiary of TTFH. In order to ensure the smooth implementation of the merger and to support the new company after the merger, TFSC made a 5% investment in TTFH.

## **All Other Operations**

In addition to its automotive operations and financial services operations, Toyota is involved in a number of other non-automotive business activities. Net sales for these activities totaled ¥1,048.9 billion in fiscal 2012, ¥972.2 billion in fiscal 2011 and ¥947.6 billion in fiscal 2010. Sales to external customers of all other operations in fiscal 2012 represented 2.9% of Toyota's net revenues for fiscal 2012. Substantially all of Toyota's revenues from other operations were derived in Japan.

## ***Housing***

Toyota established its subsidiary Toyota Housing Corporation in April 2003 and has transferred to it product planning and sales operations related to the manufacture and sale of housing. Furthermore, in order to quickly and accurately grasp clients' needs and to plan, develop and sell products on a timely basis, in April 2008, Toyota transferred the product development operation to Toyota Housing Corporation. In October 2010, Toyota spun-off its housing operations (project planning, technology development and manufacturing) through a statutory demerger and integrated them into Toyota Housing Corporation. Toyota believes that in the vastly changing housing market environment, the integration of the development, manufacture and sales functions will expedite decision making and lead to flexible business operations that will enable Toyota to better respond to the needs of even more customers. In March 2005, Toyota, together with institutional investors, agreed to jointly invest in Misawa Home Holdings, Inc. (Misawa; renamed Misawa Homes Co., Ltd.) pursuant to its request for assistance in its rehabilitation. In April 2010, determining that a stronger collaboration with Misawa would be desirable in order to achieve further growth in the difficult operating environment of the housing industry, Toyota Housing Corporation agreed to purchase Misawa shares from an institutional investor. In addition, Toyota transferred ownership of Misawa to Toyota Housing Corporation in October 2010. Through these activities, Toyota intends to strengthen the housing business of both companies.

## ***Information Technology***

See "Enhancing Vehicle Functionality and Intelligent Transport Systems" for a description of Toyota's information technology.

## **Governmental Regulation, Environmental and Safety Standards**

Toyota is subject to laws in various jurisdictions regulating the levels of pollutants generated by its plants. In addition, Toyota is subject to regulations relating to the emission levels, fuel economy, noise and safety of its products. Toyota has incurred significant costs in complying with these laws and regulations and expects to incur significant compliance costs in the future. Toyota's management views leadership in environmental protection as an important competitive factor in the marketplace.

## ***Vehicle Emissions***

### ***Japanese Standards***

The Air Pollution Control Law of Japan and the Road Vehicle Law and the Law Concerning Special Measures for Total Emission Reduction of Nitrogen Oxides from Automobiles in Specified Areas regulate vehicle emissions in Japan. In addition, both the Noise Regulation Law and the Road Vehicles Law provide for noise reduction standards on automobiles in Japan. Toyota's vehicles manufactured for sale in Japan comply with all Japanese exhaust emission and noise level standards.



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## **Table of Contents**

### *U.S. Federal Standards*

The federal Clean Air Act directs the Environmental Protection Agency ( EPA ) to establish and enforce air quality standards, including emission control standards on passenger cars, light trucks and heavy-duty vehicles. The EPA decided in February 2000 to adopt more stringent vehicle emission and fuel economy standards applicable to passenger cars and light trucks produced in model years 2004 and beyond. In the standards adopted for model years 2004 and beyond, manufacturers must guarantee that their vehicles meet the requirements for ten years or 120 thousand miles, whichever occurs first. Manufacturers are not permitted to sell vehicles in the United States that do not meet the standards. In April 2007, EPA regulations that further restrict emissions from passenger cars and light trucks operating at cold temperatures became effective. The new emissions standards set by these regulations are being phased in between 2010 and 2013. Similar standards that further restrict emissions from heavy-duty vehicles operating at cold temperatures will be phased in from 2012 to 2015.

Furthermore, in April 2007 the U.S. Supreme Court ruled that the EPA has the authority to regulate automobile emissions of greenhouse gases. In response to this ruling, on April 1, 2010 the EPA and the federal National Highway Traffic Safety Administration ( NHTSA ) issued a joint final rule to reduce the emission of greenhouse gases from passenger cars, light-duty trucks and medium-duty passenger vehicles for model years 2012 through 2016. These vehicles are required to meet an estimated combined average emissions level of 250 grams of carbon dioxide per mile, equivalent to 35.5 miles per gallon if the requirements were met through fuel economy standards. The NHTSA also set Corporate Average Fuel Economy ( CAFE ) standards for passenger cars and light trucks that will require manufacturers of those vehicles to meet an estimated combined average fuel economy level of 34.1 miles per gallon in model year 2016. In addition, in December 2011, the EPA and the NHTSA issued a joint proposed rule to further reduce greenhouse gas emissions and improve fuel economy for passenger vehicles, light-duty trucks and medium-duty passenger vehicles for model years 2017 through 2025. In the proposed rule, these vehicles would be required to meet an estimated combined average emission level of 163 grams of carbon dioxide per mile in model year 2025, equivalent to 54.5 miles per gallon if these requirements were met through improvements in fuel economy standards. At the same time, the NHTSA also issued proposed CAFE standards for passenger vehicles and light trucks that would require manufacturers to meet an estimated combined average fuel economy level of 49.6 miles per gallon in model year 2025. A joint final rule is expected in 2012.

### *California Standards*

Under the federal Clean Air Act, states are permitted to establish their own vehicle emission control standards if they receive a waiver from the EPA. As a result, the California Air Resources Board ( CARB ) established the Low Emission Vehicle Program and set emission standards for certain regulated pollutants that were phased in beginning in the 2004 model year. Under these standards most light trucks and passenger cars are required to meet the same emissions standards, which were stricter than the federal standards. As part of the original Low Emission Vehicle Program, the CARB also required that a specified percentage of a manufacturer's passenger cars and light trucks sold in California for all model years 1998 and after be zero-emission vehicles (vehicles producing no emissions of regulated pollutants). The CARB subsequently eliminated the zero-emission vehicles mandate for model years before 2005, and decided to adopt a zero-emission vehicles requirement for model years 2005 and beyond. This zero-emission vehicles requirement also permitted certain advanced technology vehicles such as PHV (Plug-in Hybrid Vehicles), hybrid cars and alternative fuel vehicles that meet partial zero-emission vehicles requirements to be granted partial qualification as EV (Electric Vehicles) or FCV (Fuel Cell Vehicle). Toyota's battery-powered RAV4 EV compact sport-utility vehicle and the Toyota FCHV qualify as zero-emission vehicles. The current Prius plug-in hybrid, Prius model and the Camry Hybrid qualify as partial zero-emission vehicles under the zero-emission vehicles requirement adopted by the CARB. Toyota intends to continue to develop additional advanced technologies and alternative fuel technologies that will allow other vehicles using such technologies to qualify as zero-emission vehicles or partial-zero-emission vehicles.

In July 2002, the California legislature passed legislation that required the CARB to develop and adopt, by the end of 2004, regulations that achieved the maximum feasible reduction in greenhouse gas emissions from vehicles. In September 2004, the CARB adopted regulations that required a 20 to 30 percent reduction of greenhouse gas emissions from passenger vehicles, light trucks and other noncommercial vehicles to be phased in between the 2009 and 2016 model years.

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## **Table of Contents**

In December 2007, the EPA denied California's request for a waiver under the Clean Air Act that would have allowed the state to enforce these regulations to control greenhouse gas emissions from motor vehicles. However, the EPA reconsidered its decision pursuant to a direction issued by the U.S. President in January 2009, and in July 2009 decided to allow the state to enforce such regulations.

In February 2010, the CARB enacted regulations that deem automobile manufacturers that produced vehicles in model years 2012 through 2016 that are in compliance with the greenhouse gas emission regulations of the EPA to be in compliance with California's greenhouse gas emission regulations. Toyota is currently developing plans to comply with the EPA regulations.

In January 2012, the CARB approved a new emission control program for model years 2017 to 2025 called Advanced Clean Cars. The program covers greenhouse gas standards for cars and light trucks, reductions of smog-forming emissions, zero-emission vehicles regulations and clean fuels outlet regulations. The CARB is in the process of developing specific rules for the program.

### *Other States*

The states of New York, Massachusetts, Connecticut, Maine, Maryland, New Jersey, New Mexico, Oregon, Pennsylvania, Rhode Island, Vermont, Washington, Delaware and Colorado have either adopted, or plan to adopt, regulations substantially similar to California's zero-emission vehicles requirement and greenhouse gas emissions regulations.

### *Canadian Standards*

Canada has established vehicle emission standards equivalent to the federal standards in the United States, including the heightened requirements that became applicable to passenger cars and light trucks in model years 2004 and beyond. In October 2010, the Canadian government also established its proposed greenhouse gas emission regulations that are similar to those enacted by the EPA. Furthermore, certain Canadian provinces are currently considering enacting their own regulations on vehicle emissions of greenhouse gases.

### *European Standards*

The European Union adopted a directive that establishes increasingly stringent emissions standards for passenger vehicles and light commercial vehicles in October 1998. Under this directive, the standards adopted beginning with year 2000 require manufacturers to recall any vehicles which fail to meet the standards for five years or 80 thousand kilometers, whichever occurs first. Toyota introduced vehicles complying with this directive in 1999. Under standards adopted in 2005, manufacturers are obligated to meet the more stringent standards for five years or 100 thousand kilometers, whichever occurs first. In 2007, the European Parliament adopted more stringent emission standards for passenger vehicles and light commercial vehicles. The effective dates for phasing in these stricter standards for passenger cars were September 2009 for Euro 5 and September 2014 for Euro 6. For light commercial vehicles, the effective dates are September 2010 for Euro 5 and September 2015 for Euro 6. Euro 5 provides for lower emission levels for gasoline and diesel powered vehicles and also extends the manufacturers' responsibility for emission performance to 160 thousand kilometers. The primary focus of Euro 6 is to limit further emissions of diesel powered vehicles and bring them down to a level equivalent to gasoline powered vehicles.

### *Chinese Standards*

Emissions regulations are being implemented throughout China pursuant to the Chinese National Standards (GB) of the Ministry of Environmental Protection of the People's Republic of China, and the manufacture and sale of models not meeting these regulations are prohibited. As for passenger vehicles, pursuant to GB18352.3-2005, Level 3 Emissions Regulations (corresponding to Euro 3 standards) apply to new models after July 2007, and Level 4 Emissions Regulations (corresponding to Euro 4 standards) apply to new models after July 2010. New models after July 2008 are also required to be equipped with on-board diagnostics. As for diesel-powered commercial vehicles, pursuant to GB17691-2005, new Level 3 Emissions Regulations apply to models after January 2007, Level 4 Emissions Regulations apply to new models after January 2010, and Level 5 Emissions Regulations will apply to new models after July 2012. As for gasoline-powered commercial vehicles, pursuant to GB14762-2008, Level 3 Emissions Regulations apply to new models after July 2009, and Level 4

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## **Table of Contents**

Emissions Regulations will apply to new models after July 2012. After the first day the regulation is implemented to a new model, all new models released during the following approximate one-year period are also subject to the regulation. In addition, in some areas such as Beijing, Shanghai, Guangzhou, and the Pearl River Delta region, the above mentioned regulations were implemented several years earlier by regional environmental preservation authorities with the authorization of the Chinese State Council. With respect to passenger vehicles, adoption procedures regarding the Level 5 Emissions Regulations corresponding to Euro 5 are currently in progress, in order to implement the regulations soon.

Compliance with new emission control standards will present significant technological challenges to automobile manufacturers and will likely require significant expenditures. Examples of these challenges include the development of advanced technologies, such as high performance batteries and catalytic converters, as well as the development of alternative fuel technologies. Manufacturers that are unable to develop commercially viable technologies within the time frames set by the new standards will lose their market share and will be forced to decrease the number of types of vehicles and engines in their principal markets.

### *Standards of Other Countries*

Countries other than Japan, the United States and Europe are also proactively introducing the emission regulations. Especially Eastern Europe, Taiwan and Hong Kong have followed the Europe's lead and considered implementing emission regulations. And also, Australia and other countries in Asia have followed.

### ***Vehicle Fuel Economy***

#### *Japanese Standards*

The Law Concerning the Rational Use of Energy (the Act ) requires automobile manufacturers to improve their vehicles to meet specified fuel economy standards. Fuel economy standards are established according to the types of vehicles specified below, and are required to be met by either fiscal 2011 (April 2010-March 2011) or fiscal 2016 (April 2015-March 2016). In addition, the introduction of new fuel economy standards which are required to be met by fiscal 2021 is under consideration.

Among qualifying passenger vehicles are:

Vehicles which are designated in Article 75, Paragraph 1 of the Road Vehicles Law as type-designated vehicles ( type-designated vehicles ) with 10 seats or less using gasoline, gas oil or LPG;

Type-designated vehicles with 11 seats or more that are 3.5 tons or less in vehicle weight using gasoline or gas oil; and

Type-designated vehicles with 11 seats or more that are over 3.5 tons in vehicle weight using gas oil, or designated carbon monoxide emission control vehicles ( designated carbon monoxide emission control vehicles ) which are designated in Article 75-2 Paragraph 1 of the Road Vehicles Law.

Among qualifying cargo vehicles are:

Type-designated vehicles that are 3.5 tons or less in vehicle weight using gasoline, gas oil or LPG; and

Type-designated vehicles that are over 3.5 tons in vehicle weight using gas oil or LPG, or designated carbon monoxide emission control vehicles.

Toyota is in compliance with the fuel economy standards that currently apply and is promoting the improvement of its vehicles in order to achieve compliance with the standards that will apply beginning in fiscal 2016.

Japan is a signatory to the Framework Convention on Climate Change and has agreed to take measures to reduce its greenhouse gas emissions. Improved vehicle fuel economy is contributing to the reduction in carbon dioxide emissions.

**Table of Contents***U.S. Standards*

The Federal Motor Vehicle Information and Cost Savings Act requires automobile manufacturers to comply with CAFE standards. Under this law, limits are imposed on the amount of regulated pollutants that may be emitted by new motor vehicles in the United States. A manufacturer is subject to substantial civil penalties if, in any model year, its vehicles do not meet the CAFE standards. Manufacturers that exceed the CAFE standards earn credits determined by the difference between the average fuel economy performance of their vehicles and the CAFE standards. Credits earned for the five model years preceding the current model year, and credits projected to be earned for the next three model years, can be used to meet CAFE standards in a current model year.

In April 2006, the NHTSA established CAFE standards applicable to light trucks for model year 2008 and beyond. These CAFE standards aimed to shift the framework from one that used to be advantageous only to compact car manufacturers to one that is fair to full line manufacturers. The requirements were changed so that the CAFE standards are now determined by a sales rate based on vehicle size (measured by the area of the wheel and wheel base) for each manufacturer.

In addition to the CAFE standards, there are multiple standards in the United States including the EPA's emission regulations and the California standard. Automobile manufacturers had called for uniform standards, as they would need to comply with standards that varied by state if all standards became effective. On April 1, 2010 the EPA and the NHTSA issued a joint final rule to reduce the emission of greenhouse gases from passenger cars, light-duty trucks and medium-duty passenger vehicles for model years 2012 through 2016. These vehicles are required to meet an estimated combined average emissions level of 250 grams of carbon dioxide per mile, equivalent to 35.5 miles per gallon if the requirements were met through fuel economy standards. The NHTSA also set CAFE standards for passenger cars and light trucks that will require manufacturers of those vehicles to meet an estimated combined average fuel economy level of 34.1 miles per gallon in model year 2016. Furthermore, the EPA and NHTSA joint final rule allows the two agencies and California standards to act in a unified way, and creates a regulatory framework that makes compliance less burdensome for the manufacturers. In addition, in December 2011, the EPA and the NHTSA issued a joint proposed rule to further reduce greenhouse gas emissions and improve fuel economy for passenger vehicles, light-duty trucks and medium-duty passenger vehicles for model years 2017 through 2025. In the proposed rule, these vehicles would be required to meet an estimated combined average emission level of 163 grams of carbon dioxide per mile in model year 2025, equivalent to 54.5 miles per gallon if these requirements were met through improvements in fuel economy standards. At the same time, the NHTSA also issued proposed CAFE standards for passenger vehicles and light trucks that would require manufacturers to meet an estimated combined average fuel economy level of 49.6 miles per gallon in model year 2025. A joint final rule is expected in 2012. However, the standards of fuel economy are stringent, and Toyota strives to meet the fuel economy standards by further developing fuel-efficient technology, alternative fuel technology and other advanced technology.

In addition, the Energy Tax Act of 1978 imposes a gas guzzler tax on automobiles with a fuel economy rating below specified levels.

*European Standards*

The European Union has signed the Kyoto Protocol and agreed to reduce carbon dioxide emissions by 8% during the years 2008 to 2012, as measured from the 1990 base year. In early 1999, the European Commission and the European Automotive Manufacturers Association (ACEA) reached a voluntary agreement which establishes an average emissions target of 140 grams of carbon dioxide per kilometer for new cars sold in the European Union in 2008 (the voluntary agreement applied to the 15 states who were members of the European Union at that time). The Japan Automobile Manufacturers Association and the Korean Automobile Manufacturers Association have also reached a voluntary agreement, similar to that entered into by the European Commission, with the year 2009 as a target year.

In December 2008, the European Parliament approved a new regulation that establishes an average emission standard of 130 grams of carbon dioxide per kilometer by 2012 for passenger vehicles sold in member states, made effective in June 2009. The regulation will phase in gradually, initially requiring 65% of new cars to comply with the new standards in 2012 and increasing to 100% of new cars in 2015. As a result of the new

**Table of Contents**

regulations, different targets will apply to each manufacturer, based on their respective fleets of vehicles and weight. Penalties will apply to those manufacturers who fail to meet their targets from 2012, in amounts corresponding to the degree of shortfall. Manufacturers failing to meet their targets between 2012 and 2018 will incur penalties of between 5 and 95 per each gram of carbon dioxide per kilometer shortfall for each non-compliant vehicle, and such penalties will rise to 95 in 2019 and beyond. Furthermore, a medium- to long-term target of reducing emissions to 95 grams of carbon dioxide per kilometer by 2020 has also been proposed. This represents a remarkably ambitious target, even in comparison to other fuel efficiency requirements worldwide. Furthermore, in June 2011, a new carbon dioxide emission standard applicable to light commercial vehicles entered into force establishing an average emissions target of 175 grams of carbon dioxide per kilometer. This regulation has the same basic regulatory framework as passenger vehicles, raising the compliance rate from 70% in 2014 to 100% in 2017, and as a longer term objective, 147 grams of carbon dioxide per kilometer by 2020.

An increasing number of European Union member states are introducing vehicle tax laws based on carbon dioxide emission levels, pursuant to the directive issued by the European Commission in 2005. This trend is expected to continue, in accordance with the recent increases in environmental awareness.

*Chinese Standards*

Fuel consumption regulations are being implemented pursuant to the Chinese National Standards ( GB ), and the manufacture and sale of vehicle models not meeting these regulations are prohibited. As for passenger vehicles, pursuant to GB19578-2004, Level 1 Fuel Consumption Regulations apply to new models after July 2005, and Level 2 Fuel Consumption Regulations apply to new models after July 2006. As for small commercial vehicles, pursuant to GB20997-2007, Level 2 Fuel Consumption Regulations apply to new models after February 2008, Level 1 Fuel Consumption Regulations apply to all vehicles as of January 2009, and Level 1 Fuel Consumption Regulations apply to all models as of January 2011. Each of these regulations applies to all applicable models beginning one year after first applying to new models. These regulations determine the consumption standards that apply depending on the mass of the applicable vehicle, and sets forth a method for determining if each model has met the regulation. Standards to strengthen fuel consumption regulations from 2012 are currently being developed. In these Level 3 Fuel Consumption Regulations, substantial revisions to the regulation framework are planned, such as a change from regulations requiring each model to meet consumption standards to regulations requiring automobile manufacturers to meet standards of average consumption across models.

*Standards of Other Countries*

As momentum gathers to prevent global warming, other countries in addition to Japan, the United States, and Europe are moving to introduce fuel consumption regulations. In particular, Korea, Australia, Taiwan, India, Mexico, Canada, Vietnam and Brazil are actively considering the introduction of new fuel consumption regulations using the regulations of Japan, Europe and the United States as a base, and may implement them by approximately 2015. Toyota predicts that this trend will spread to other countries, and in the future many nations will consider new regulations related to fuel consumption and CO<sub>2</sub>.

***Vehicle Safety****Japanese Standards*

Standards requiring protection against electrocution will apply to hybrid vehicles and electric vehicles manufactured on and after July 2012. In addition, the technological standards established by the United Nations Economic Commission for Europe ( UNECE ), which are harmonized with Japanese passenger protection standards against electrocution, have been introduced. The standards will apply to new vehicle models manufactured on and after June 2014 and vehicles that continue to be manufactured on and after June 2016.

For the purpose of harmonizing with UNECE standards, electromagnetic compatibility standards will apply to vehicles manufactured on and after August 2016. The pedestrian leg protection standards will apply gradually to new type-designated vehicles manufactured on and after April 2013 and non-new type-designated vehicles manufactured on and after February 2018.

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## **Table of Contents**

In addition, the rear underrun protection standards have been revised and will be applied to vehicles manufactured on and after July 2015, and preparations for the introduction of UNECE standards to tire pressure monitoring systems ( TPMS ) and electronic vehicle stability control ( EVSC ) for heavy vehicles are currently in progress.

Furthermore, in Japan, considerations regarding the standardization of brake override systems, the strengthening of anti-spinal injury measures, lithium-ion battery safety and anti-drunk driving measures are currently under consideration.

Collision damage mitigating braking system standards for cargo vehicles have been introduced and the system will be required gradually to be applied to new vehicle models manufactured on and after November 2014 and vehicles that continue to be manufactured on and after September 2017.

### *U.S. Standards*

The U.S. National Traffic and Motor Vehicle Safety Act of 1966, or Safety Act, requires vehicles and equipment sold in the United States to meet various safety standards issued by the NHTSA. The Safety Act also authorizes the NHTSA to investigate complaints relating to vehicle safety and to order manufacturers to recall and repair vehicles found to have safety-related defects. The cost of these recalls can be substantial depending on the nature of the repair and the number of vehicles affected.

The Transportation Recall Enhancement, Accountability and Documentation Act was enacted in the United States on November 1, 2000. This Act required the NHTSA to regulate the dynamic rollover standards and to upgrade federal motor vehicle safety standards relating to tires. It also required the NHTSA to enhance its authority to gather information potentially relating to motor vehicle defects. This Act substantially increases the NHTSA's authority to impose civil penalties for noncompliance with regulatory requirements and specifies possible criminal penalties for violations of the federal Fraud and False Statements Act. In 2002, the NHTSA expanded its New Car Assessment Program to implement consumer information programs for vehicle rollover resistance and child restraints and, beginning in 2003, adopted extensive early warning defect reporting requirements. Regulations regarding tire-pressure monitoring systems were strengthened in 2005.

Legislation on a transportation budget plan promoting a safe and efficient vehicle safety program for drivers, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) was passed in August 2005. The legislation requires the NHTSA to propose and issue safety standards to reduce rollover accidents, to complete the creation of standards for the reduction of vehicle passengers released from cars at the time of rollover accidents, to upgrade door lock standards, to complete the upgrade of roof crash standards, to decide on the side impact protection standards for passengers in all seat locations, to review seat belt wearing technology and complete a study that includes a proposal for improving the rate of seat belt usage, to establish standards to display New Car Assessment Program ratings on new car labels, and to complete the upgrade of the standard for power windows that will require pulling up switches. Some actions have already been taken and completed in response to the above requirements.

In February 2008, legislation to prevent non-traffic related injuries to young children caused by vehicles, the Cameron Gulbransen Kids Transportation Safety Act, was passed. The legislation requires the NHTSA to make rules to ensure safety on all passenger vehicles, including the following: (1) to consider requiring features that will prevent children from getting caught in power windows and decide on the standards or on the discontinuance of the establishment of standards (by August 30, 2010); (2) to begin drafting standards for rearward visibility to prevent children from being struck by backing vehicle and finalize the standards (by February 28, 2011); and (3) to require brake shift interlock systems, currently a voluntary regulation, after September 1, 2010.

In April 2010, the Motor Vehicle Safety Act of 2010 (the 2010 Safety Act), which includes the brake-override standard, was submitted to Congress, but has not yet been deliberated by the House or Senate floor, and

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**Table of Contents**

only the alert sound requirement for hybrid and electric vehicles was signed into law. However, even without the enactment of the 2010 Safety Act, NHTSA has begun to consider the revision of the Federal Motor Vehicle Safety Standards and Regulations.

Toyota actively invests in technology development designed to increase the safety of its vehicles. Toyota is developing technologies to increase the availability of existing safety systems to all types of its vehicles. These technologies include supplemental restraint system ( SRS ) airbags, anti-lock braking systems, side airbags, curtain shield airbags, vehicle stability control and other safety features.

*European Standards*

In Europe, following the White Paper European Transport Policy for 2010: Time to Decide adopted in 2001, which targets halving the number of deaths caused by road accidents by 2010, various groups in different fields have conducted research and analyses.

As a next-generation policy, the Traffic Safety Policy from 2011 to 2020 was newly adopted by the board of directors at the end of fiscal 2010. The policy aims to reduce fatalities from traffic accidents by half over the next 10 years, starting in 2010. Because the built-in effectiveness of the new technical system depends on users' behavior, user instructions, training, and traffic law enforcement are crucial. However, with road safety systems, human error as well as inappropriate behavior needs to be corrected. Seven goals were established in order to consider the steps necessary to prevent and control the negative impact of human error, with a strong focus on vulnerable road users (pedestrians, cyclists, etc.). The topics to be discussed are speed limits for small commercial vehicles, installing alcohol interlocks for specific vehicles, the introduction and promotion of the newest technologies, such as ITS for road security, as well as road departure warnings, preventative rear-end collision warnings, a pedestrian detection system, the proliferation of emergency alarm systems ( eCall ), and the enhanced safety of motorcycles and EV.

Regarding the spread of eCall, the European Commission concluded that a legislative approach is effective as a result of the impact assessment by the Commission in 2011, and accordingly eCall is expected to become mandatory for light-duty passenger vehicles and light-duty commercial vehicles within the framework of Whole Vehicle Type Approval . However, in the event eCall becomes mandatory, it will be necessary at the same time to maintain infrastructures such as a communication bases in different countries, and Toyota anticipates standardizing of eCall depends on the status of such infrastructure maintenances in the future.

On the other hand, the European Commission and the ACEA have established CARS 21, a High Level Group that aims to strengthen the competitiveness of the European automotive industry, and examined the recommendations with the legal framework of a decade later in mind. The CARS 21 final report issued at the end of 2005 contains recommendations relating to the simplification of legislation and road safety, among other issues, and indicates a Ten Year Roadmap, and in February 2007, the European Commission issued a communication regarding the CARS 21 final report, in which concrete action plans for future legislation were announced, and much legislation had proceeded.

In October 2010, the newsletter regarding resumption of CARS 21 was issued in order to proceed with the realization of 2020 Strategy by the European Commission that aims for high-level, sustainable and comprehensive growth, and the CARS 21 interim report was issued in 2011. A wide variety of proposals such as eCall, EV, HV, PHV, road safety and activities for conforming to United Nations regulatory standards are currently under discussion. The High Level Group is scheduled to convene in June 2012 along with the release of its final report. The final report is expected to contain a specific roadmap with respect to areas that need to be regulated in the future.

In 2009, based on the CARS 21 final report released in February 2007, the European Commission enacted a new regulation and established a simplified framework, repealing more than 50 existing European Commission directives and replacing them with a single regulation aimed at incorporating the United Nations standards. The



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## **Table of Contents**

new regulation also requires the adoption of advanced safety systems. The incorporation of the United Nations standards will commence in 2012, and as to new regulations on advanced safety systems, the European Commission plans to require new model cars from 2011 to have electronic stability control systems, to introduce regulations relating to low rolling resistance tires in 2013, to require tire pressure monitoring systems starting in 2012 and to require heavy vehicles to have advanced emergency braking systems and lane departure warning systems from 2013. All of the technical requirements for these advanced safety systems were discussed in the United Nations. The technical requirements for advanced emergency braking in medium-duty passenger vehicles will be under consideration.

From April 2009, the applicable scope for Whole Vehicle Type Approval was extended to cover all vehicle categories, and are being phased in over five years depending on vehicle category. Furthermore, revisions to this regulation have been ongoing, and the amendment took place in 2011 to clarify the categories (especially those for passenger and light-duty commercial vehicles). Through this amendment, the criteria for light-duty commercial vehicles was clarified, and there is a possibility that vehicles currently classified as light-duty commercial vehicles become classified as passenger vehicles. In addition, revisions to laws and regulations related to vehicle dimensions are currently under deliberation, and will clarify the definitions which will become the basis for vehicle bodies (as well as for vehicle fuel economy).

### *United Nations Standards*

1958 Agreement: While originally based on the European standards, it is developing as an established international law, and Japan, Thailand and Malaysia as well as other countries outside the EU have become members after the amendment in 1995, and many other countries are expected to join in the future. The countries bound by the 1958 Agreement have incorporated the UNECE regulations into their own domestic policies (The EU and Japan have directly included the UNECE regulations into their domestic legislations). While automotive parts and vehicle systems are regulated by the UN standards, there are currently no regulations with respect to Whole Vehicle Type Approval such as those in Europe. Japan proposed legislation establishing Whole Vehicle Type Approval under the United Nations in 2016, and the matter is currently being deliberated by the United Nations. If IWVTA (International Whole Vehicle Type Approval) is established, integration of global registration procedures of automobiles and regulations governing the manufacture of automobiles, abolishment of the individual standards of each country, and simplification of registration procedures are expected.

1998 Agreement: As a US-led agreement, the 1998 agreement aims to harmonize technology regulations, and defines each law as a Global Technical Regulation ( GTR ). At present, there are 11 GTRs in total. And currently, numerous provisions are under discussion in order to include more regulations. The countries bound by the 1998 agreement are required to incorporate the GTRs into their domestic laws. The 1998 agreement includes China and India that were not a part of the 1958 agreement, therefore, the direction taken by the GTRs will influence also those countries.

### *Chinese Standards*

Vehicle safety regulations in China were drafted with reference to the UNECE Regulations and cover the almost same matters as the UNECE Regulations. However, these laws also include unique provisions which take into account the distinctive characteristics of the Chinese market environment and the rules differ from the latest UNECE Regulations since they do not confirm to the UNECE amendment. As for future safety regulations, standards related to airbag technologies and electric vehicle collision safety equipment, are currently in planning.

### *Standards of Other Countries*

Vehicle safety regulations in Canada are similar to those in the United States. Among the ASEAN countries, in 2006, Thailand and Malaysia acceded to the 1958 agreement of the United Nations and both countries plan to develop a legal system in order to incorporate UNECE Regulations into domestic laws. Vietnam, Indonesia and the Philippines will soon follow suit by acceding to the 1958 agreement, whereby ASEAN countries will be

## **Table of Contents**

required to comply with the UNECE Regulations. Countries in South America and the Middle East have also adopted automobile safety regulations, with South America generally following standards set by the United Nations, or the United States, and the Middle East basing their domestic laws primarily on international regulations or legal standards.

### ***Environmental Matters***

#### ***Japanese Standards***

Toyota's automotive operations in Japan are subject to substantial environmental regulation under laws such as the Air Pollution Law, the Water Pollution Control Law, the Noise Regulation Law and the Vibration Control Law. Under these laws, if a business entity establishes or alters any facility that is regulated by these laws, the business entity is required to give prior notice to regulators, and if a business entity discharges, uses or stores substances that are environmental burdens or causes noise or vibration from such facility, the business entity is also required to comply with the applicable standards. Toyota is also subject to local regulations, which in some cases impose more stringent obligations than the Japanese central government requirements. Toyota has complied with these regulations. Under the Waste Disposal and Public Cleaning Law, producers of industrial waste must dispose of industrial waste in the manner prescribed in the Waste Disposal and Public Cleaning Law. Toyota has also complied with the Waste Disposal and Public Cleaning Law.

In February 2003, the Soil Contamination Countermeasures Law became effective in Japan. The Soil Contamination Countermeasures Law requires that land owners conduct contamination testing and submit a report at the time they cease to use hazardous substances, such as in connection with the sale of a former factory, or if there is a possibility of health hazards due to land contamination. If it is found that land contamination exceeds a certain level, the relevant prefectural authority designates the area considered to be contaminated and orders the land owner to take necessary measures. Toyota is suitably managing its land in accordance with the same law. In addition, the Law on Recycling of End-of-Life Vehicles was promulgated in July 2002. Under the Law on Recycling of End-of-Life Vehicles, vehicle manufacturers are required to take back and recycle specified materials (automotive shredder residues, air bags and fluorocarbons) of end-of-life vehicles and the provisions concerning such obligations of vehicle manufacturers became effective in January 2005. Toyota has coordinated with relevant parties to establish a vehicle take-back and recycle system throughout Japan. As a result, in fiscal 2012, Toyota achieved a recycling rate of 93% for automobile shredder residue (the legal requirement being 50%) and 94% for air bags (the legal requirement being 85%) and reached the targets set forth in this law.

#### ***U.S. Standards***

Toyota's assembly, manufacturing and other operations in the United States are subject to a wide range of environmental regulation under the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Pollution Prevention Act and the Toxic Substances Control Act. Toyota is also subject to a variety of state legislation that parallels, and in some cases imposes more stringent obligations than, federal requirements. These federal and state regulations impose severe restrictions on air- and water-borne discharges of pollution from Toyota facilities, the handling of hazardous materials at Toyota facilities and the disposal of wastes from Toyota operations. Toyota is subject to many similar requirements in its operations in Europe, Canada and other countries.

Moreover, the EPA has promulgated more stringent National Ambient Air Quality Standards for Ozone and Particulate Matter, which define strategies needed to attain the new standards. Toyota expects growing pressure in the next several years to further reduce emissions from motor vehicles and manufacturing facilities.

## **Table of Contents**

### *European Standards*

In October 2000, the European Union brought into effect a directive that requires member states to promulgate regulations implementing the following:

automotive manufacturers shall bear all or a significant part of the costs for taking back end-of-life vehicles sold after July 1, 2002 and dismantling and recycling those vehicles. Beginning January 1, 2007, this requirement became applicable to vehicles sold before July 1, 2002 as well;

automotive manufacturers may not use certain hazardous materials in vehicles sold after July 1, 2003;

certified vehicles models sold after December 15, 2008, shall be re-usable and/or recyclable to a minimum of 85% by weight per vehicle and shall be re-usable and/or re-use as material or energy to a minimum of 95% by weight per vehicle; and

end-of-life vehicles must meet actual re-use and/or recycling of 80% and re-use and/or recovery of 85%, respectively, of vehicle weight by 2006, rising respectively to 85% and 95% by 2015.

Laws to implement this directive came into effect in each of the European Union member states. Currently, there are uncertainties surrounding the implementation of the applicable regulations in different European Union member states, particularly regarding automotive manufacturer responsibilities and resultant expenses that may be incurred.

In addition, under this directive, the member states must take measures to ensure that car manufacturers, distributors and other auto-related economic operators establish adequate used vehicle collection and treatment facilities and to ensure that hazardous materials and recyclable parts are removed from vehicles prior to shredding. This directive impacts Toyota's vehicles sold in the European Union. Toyota is planning to accommodate, in offering its products, any measures the European Union member states will choose to take in order to comply with this directive.

Based on the legislation that has been enacted to date, Toyota has provided for its estimated liability related to covered vehicles in existence as of March 31, 2012. The amount of estimated liability may change depending on the legislation that will be enacted and subject to other circumstances. Although Toyota does not expect its compliance with the directive to result in significant cash expenditures, Toyota is continuing to assess the impact of this future legislation on its results of operations, cash flows and financial position.

The European Union has also issued directives and made proposals relating to the following subjects on environmental matters:

emission standards that include a framework permitting member states to introduce fiscal incentives to promote early compliance; and

reform of rules governing automotive distribution and service. The block exemption on distribution has been amended so that dealers may engage in cross-border sales actively within the European Union and open additional facilities for sales and services.

Additionally, dealers may no longer be required by manufacturers to operate both sales and service facilities side by side.

Toyota believes that its operations are materially in compliance with environmental regulatory requirements concerning its facilities and products in each of the markets in which it operates. Toyota continuously monitors these requirements and takes necessary operational measures to ensure that it remains in material compliance with all of these requirements.

Toyota believes that environmental regulatory requirements have not had a material adverse effect on its operations. However, compliance with environmental regulations and standards has increased costs and is expected to lead to higher costs in the future. Therefore, Toyota recognizes that effective environmental cost management will become increasingly important. Moreover, innovation and leadership in the area of



**Table of Contents**

environmental protection are becoming increasingly important to remain competitive in the market. As a result, Toyota has proceeded with the development and production of environmentally friendly technologies, such as hybrid vehicles, fuel-cell vehicles and high fuel efficiency, low emission engines.

In addressing environmental issues, based on an assessment of the environmental impact of its products through their life cycles, Toyota, as a manufacturer, strives to take all possible measures in each life stage of a product, from development through production and sales, and continues to work toward technological innovations to make efficient use of resources and to reduce the burden on the environment.

**Research and Development**

Toyota's research and development activities focus on the environment and energy, safety, IT/ITS technology and product development. For a detailed discussion of the company's research and development policies for the last three years, see Operating and Financial Review and Prospects Research and Development, Patents and Licenses.

The following table provides information for Toyota's principal research and development facilities.

<b>Facility</b>	<b>Principal Activity</b>
<i>Japan</i>	
Toyota Technical Center	Product planning, design, evaluation, development of prototypes
Tokyo Design Research & Laboratory	Research of advanced styling designs
Higashi-Fuji Technical Center	Advanced research and development
Shibetsu Proving Ground	Vehicle testing and evaluation
Tokyo Development Center	Advanced development of electronics
<i>United States</i>	
Toyota Motor Engineering and Manufacturing North America, Inc.	North American production and product planning, upper body planning, evaluation
Caltex Design Research, Inc.	Design
Toyota Research Institute of North America ( TRI-NA )	Advanced research relating to energy and environment , safety and mobility infrastructure
<i>Europe</i>	
Toyota Motor Europe NV/SA	Upper body planning for European production, advanced research
Toyota Europe Design Development S.A.R.L.	Design
Toyota Motorsport GmbH	Development of motor sports vehicles
<i>Asia Pacific</i>	
Toyota Motor Asia Pacific Engineering and Manufacturing Co., Ltd.	Production, planning and evaluation of vehicles that are produced in Australia and Asia
Toyota Technical Center Asia Pacific Australia Pty, Ltd.	Production, planning and evaluation of vehicles that are produced in Australia and Asia
<i>China</i>	
Toyota Motor Engineering and Manufacturing (China) Co., Ltd.	Research of new, low-energy vehicle technology, vehicle evaluation and quality assurance in China

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## **Table of Contents**

The success of Toyota's research and development activities is a key element of Toyota's strategy. The effectiveness of Toyota's research and development activities is subject to a number of factors, some of which are not in Toyota's control. These factors include the introduction of innovations by Toyota's competitors that may reduce the value of Toyota's initiatives and Toyota's ability to convert its research and development into commercially successful technologies and products.

### **Components and Parts, Raw Materials and Sources of Supply**

Toyota purchases parts, components, raw materials, equipment and other supplies from multiple competing suppliers located around the world. Toyota works closely with its suppliers to pursue the most optimal purchasing possible. Toyota believes that this policy encourages technological innovation, cost reduction and other measures to strengthen its vehicle competitiveness. No single supplier accounted for more than 5% of Toyota's consolidated purchases of raw materials, parts and equipment during fiscal 2012, except for Denso Corporation, an affiliate of Toyota, which supplied approximately 10% of Toyota's purchases during fiscal 2012. Toyota plans to continue purchases based on the same principle and does not anticipate any difficulty in obtaining stable supplies in the foreseeable future.

Because Toyota had more than 50 overseas operations in 27 countries and regions as of March 31, 2012, procurement of parts and components is being carried out not only locally in the country of the production site but also from third countries, and the distribution network has become increasingly more complex. In order to realize timely and efficient distribution at the same time as keeping total costs at a minimum, Toyota is promoting efforts to optimize each stage of the supply-chain. To this end, Toyota has developed a standardized system of global distribution and is supporting the operation of the system at each production base. The use of the global distribution system aims at implementing parts procurement that meets changes in vehicle production in a timely manner. These varying efforts, combined together, have led to maximized customer satisfaction, as well as to building a good working relationship with Toyota's suppliers.

Toyota has placed ongoing efforts into other methods for pursuing the commoditization of components and parts used in various vehicle models. This includes minimizing the differences between models and reducing the number of parts used for each model. Toyota uses a shared global database in order to purchase parts and materials from the most competitive suppliers among Toyota factories located in various areas worldwide. By doing so, Toyota aims to boost the efficiency of its sourcing from external suppliers. In addition, Toyota has been working on a cost reduction measure referred to as RR-CI activities. RR-CI activities aim to improve competitive power through thorough localization, sharing parts and components, and manufacturing reforms together with producing products matching customers' needs in each region and vehicle category. Urgent VA (value analysis) Activities that began in fiscal 2008 implements cost reductions as part of a unified effort with suppliers for the various types of vehicles already on sale. Toyota has constantly been working on All-Toyota VA Activities since the beginning of fiscal 2010. In addition, Toyota has been working on sweeping advances in product appeal by sharing more parts and components, and cost reductions by activities related to the TNGA.

At present, the market prices of raw materials such as steel are falling compared to fiscal 2011, but the direction of prices through entire fiscal 2012 is still unforeseeable. Toyota is continually promoting cost reduction efforts, such as reducing the amount of raw materials it uses.

Toyota's ability to continue to obtain supplies in an efficient manner is subject to a number of factors, some of which are not in Toyota's control. These factors include the ability of its suppliers to provide a continued source of supplies and the effect on Toyota of competition by other users in obtaining the supplies.

### **Intellectual Property**

Toyota holds numerous Japanese and foreign patents, trademarks, design patents and some utility model registrations. It also has a number of applications pending for Japanese and foreign patents. While Toyota considers all of its intellectual property to be important, it does not consider any one or group of patents, trademarks, design patents or utility model registrations to be so important that their expiration or termination would materially affect Toyota's business.

**Table of Contents****Capital Expenditures and Divestitures**

Set forth below is a chart of Toyota's principal capital expenditures between April 1, 2009 and March 31, 2012, the approximate total costs of such activity, as well as the location and method of financing of such activity, presented on a subsidiary basis and as reported in Toyota's annual Japanese securities report filed with the director of the Kanto Local Finance Bureau.

Description of Activity	Total Cost (Yen in billions)	Location	Primary Method of Financing
<i>Japan</i>			
Investment primarily in technology and products by Toyota Motor Corporation	¥ 493.0	Japan	Internal funds, financing  from issuance of bonds, etc.
Investment primarily in technology and products by Hino Motors, Ltd.	66.9	Japan	Internal funds
Investment primarily in technology and products by Primearth EV Energy Co., Ltd.	54.2	Japan	Internal funds
Investment primarily in technology and products by Toyota Auto Body Co., Ltd.	43.8	Japan	Internal funds
Investment primarily in technology and products by Central Motor Co., Ltd.	37.4	Japan	Internal funds
Investment primarily in technology and products by Daihatsu Motor Co., Ltd.	35.0	Japan	Internal funds
Investment primarily in technology and products by Kanto Auto Works, Ltd.	28.4	Japan	Internal funds
<i>Outside of Japan</i>			
Investment primarily to promote localization by Toyota Kirloskar Motor Private Ltd.	57.7	India	Internal funds
Investment primarily to promote localization by Toyota do Brasil Ltda.	53.5	Brazil	Internal funds
Investment primarily to promote localization by Toyota Motor Manufacturing, Kentucky, Inc.	49.4	United States	Internal funds
Investment primarily to promote localization by Toyota Motor Manufacturing, Indiana, Inc.	49.3	United States	Internal funds
Investment primarily to promote localization by Toyota Motor Corporation Australia Ltd.	46.1	Australia	Internal funds
Investment primarily to promote localization by Toyota Motor Manufacturing, Mississippi, Inc.	41.2	United States	Internal funds
Investment primarily to promote localization by Toyota Motor Thailand Co., Ltd.	40.0	Thailand	Internal funds
Investment primarily to promote localization by Toyota Motor Europe NV/SA	36.7	Belgium	Internal funds
Investment primarily to promote localization by P.T. Astra Daihatsu Motor	29.3	Indonesia	Internal funds

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Investment primarily in leased automobiles by Toyota Motor Credit Corporation	2,298.9	United States	Internal funds, financing from issuance of bonds, etc.
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**Table of Contents**

Set forth below is information with respect to Toyota's material plans to construct, expand or improve its facilities between April 2012 and March 2013, presented on a by subsidiary basis and as reported in Toyota's annual Japanese securities report filed with the director of the Kanto Local Finance Bureau.

Description of Activity	Total Cost (Yen in billions)	Location	Primary Method of Financing
<i>Japan</i>			
Investment primarily in manufacturing facilities by Toyota Motor Corporation	¥ 210.0	Japan	Internal funds, financing from issuance of bonds, etc.
Investment primarily in manufacturing facilities by Hino Motors, Ltd.	36.0	Japan	Internal funds
Investment primarily in manufacturing facilities by Daihatsu Motor Co., Ltd.	34.0	Japan	Internal funds
<i>Outside of Japan</i>			
Investment primarily in manufacturing facilities by Toyota Motor Manufacturing Canada Inc.	37.1	Canada	Internal funds
Investment primarily in manufacturing facilities by Toyota Motor Thailand Co., Ltd.	35.5	Thailand	Internal funds
Investment primarily in manufacturing facilities by P.T. Toyota Motor Manufacturing Indonesia	23.2	Indonesia	Internal funds

Set forth below is additional information with respect to Toyota's material plans to construct, expand or improve its facilities, presented on a by facility basis.

*Tohoku Region Plant.* In April 2008, Toyota decided to build an engine plant in Kurokawa, Miyagi Prefecture, Japan. However, while the commencement of production at this plant, which was initially expected to occur at the end of 2010, was postponed, in July 2011, Toyota decided to task Toyota Motor Tohoku Corporation ( Toyota Tohoku ) with commencing assembly of small-size engines at the end of 2012. Toyota Tohoku will be merged with Kanto Auto Works, Ltd. and Central Motor Co.,Ltd. into Toyota Motor East Japan, Inc. in July 2012.

*Sorocaba Plant.* In August 2010, Toyota decided to construct a vehicle plant in Sorocaba, Brazil. This plant is expected to produce the Etios small vehicle introduced in India with an annual production capacity of 70 thousand units. The plant is expected to commence production in late 2012.

*Karawang No. 2 Plant.* In November 2011, Toyota decided to establish a vehicle plant in Karawang, West Java, Indonesia. Production at the facility is scheduled to begin at the beginning of 2013, and production capacity at the time of launch of the plant is expected to be 70 thousand units, which will increase to 120 thousand units by 2014. The plant is also expected to produce new vehicles that meet market demand.

Toyota does not collect information on the amount of expenditures already paid for each plant under construction because Toyota believes that it is difficult and it would require unreasonable effort or expense to identify and categorize each expenditure item with reasonable accuracy as past and future expenditures. Toyota's construction projects consist of numerous expenditures, each of which is continually being adjusted and incurred in variable and constantly changing amounts as part of the overall work-in-progress.

**Seasonality**

Toyota has historically experienced slight seasonal fluctuations in unit sales. For each of the past three fiscal years, Toyota's unit sales levels have been highest in March of each year, with approximately 10% to 12% of annual unit sales generated during that month, and for each of the remaining months, its unit sales have generated approximately 6% to 9% of its annual unit sales.



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## **Table of Contents**

### **Legal Proceedings**

#### ***Product Recalls***

From time-to-time, Toyota issues vehicle recalls and takes other safety measures including safety campaigns relating to its vehicles. In November 2009, Toyota announced a safety campaign in North America for certain models of Toyota and Lexus vehicles related to floor mat entrapment of accelerator pedals, and later expanded it to include additional models. In January 2010, Toyota announced a recall in North America for certain models of Toyota vehicles related to sticking and slow-to-return accelerator pedals. Also in January 2010, Toyota recalled in Europe and China certain models of Toyota vehicles related to sticking accelerator pedals. In February 2010, Toyota announced a worldwide recall related to the software program that controls the antilock braking system ( ABS ) in certain vehicle models including the Prius. Set forth below is a description of various claims, lawsuits and government investigations involving Toyota in the United States relating to these recalls and other safety measures.

#### ***Class Action and Consolidated Litigation***

There are approximately 200 putative class actions that have been filed since November 2009 alleging that certain Toyota, Lexus and Scion vehicles contain defects that lead to unintended acceleration. Many of the putative class actions allege that malfunctions involving the floor mats and accelerator pedals do not cover the full scope of possible defects related to unintended acceleration. Rather, they allege that Electronic Throttle Control System-intelligent ( ETCS-i ) is the true cause and that Toyota has failed to inform consumers despite its awareness of the problem. In general, these cases seek recovery for the alleged diminution in value of the vehicles, injunctive and other relief. In April 2010, the approximately 190 federal cases were consolidated for pretrial proceedings into a single multi-district litigation in the United States District Court for the Central District of California. In addition, of more than 300 individual product liability personal injury cases relating to unintended acceleration pending against Toyota, the federal cases have been consolidated into the multi-district litigation. This consolidated federal action has included document production, depositions and various motions. The remaining individual product liability personal injury cases relating to unintended acceleration remain pending in various state courts in the United States. Additionally, there were approximately 10 putative class actions in various state courts, including California. All cases except the California case have been consolidated into the multi-district litigation. The claims are similar to the class actions in federal court. One of the putative California class actions was filed by the Orange County District Attorney and, among other things, seeks statutory penalties alleging that Toyota sold and marketed defective vehicles and that consumers have been harmed as a result of diminution in value of their vehicles.

Beginning in February 2010, Toyota has also been sued in approximately 20 putative class actions alleging defects in the antilock braking systems in various hybrid vehicles that cause the vehicles to fail to stop in a timely manner when driving in certain road conditions. The plaintiffs seek an order requiring Toyota to repair the vehicles and claim that all owners and lessees of vehicles, including those for which recalls have been implemented, should be compensated for the defects related to the antilock braking systems. These cases have been consolidated into 2 actions, one in federal court in the United States District Court for the Central District of California and one in state court in the Los Angeles County Superior Court.

From February through March 2010, Toyota was sued in 6 putative shareholder class actions on behalf of investors in Toyota American Depositary Receipts ( ADRs ) and common stock. The cases have been consolidated into a single action in the United States District Court for the Central District of California, and a lead plaintiff has been appointed. The consolidated complaint, filed October 4, 2010, alleges violations of the Securities Exchange Act of 1934 and Japan's Financial Instruments and Exchange Act on the basis that defendants made statements that were false or misleading in that they failed to disclose problems with, or the causes of, unintended acceleration in a number of vehicle models. The plaintiffs seek monetary damages in an amount to be proven at trial, interest and attorneys' fees and costs. The judge dismissed with prejudice the claims based on Japan's Financial Instruments and Exchange Act. The lead plaintiff has moved for certification of a class of purchasers of Toyota's ADRs from April 7, 2008 through February 2, 2010. A hearing on the motion is currently set for July 23, 2012.

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**Table of Contents**

Toyota believes that it has meritorious defenses to all of these cases and claims, and will vigorously defend against them.

*Government Investigations*

In February 2010, Toyota received a subpoena from the U.S. Attorney for the Southern District of New York and a voluntary request and subpoena from the SEC. The subpoenas and the voluntary request primarily seek documents related to unintended acceleration and certain financial records. This is a coordinated investigation and has included interviews of Toyota and non-Toyota witnesses, as well as production of documents. In June 2010, Toyota received a second voluntary request and subpoena from the SEC and a subpoena from the U.S. Attorney for the Southern District of New York. The subpoenas and the voluntary request primarily seek production of documents related to the recalls of the steering relay rod.

In February 2012, the NHTSA initiated a preliminary investigation of a potentially faulty power window master switch in the driver-side doors in model year 2007 Camry and RAV4 vehicles. In June 2012, the NHTSA upgraded the preliminary investigation to an engineering analysis and expanded the scope to include model year 2007 through 2009 Camry, Camry hybrid, RAV4 and Yaris as well as model year 2008 Highlander hybrid.

Toyota has also received subpoenas and formal and informal requests from various states' attorneys general, including the Executive Committee for a group of 30 states' plus one territory's attorney general, and certain local governmental agencies regarding various recalls, the facts underlying its recent recalls and customer handling related to those recalls.

Toyota is cooperating with the government agencies in their investigations, which are on-going.

The recalls and other safety measures described above have led to a number of claims, lawsuits and government investigations against Toyota in the United States as set forth in the preceding paragraphs. Amounts accrued as of March 31, 2012 related to these legal proceedings and governmental investigations are not material to Toyota's financial position, results of operations or cash flow. Beyond the amounts accrued, Toyota is unable to estimate a range of reasonably possible loss, if any, for the cases described above because (i) many of the proceedings are in evidence gathering stages, (ii) the likelihood of classes being certified or the ultimate size of the classes, if any, is uncertain, (iii) the outcome of pending or future appeals or motions is unknown, (iv) significant factual issues need to be resolved, (v) in some cases, novel legal issues are presented, and/or (vi) the differences between the matters as well as their interrelations further complicate the prediction of outcomes. In reaching this conclusion, Toyota considers the stages of these matters, the discovery in and information available about these matters, Toyota's experience with similar matters and Toyota's assessment of the matters. Although an estimation is not possible based on current information, the resolution of these matters could have an adverse effect on Toyota's financial position, results of operations or cash flows.

*United States Antitrust Proceedings*

In February 2003, Toyota, GM, Ford, DaimlerChrysler, Honda, Nissan, BMW and their sales subsidiaries in the United States and Canada, as well as the National Automobile Dealers Association and the Canadian Automobile Dealers Association were named as defendants in approximately 85 purported federal and state class action lawsuits on behalf of all purchasers of new motor vehicles who purchased their vehicles in the United States on or after January 1, 2001. As of April 1, 2005, the federal lawsuits were consolidated in the State of Maine, and lawsuits in the State of California and the State of New Jersey were also consolidated within the respective states.

The complaints allege that the defendants violated the Sherman Antitrust Act or state anti-trust law by conspiring among themselves and with their dealers to prevent the sale to United States citizens of vehicles produced for the Canadian market, resulting in higher prices to United States consumers. Toyota believes that its actions have been lawful. In the interest of resolving these legal actions, however, Toyota entered into a settlement agreement with the plaintiffs in February 2006. The settlement agreement has been approved by the federal court and all state cases have been dismissed.

**Table of Contents****Other Proceedings**

Toyota has various other legal actions, other governmental proceedings and other claims pending against it, including other product liability claims in the United States. For the same reasons discussed above relating to the recall-related legal proceedings, Toyota is unable to estimate a range of reasonably possible loss, if any, beyond the amounts accrued, with respect to these claims. However, based upon information currently available to Toyota, Toyota believes that its losses from these matters, if any, would not have a material adverse effect on Toyota's financial position, results of operations or cash flows.

**4.C ORGANIZATIONAL STRUCTURE**

As of March 31, 2012, Toyota Motor Corporation had 262 Japanese subsidiaries and 245 overseas subsidiaries. The following table sets forth for each of Toyota Motor Corporation's principal subsidiaries, the country of incorporation and the percentage ownership interest and the voting interest held by Toyota Motor Corporation.

<b>Name of Subsidiary</b>	<b>Country of Incorporation</b>	<b>Percentage Ownership Interest</b>	<b>Percentage Voting Interest</b>
Toyota Financial Services Corporation	Japan	100.00	100.00
Hino Motors, Ltd.	Japan	50.21	50.73
Toyota Motor Kyushu, Inc.	Japan	100.00	100.00
Daihatsu Motor Co., Ltd.	Japan	51.33	51.63
Toyota Finance Corporation	Japan	100.00	100.00
Toyota Auto Body Co., Ltd.	Japan	100.00	100.00
Kanto Auto Works, Ltd.	Japan	100.00	100.00
Toyota Motor Engineering & Manufacturing North America, Inc.	United States	100.00	100.00
Toyota Motor Manufacturing, Kentucky, Inc.	United States	100.00	100.00
Toyota Motor North America, Inc.	United States	100.00	100.00
Toyota Motor Credit Corporation	United States	100.00	100.00
Toyota Motor Manufacturing, Indiana, Inc.	United States	100.00	100.00
Toyota Motor Manufacturing, Texas, Inc.	United States	100.00	100.00
Toyota Motor Sales, U.S.A., Inc.	United States	100.00	100.00
Toyota Motor Manufacturing Canada Inc.	Canada	100.00	100.00
Toyota Credit Canada Inc.	Canada	100.00	100.00
Toyota Motor Europe NV/SA	Belgium	100.00	100.00
Toyota Motor Manufacturing France S.A.S.	France	100.00	100.00
Toyota Kreditbank GmbH	Germany	100.00	100.00
Toyota Motor Finance (Netherlands) B.V.	Netherlands	100.00	100.00
Toyota Motor Manufacturing (UK) Ltd.	United Kingdom	100.00	100.00
OOO TOYOTA MOTOR	Russia	100.00	100.00
Toyota Motor (China) Investment Co., Ltd.	China	100.00	100.00
Toyota Kirloskar Motor Private Ltd.	India	89.00	89.00
P.T. Toyota Motor Manufacturing Indonesia	Indonesia	95.00	95.00
Toyota Motor Asia Pacific Pte Ltd.	Singapore	100.00	100.00
Kuozui Motors, Ltd.	Taiwan	70.00	70.00
Toyota Motor Thailand Co., Ltd.	Thailand	86.43	86.43
Toyota Leasing (Thailand) Co., Ltd.	Thailand	82.94	82.94
Toyota Motor Asia Pacific Engineering and Manufacturing Co., Ltd.	Thailand	100.00	100.00
Toyota Motor Corporation Australia Ltd.	Australia	100.00	100.00
Toyota Finance Australia Ltd.	Australia	100.00	100.00
Toyota Argentina S.A.	Argentina	100.00	100.00
Toyota do Brasil Ltda.	Brazil	100.00	100.00
Toyota South Africa Motors (Pty) Ltd.	South Africa	100.00	100.00

**Table of Contents****4.D PROPERTY, PLANTS AND EQUIPMENT**

As of March 31, 2012, Toyota and its affiliates produce automobiles and related components through more than 50 overseas manufacturing organizations in 27 countries and regions besides Japan. The facilities are located principally in Japan, the United States, Canada, the United Kingdom, France, Turkey, Czech Republic, Thailand, China, Taiwan, India, Indonesia, South Africa, Australia, Argentina and Brazil.

In addition to its manufacturing facilities, Toyota's properties include sales offices and other sales facilities in major cities, repair service facilities, and research and development facilities.

The following table sets forth information, as of March 31, 2012, with respect to Toyota's principal facilities and organizations, all of which are owned by Toyota Motor Corporation or its subsidiaries. However, small portions, all under approximately 20%, of some facilities are on leased premises.

Facility or Subsidiary Name	Location	Land Area (thousand square meters)	Number of Employees	Principal Products or Functions
<b>Japan (Toyota Motor Corporation)</b>				
Tahara Plant	Tahara City, Aichi Pref.	4,029	8,089	Automobiles
Higashi-Fuji Technical Center	Susono City, Shizuoka Pref.	2,066	2,903	Research and Development
Toyota Head Office and Technical Center	Toyota City, Aichi Pref.	1,930	19,873	Research and Development
Motomachi Plant	Toyota City, Aichi Pref.	1,594	7,273	Automobiles
Takaoka Plant	Toyota City, Aichi Pref.	1,311	3,112	Automobiles
Tsutsumi Plant	Toyota City, Aichi Pref.	937	5,134	Automobiles
Kamigo Plant	Toyota City, Aichi Pref.	868	3,124	Automobile parts
Kinu-ura Plant	Hekinan City, Aichi Pref.	836	3,027	Automobile parts
Honsha Plant	Toyota City, Aichi Pref.	551	4,133	Automobile parts
Nagoya Office	Nagoya City, Aichi Pref.	3	2,316	Office
<b>Japan (Subsidiaries)</b>				
Daihatsu Motor Co., Ltd.	Ikeda City, Osaka, etc.	8,812	11,555	Automobiles
Hino Motors, Ltd.	Hino City, Tokyo, etc.	5,213	11,188	Automobiles
Toyota Auto Body Co., Ltd.	Kariya City, Aichi Pref., etc.	2,253	11,622	Automobiles
Toyota Motor Kyushu, Inc.	Miyawaka City, Fukuoka Pref., etc.	2,000	7,164	Automobiles
Kanto Auto Works, Ltd.	Susono City, Shizuoka Pref., etc.	1,643	5,797	Automobiles
<b>Outside Japan (Subsidiaries)</b>				
Toyota Motor Manufacturing, Kentucky, Inc.	Kentucky, U.S.A.	5,300	6,220	Automobiles
Toyota Motor Manufacturing Canada, Inc.	Ontario, Canada	4,756	5,615	Automobiles
Toyota Motor Thailand Co., Ltd.	Samut Prakan, Thailand	4,300	8,349	Automobiles
Toyota Motor Sales, U.S.A., Inc.	California, U.S.A.	4,081	6,425	Sales facilities
Toyota Motor Corporation Australia, Ltd.	Victoria, Australia	1,339	4,256	Automobiles

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## **Table of Contents**

Toyota is constantly engaged in upgrading, modernizing and revamping the operations of its manufacturing facilities, based on its assessment of market needs and prospects. To respond flexibly to fluctuations in demand in each of its production operations throughout the world, Toyota continually reviews and implements appropriate production measures such as revising takt time and adjusting days of operation. As a result, Toyota believes it would require unreasonable effort to track the exact productive capacity and the extent of utilization of each of its manufacturing facilities with a reasonable degree of accuracy.

As of March 31, 2012, property, plant and equipment having a net book value of approximately ¥52.8 billion was pledged as collateral securing indebtedness incurred by Toyota Motor Corporation's consolidated subsidiaries. Toyota believes that there does not exist any material environmental issues that may affect the company's utilization of its assets.

Toyota considers all its principal manufacturing facilities and other significant properties to be in good condition and adequate to meet the needs of its operations.

See Business Overview Capital Expenditures and Divestitures for a description of Toyota's material plans to construct, expand or improve facilities.

### **ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

### **ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

#### **5.A OPERATING RESULTS**

*All financial information discussed in this section is derived from Toyota's consolidated financial statements that appear elsewhere in this annual report. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.*

#### **Overview**

The business segments of Toyota include automotive operations, financial services operations and all other operations. Automotive operations are Toyota's most significant business segment, accounting for 89% of Toyota's total revenues before the elimination of intersegment revenues for fiscal 2012. Toyota's primary markets based on vehicle unit sales for fiscal 2012 were: Japan (28%), North America (25%), Europe (11%) and Asia (18%). Japan's economy suffered from the effects of the Great East Japan Earthquake and its aftermath (collectively, the Great East Japan Earthquake). As a result, in Japan and other regions, Toyota experienced negative impacts on its production in the first half of fiscal year 2012. See Information on the Company Business Overview for more detailed information of the Great East Japan Earthquake.

#### ***Automotive Market Environment***

The worldwide automotive market is highly competitive and volatile. The demand for automobiles is affected by a number of factors including social, political and general economic conditions; introduction of new vehicles and technologies; and costs incurred by customers to purchase or operate vehicles. These factors can cause consumer demand to vary substantially in different geographic markets and for different types of automobiles.

During fiscal 2012, automotive markets developed steadily in the U.S. and emerging countries such as Asia. However, many Japanese manufacturers, including Toyota, were forced to adjust or stop productions due to shortages of parts supplies caused by the Great East Japan Earthquake and by the flood in Thailand that occurred in October 2011. Toyota and its group companies together exerted every effort to normalize production, and Toyota was able to achieve full normalization of production and begin its recovery from the disaster sooner than initially anticipated.

**Table of Contents**

The following table sets forth Toyota's consolidated vehicle unit sales by geographic market based on location of customers for the past three fiscal years.

	Thousands of units Year Ended March 31,		
	2010	2011	2012
Japan	2,163	1,913	2,071
North America	2,098	2,031	1,872
Europe	858	796	798
Asia	979	1,255	1,327
Other*	1,139	1,313	1,284
Overseas total	5,074	5,395	5,281
<b>Total</b>	<b>7,237</b>	<b>7,308</b>	<b>7,352</b>

\* Other consists of Central and South America, Oceania, Africa and the Middle East, etc.

During fiscal 2011, Toyota's consolidated vehicle unit sales in Japan decreased as compared with the prior fiscal year because market conditions in Japan deteriorated as compared with the prior fiscal year. During fiscal 2012, Toyota's consolidated vehicle unit sales in Japan increased as compared with the prior fiscal year reflecting frequent introduction of new products and sales efforts of domestic dealers. Toyota and Lexus brands' market share in Japan excluding mini-vehicles was 45.5%, and Toyota's market share (including Daihatsu and Hino brands) in Japan including mini-vehicles was 43.2%, both maintaining the high level of market share in Japan from the prior fiscal year. Overseas consolidated vehicle unit sales increased during fiscal 2011, whereas they decreased during fiscal 2012. During fiscal 2011, total overseas vehicle unit sales increased in Asia and Other. During fiscal 2012, total overseas vehicle unit sales decreased, particularly in North America due to impact of the Great East Japan Earthquake and the flood in Thailand, although an increase in Asia resulted from steady demand in spite of the flood in Thailand.

Toyota's share of total vehicle unit sales in each market is influenced by the quality, safety, reliability, price, design, performance, economy and utility of Toyota's vehicles compared with those offered by other manufacturers. The timely introduction of new or redesigned vehicles is also an important factor in satisfying customer needs. Toyota's ability to satisfy changing customer preferences can affect its revenues and earnings significantly.

The profitability of Toyota's automotive operations is affected by many factors. These factors include:

vehicle unit sales volumes,

the mix of vehicle models and options sold,

the level of parts and service sales,

the levels of price discounts and other sales incentives and marketing costs,

the cost of customer warranty claims and other customer satisfaction actions,



the cost of research and development and other fixed costs,

the prices of raw materials,

the ability to control costs,

the efficient use of production capacity,

the adverse effect on production due to the reliance on various suppliers for the provision of supplies,

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**Table of Contents**

the adverse effect on market, sales and productions of natural calamities and interruptions of social infrastructure, and

changes in the value of the Japanese yen and other currencies in which Toyota conducts business.

Changes in laws, regulations, policies and other governmental actions can also materially impact the profitability of Toyota's automotive operations. These laws, regulations and policies include those attributed to environmental matters, vehicle safety, fuel economy and emissions that can add significantly to the cost of vehicles. The European Union has enforced a directive that requires manufacturers to be financially responsible for taking back end-of-life vehicles and to take measures to ensure that adequate used vehicle disposal facilities are established and those hazardous materials and recyclable parts are removed from vehicles prior to scrapping. See [Legislation Regarding End-of-Life Vehicles](#), Information on the Company Business Overview Governmental Regulation, Environmental and Safety Standards and note 23 to the consolidated financial statements for a more detailed discussion of these laws, regulations and policies.

Many governments also regulate local content, impose tariffs and other trade barriers, and enact price or exchange controls that can limit an automaker's operations and can make the repatriation of profits unpredictable. Changes in these laws, regulations, policies and other governmental actions may affect the production, licensing, distribution or sale of Toyota's products, cost of products or applicable tax rates. In February 2003, Toyota was named as one of the defendants in purported national class actions alleging violations of the U.S. Sherman Antitrust Act. Toyota believes that its actions have been lawful. In order to avoid a protracted dispute, however, Toyota entered into a settlement agreement with the plaintiffs at the end of February 2006. The federal court approved the settlement agreement, and all related actions were dismissed. From time-to-time when potential safety problems arise, Toyota issues vehicle recalls and takes other safety measures including safety campaigns with respect to its vehicles. In November 2009, Toyota announced a safety campaign in North America for certain models of Toyota and Lexus brands' vehicles related to floor mat entrapment of accelerator pedals, and later expanded it to include additional models. In January 2010, Toyota announced a recall in North America for certain models of Toyota vehicles related to sticking and slow-to-return accelerator pedals. Also in January 2010, Toyota recalled in Europe and China certain models of Toyota vehicles related to sticking accelerator pedals. In February 2010, Toyota announced a recall in markets including Japan, North America and Europe related to the braking control system in certain vehicle models including the Prius. The recalls and other safety measures described above have led to a number of claims, lawsuits and government investigations against Toyota in the United States. For a more detailed description of these claims, lawsuits and government investigations, see note 23 to the consolidated financial statements.

The worldwide automotive industry is in a period of global competition which may continue for the foreseeable future, and in general the competitive environment in which Toyota operates is likely to intensify. Toyota believes it has the resources, strategies and technologies in place to compete effectively in the industry as an independent company for the foreseeable future.

***Financial Services Operations***

The competition of worldwide automobile financial services industry is intensifying despite the recovery trend in the automotive markets. As competition increases, margins on financing transactions may decrease and market share may also decline as customers obtain financing for Toyota vehicles from alternative sources.

Toyota's financial services operations mainly include loans and leasing programs for customers and dealers. Toyota believes that its ability to provide financing to its customers is an important value added service. Therefore, Toyota has expanded its network of finance subsidiaries in order to offer financial services in many countries.

Toyota's competitors for retail financing and retail leasing include commercial banks, credit unions and other finance companies. Meanwhile, commercial banks and other captive automobile finance companies also compete against Toyota's wholesale financing activities.

**Table of Contents**

Although Toyota's total finance receivables, net was affected by the unfavorable impact of fluctuations in foreign currency translation rates, the total finance receivables, net increased during fiscal 2012 mainly due to an decrease in allowance for credit losses.

The following table provides information regarding Toyota's finance receivables and operating leases in the past two fiscal years.

	Yen in millions March 31,	
	2011	2012
<b>Finance Receivables</b>		
Retail	¥ 7,128,453	¥ 7,248,793
Finance leases	1,123,188	955,430
Wholesale and other dealer loans	1,990,557	2,033,954
	10,242,198	10,238,177
Deferred origination costs	104,391	105,533
Unearned income	(496,235)	(494,123)
Allowance for credit losses		
Retail	(92,199)	(77,353)
Finance leases	(36,024)	(30,637)
Wholesale and other dealer loans	(28,580)	(24,238)
	(156,803)	(132,228)
Total finance receivables, net	9,693,551	9,717,359
Less Current portion	(4,136,805)	(4,114,897)
Noncurrent finance receivables, net	¥ 5,556,746	¥ 5,602,462
<b>Operating Leases</b>		
Vehicles	¥ 2,404,032	¥ 2,487,721
Equipment	87,914	87,632
	2,491,946	2,575,353
Less Accumulated depreciation	(651,443)	(667,406)
Less Allowance for credit losses	(10,812)	(8,135)
Vehicles and equipment on operating leases, net	¥ 1,829,691	¥ 1,899,812

Toyota's finance receivables are subject to collectability risks. These risks include consumer and dealer insolvencies and insufficient collateral values (less costs to sell) to realize the full carrying values of these receivables. See discussion in Critical Accounting Estimates Allowance for Doubtful Accounts and Credit Losses and note 11 to the consolidated financial statements.

Toyota continues to originate leases to finance new Toyota vehicles. These leasing activities are subject to residual value risk. Residual value losses could be incurred when the lessee of a vehicle does not exercise the option to purchase the vehicle at the end of the lease term. See discussion in Critical Accounting Estimates Investment in Operating Leases and note 2 to the consolidated financial statements.

Toyota enters into interest rate swap agreements and cross currency interest rate swap agreements to convert its fixed-rate debt to variable-rate functional currency debt. A portion of the derivative instruments are entered into to hedge interest rate risk from an economic perspective and are not designated as a hedge of specific assets or liabilities on Toyota's consolidated balance sheet and accordingly, unrealized gains or losses related to derivatives that are not designated as a hedge are recognized currently in operations. See discussion in Critical Accounting Estimates Derivatives and Other Contracts at Fair Value and Quantitative and Qualitative Disclosures about Market Risk and note 20 to the consolidated financial statements.



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## **Table of Contents**

The fluctuations in funding costs can affect the profitability of Toyota's financial services operations. Funding costs are affected by a number of factors, some of which are not in Toyota's control. These factors include general economic conditions, prevailing interest rates and Toyota's financial strength. Funding costs decreased during fiscal 2011 and 2012, mainly as a result of lower interest rates.

Toyota launched its credit card business in Japan in April 2001. As of March 31, 2011, Toyota had 8.9 million cardholders, an increase of 1.2 million cardholders compared with March 31, 2010. As of March 31, 2012, Toyota had 10.9 million cardholders, an increase of 2.0 million cardholders compared with March 31, 2011. The credit card receivables at March 31, 2011 increased by ¥8.1 billion from March 31, 2010 to ¥263.5 billion. The credit card receivables at March 31, 2012 increased by ¥44.0 billion from March 31, 2011 to ¥307.5 billion.

### ***Other Business Operations***

Toyota's other business operations consist of housing including the manufacture and sale of prefabricated homes, information technology related businesses including information technology and telecommunications, intelligent transport systems and GAZOO, and other businesses.

Toyota does not expect its other business operations to materially contribute to Toyota's consolidated results of operations.

### ***Currency Fluctuations***

Toyota is affected by fluctuations in foreign currency exchange rates. In addition to the Japanese yen, Toyota is exposed to fluctuations in the value of the U.S. dollar and the euro and, to a lesser extent, the Australian dollar, the Canadian dollar, the British pound, and others. Toyota's consolidated financial statements, which are presented in Japanese yen, are affected by foreign currency exchange fluctuations through both translation risk and transaction risk.

Translation risk is the risk that Toyota's consolidated financial statements for a particular period or for a particular date will be affected by changes in the prevailing exchange rates of the currencies in those countries in which Toyota does business compared with the Japanese yen. Even though the fluctuations of currency exchange rates to the Japanese yen can be substantial, and, therefore, significantly impact comparisons with prior periods and among the various geographic markets, the translation risk is a reporting consideration and does not reflect Toyota's underlying results of operations. Toyota does not hedge against translation risk.

Transaction risk is the risk that the currency structure of Toyota's costs and liabilities will deviate from the currency structure of sales proceeds and assets. Transaction risk relates primarily to sales proceeds from Toyota's non-domestic operations from vehicles produced in Japan.

Toyota believes that the location of its production facilities in different parts of the world has significantly reduced the level of transaction risk. As part of its globalization strategy, Toyota has continued to localize production by constructing production facilities in the major markets in which it sells its vehicles. In calendar 2010 and 2011, Toyota produced 73.4% and 71.3% of its non-domestic sales outside Japan, respectively. In North America, 72.6% and 66.8% of vehicles sold in calendar 2010 and 2011 respectively were produced locally. In Europe, 59.0% and 57.7% of vehicles sold in calendar 2010 and 2011 respectively were produced locally. Localizing production enables Toyota to locally purchase many of the supplies and resources used in the production process, which allows for a better match of local currency revenues with local currency expenses.

Toyota also enters into foreign currency transactions and other hedging instruments to address a portion of its transaction risk. This has reduced, but not eliminated, the effects of foreign currency exchange rate fluctuations, which in some years can be significant. See notes 20 and 21 to the consolidated financial statements for additional information.

**Table of Contents**

Generally, a weakening of the Japanese yen against other currencies has a positive effect on Toyota's revenues, operating income and net income attributable to Toyota Motor Corporation. A strengthening of the Japanese yen against other currencies has the opposite effect. In fiscal 2011 and 2012, the Japanese yen was on average and at the end of each fiscal year stronger against the U.S. dollar and the euro in comparison to the prior fiscal year. See further discussion in [Quantitative and Qualitative Disclosures about Market Risk](#) [Market Risk Disclosures](#) [Foreign Currency Exchange Rate Risk](#) .

During fiscal 2011 and 2012, the average exchange rate of the Japanese yen strengthened against the major currencies including the U.S. dollar and the euro compared with the average exchange rate of the prior fiscal year. The operating results excluding the impact of currency fluctuations described in [Results of Operations Fiscal 2012 Compared with Fiscal 2011](#) and [Results of Operations Fiscal 2011 Compared with Fiscal 2010](#) show results of net revenues obtained by applying the Japanese yen's average exchange rate in the previous fiscal year to the local currency-denominated net revenues for fiscal 2011 and 2012, respectively, as if the value of the Japanese yen had remained constant for the comparable periods. Results excluding the impact of currency fluctuations year-on-year are not on the same basis as Toyota's consolidated financial statements and do not conform with U.S. GAAP. Furthermore, Toyota does not believe that these measures are a substitute for U.S. GAAP measures. However, Toyota believes that such results excluding the impact of currency fluctuations year-on-year provide additional useful information to investors regarding the operating performance on a local currency basis.

**Segmentation**

Toyota's most significant business segment is its automotive operations. Toyota carries out its automotive operations as a global competitor in the worldwide automotive market. Management allocates resources to, and assesses the performance of, its automotive operations as a single business segment on a worldwide basis. Toyota does not manage any subset of its automotive operations, such as domestic or overseas operations or parts, as separate management units.

The management of the automotive operations is aligned on a functional basis with managers having oversight responsibility for the major operating functions within the segment. Management assesses financial and non-financial data such as vehicle unit sales, production volume, market share information, vehicle model plans and plant location costs to allocate resources within the automotive operations.

**Geographic Breakdown**

The following table sets forth Toyota's net revenues in each geographic market based on the country location of the parent company or the subsidiaries that transacted the sale with the external customer for the past three fiscal years.

	Yen in millions		
	2010	Year ended March 31, 2011	2012
Japan	¥ 7,314,813	¥ 6,966,929	¥ 7,293,804
North America	5,583,228	5,327,809	4,644,348
Europe	2,082,671	1,920,416	1,917,408
Asia	2,431,648	3,138,112	3,116,849
Other*	1,538,613	1,640,422	1,611,244

\* Other consists of Central and South America, Oceania and Africa.

**Table of Contents****Results of Operations Fiscal 2012 Compared with Fiscal 2011**

	Yen in millions			
	Year ended March 31,		2012 v. 2011 Change	
	2011	2012	Amount	Percentage
<b>Net revenues:</b>				
Japan	¥ 10,986,246	¥ 11,167,319	¥ 181,073	1.6%
North America	5,429,136	4,751,886	(677,250)	(12.5)
Europe	1,981,497	1,993,946	12,449	0.6
Asia	3,374,534	3,334,274	(40,260)	(1.2)
Other*	1,809,116	1,760,175	(48,941)	(2.7)
Intersegment elimination/unallocated amount	(4,586,841)	(4,423,947)	162,894	
<b>Total</b>	<b>18,993,688</b>	<b>18,583,653</b>	<b>(410,035)</b>	<b>(2.2)</b>
<b>Operating income (loss):</b>				
Japan	(362,396)	(207,040)	155,356	
North America	339,503	186,409	(153,094)	(45.1)
Europe	13,148	17,796	4,648	35.4
Asia	312,977	256,790	(56,187)	(18.0)
Other*	160,129	108,814	(51,315)	(32.0)
Intersegment elimination/unallocated amount	4,918	(7,142)	(12,060)	
<b>Total</b>	<b>468,279</b>	<b>355,627</b>	<b>(112,652)</b>	<b>(24.1)</b>
Operating margin	2.5%	1.9%	(0.6)%	
Income before income taxes and equity in earnings of affiliated companies	563,290	432,873	(130,417)	(23.2)
Net margin from income before income taxes and equity in earnings of affiliated companies	3.0%	2.3%	(0.7)%	
Equity in earnings of affiliated companies	215,016	197,701	(17,315)	(8.1)
Net income attributable to Toyota Motor Corporation	408,183	283,559	(124,624)	(30.5)
Net margin attributable to Toyota Motor Corporation	2.1%	1.5%	(0.6)%	

\* Other consists of Central and South America, Oceania and Africa.

**Net Revenues**

Toyota had net revenues for fiscal 2012 of ¥18,583.6 billion, a decrease of ¥410.0 billion, or 2.2%, compared with the prior fiscal year. This decrease reflects unfavorable impact of fluctuations in foreign currency translation rates and others of ¥717.7 billion, partially offset by changes in numbers of the vehicle unit sales and sales mix of approximately ¥320.0 billion and other factors. Excluding the difference in the Japanese yen value used for translation purposes of ¥717.7 billion, net revenues would have been approximately ¥19,301.3 billion during fiscal 2012, a 1.6% increase compared with the prior fiscal year. The automotive market in fiscal 2012 increased by 9.7% in North America and 3.9% in Asia compared with the prior fiscal year due to that market in the U.S. and emerging countries such as Asia have developed in a steady manner. Under these automotive market conditions, despite the Great East Japan Earthquake and the flood in Thailand, Toyota's consolidated vehicle unit sales increased to 7,352 thousand vehicles by 0.6% compared with the prior fiscal year.

**Table of Contents**

The table below shows Toyota's net revenues from external customers by product category and by business.

	Yen in millions			
	Year ended March 31,		2012 v. 2011 Change	
	2011	2012	Amount	Percentage
Vehicles	¥ 14,507,479	¥ 14,164,940	¥ (342,539)	(2.4)%
Parts and components for overseas production	335,366	338,000	2,634	0.8
Parts and components for after service	1,553,497	1,532,219	(21,278)	(1.4)
Other	926,411	929,219	2,808	0.3
<b>Total Automotive</b>	<b>17,322,753</b>	<b>16,964,378</b>	<b>(358,375)</b>	<b>(2.1)</b>
All Other	497,767	547,538	49,771	10.0
<b>Total sales of products</b>	<b>17,820,520</b>	<b>17,511,916</b>	<b>(308,604)</b>	<b>(1.7)</b>
Financial services	1,173,168	1,071,737	(101,431)	(8.6)
<b>Total</b>	<b>¥ 18,993,688</b>	<b>¥ 18,583,653</b>	<b>¥ (410,035)</b>	<b>(2.2)%</b>

Toyota's net revenues include net revenues from sales of products, consisting of net revenues from automotive operations and all other operations, which decreased by 1.7% during fiscal 2012 compared with the prior fiscal year to ¥17,511.9 billion, and net revenues from financial services operations which decreased by 8.6% during fiscal 2012 compared with the prior fiscal year to ¥1,071.7 billion. Excluding the difference in the Japanese yen value used for translation purposes of ¥650.8 billion, net revenues from sales of products would have been ¥18,162.7 billion, a 1.9% increase during fiscal 2012 compared with the prior fiscal year. The increase in net revenues from sales of products is due to an increase in Toyota vehicle unit sales by 44 thousand vehicles. Excluding the difference in the Japanese yen value used for translation purposes of ¥66.9 billion, net revenues from financial services operations would have been approximately ¥1,138.6 billion, a 2.9% decrease during fiscal 2012 compared with the prior fiscal year. This decrease was mainly due to the decrease of ¥18.3 billion rental revenue generated by vehicles and equipment on operating lease.

The following table shows the number of financing contracts by geographic region at the end of the fiscal 2012 and 2011, respectively.

	Number of financing contracts in thousands			
	Year ended March 31,		2012 v. 2011 Change	
	2011	2012	Amount	Percentage
Japan	1,709	1,697	(12)	(0.7)%
North America	4,654	4,535	(119)	(2.6)
Europe	790	796	6	0.7
Asia	522	649	127	24.3
Other*	527	552	25	4.9
<b>Total</b>	<b>8,202</b>	<b>8,229</b>	<b>27</b>	<b>0.3%</b>

\* Other consists of Central and South America, Oceania and Africa.

Geographically, net revenues (before the elimination of intersegment revenues) for fiscal 2012 decreased by 12.5% in North America, 1.2% in Asia, and 2.7% in Other, whereas net revenues increased by 1.6% in Japan and 0.6% in Europe compared with the prior fiscal year. Excluding the difference in the Japanese yen value used for translation purposes of ¥717.7 billion, net revenues in fiscal 2012 would have decreased by 5.1% in North America, and would have increased by 1.6% in Japan, 5.3% in Europe, 3.8% in Asia and 1.7% in Other compared with the prior fiscal year.





**Table of Contents**

The following is a discussion of net revenues in each geographic market (before the elimination of intersegment revenues).

**Japan**

	Thousands of units		2012 v. 2011 Change	
	Year ended March 31, 2011	2012	Amount	Percentage
Toyota's consolidated vehicle unit sales*	3,611	3,741	130	3.6%

\* including number of exported vehicle unit sales

	Yen in millions		2012 v. 2011 Change	
	Year ended March 31, 2011	2012	Amount	Percentage
Net revenues:				
Sales of products	¥ 10,864,329	¥ 11,040,964	¥ 176,635	1.6%
Financial services	121,917	126,355	4,438	3.6
Total	¥ 10,986,246	¥ 11,167,319	¥ 181,073	1.6%

Although Toyota's domestic and exported vehicle unit sales decreased due to the impact of the Great East Japan Earthquake in the first half of fiscal 2012, Toyota's domestic and exported vehicle unit sales over the fiscal year increased by 130 thousand vehicles compared with the prior fiscal year. The increase in vehicle unit sales resulted primarily from introduction of new products such as Prius a and Aqua.

**North America**

	Thousands of units		2012 v. 2011 Change	
	Year ended March 31, 2011	2012	Amount	Percentage
Toyota's consolidated vehicle unit sales	2,031	1,872	(159)	(7.8)%

	Yen in millions		2012 v. 2011 Change	
	Year ended March 31, 2011	2012	Amount	Percentage
Net revenues:				
Sales of products	¥ 4,603,192	¥ 4,048,532	¥ (554,660)	(12.0)%
Financial services	825,944	703,354	(122,590)	(14.8)
Total	¥ 5,429,136	¥ 4,751,886	¥ (677,250)	(12.5)%

In North America, the vehicle unit sales decreased by 159 thousand vehicles compared with the prior fiscal year due to decreased production as a result of shortages of parts supplies caused by the Great East Japan Earthquake and the flood in Thailand, consisting of a 67 thousand vehicles, or 30.7%, decrease in RAV4 sales, a 26 thousand vehicles, or 22.4%, decrease in Tundra sales, and a 21 thousand vehicles, or 7.3%, decrease in Corolla sales. Net revenues in North America decreased compared with the prior fiscal year due to the decrease in vehicle unit sales and the unfavorable impact of fluctuations in foreign currency translation rates of ¥398.9 billion.

**Table of Contents****Europe**

	Thousands of units		2012 v. 2011 Change	
	Year ended March 31, 2011	2012	Amount	Percentage
Toyota's consolidated vehicle unit sales	796	798	2	0.3%

	Yen in millions		2012 v. 2011 Change	
	Year ended March 31, 2011	2012	Amount	Percentage
Net revenues:				
Sales of products	¥ 1,910,336	¥ 1,925,670	¥ 15,334	0.8%
Financial services	71,161	68,276	(2,885)	(4.1)
Total	¥ 1,981,497	¥ 1,993,946	¥ 12,449	0.6%

Net revenues in Europe as a whole increased due primarily to the 2 thousand vehicles increase in vehicle unit sales compared with the prior fiscal year, such as a 49 thousand vehicles increase in Russia, where the economy has been strong, although sales of Toyota brands' vehicles decreased in some European countries compared with the prior fiscal year, such as a 18 thousand vehicles decrease in Italy and a 7 thousand vehicles decrease in Portugal, both of which mainly due to the European credit crisis.

**Asia**

	Thousands of units		2012 v. 2011 Change	
	Year ended March 31, 2011	2012	Amount	Percentage
Toyota's consolidated vehicle unit sales	1,255	1,327	72	5.7%

	Yen in millions		2012 v. 2011 Change	
	Year ended March 31, 2011	2012	Amount	Percentage
Net revenues:				
Sales of products	¥ 3,325,466	¥ 3,275,871	¥ (49,595)	(1.5)%
Financial services	49,068	58,403	9,335	19.0
Total	¥ 3,374,534	¥ 3,334,274	¥ (40,260)	(1.2)%

Despite the flood in Thailand, Toyota's vehicle unit sales in Asia increased by 72 thousand vehicles compared with the prior fiscal year due to steady growth in automotive markets. Although Toyota's vehicle unit sales in Asia increased, net revenues in Asia decreased compared with the prior fiscal year mainly due to the unfavorable impact of fluctuations in foreign currency translation rates of ¥168.8 billion and others.

**Table of Contents****Other**

	Thousands of units			
	Year ended March 31, 2011	Year ended March 31, 2012	2012 v. 2011 Change Amount	2012 v. 2011 Change Percentage
Toyota's consolidated vehicle unit sales	1,313	1,284	(29)	(2.2)%

	Yen in millions			
	Year ended March 31, 2011	Year ended March 31, 2012	2012 v. 2011 Change Amount	2012 v. 2011 Change Percentage
Net revenues:				
Sales of products	¥ 1,694,680	¥ 1,636,043	¥ (58,637)	(3.5)%
Financial services	114,436	124,132	9,696	8.5
Total	¥ 1,809,116	¥ 1,760,175	¥ (48,941)	(2.7)%

Net revenues in Other decreased due to decreases in Toyota's vehicle unit sales primarily as a result of shortages of parts supplies caused by the Great East Japan Earthquake and the flood in Thailand. Toyota's vehicle unit sales decreased by 25 thousand vehicles in Oceania, and by 19 thousand vehicles in the Middle East, respectively, compared with the prior fiscal year.

**Operating Costs and Expenses**

	Yen in millions			
	Year ended March 31, 2011	Year ended March 31, 2012	2012 v. 2011 Change Amount	2012 v. 2011 Change Percentage
Operating costs and expenses				
Cost of products sold	¥ 15,985,783	¥ 15,795,918	¥ (189,865)	(1.2)%
Cost of financing operations	629,543	592,646	(36,897)	(5.9)
Selling, general and administrative	1,910,083	1,839,462	(70,621)	(3.7)
Total	¥ 18,525,409	¥ 18,228,026	¥ (297,383)	(1.6)%

	Yen in millions	
	2012 v. 2011 Change	2012 v. 2011 Change
Changes in operating costs and expenses:		
Effect of changes in vehicle unit sales and sales mix and other operational factors	¥	150,000
Effect of fluctuation in foreign currency translation rates and others		(432,300)
Effect of cost reduction efforts		(150,000)
Effect of increase in miscellaneous costs and others		134,917
Total	¥	(297,383)

Operating costs and expenses decreased by ¥297.3 billion, or 1.6%, to ¥18,228.0 billion during fiscal 2012 compared with the prior fiscal year. This decrease resulted from the ¥432.3 billion favorable impact of fluctuations in foreign currency translation rates and others, and the ¥150.0 billion impact of cost reduction efforts, partially offset by the ¥150.0 billion impact of changes in vehicle unit sales and sales mix and other operational factors and the ¥134.9 billion increase in miscellaneous costs and others.

The increase in miscellaneous costs and others was due mainly to a ¥100.0 billion increase in labor costs, a ¥50.0 billion increase in research and development expenses and the ¥104.9 billion increase in other various costs, partially offset by the ¥120.0 billion impact of decrease in product quality related expenses and others. This cost decreased because costs related to recalls and other safety measures occurred at a high level during

the prior fiscal year. See note 14 to the consolidated financial statements.

**Table of Contents**

During fiscal 2012, Toyota announced recalls and other safety measures including the following:

In June 2011, Toyota announced in Japan and other regions a voluntary safety recall of certain models of Toyota and Lexus brands vehicles in relation to damage to elements of the substrate and potential shutdown of the hybrid system that may have resulted from improper manufacturing of electronic converter control substrate. The affected vehicle models included Harrier Hybrid, Kluger Hybrid, RX400h, and Highlander Hybrid, 111 thousand vehicles were included in this recall.

In September 2011, Toyota announced in Japan the service campaign of certain models of Toyota in relation to abnormal noise and oil leakage that may have resulted from slack of bolts in the sub transmission and the rear wheel differential. The affected vehicle models included EstimaL, EstimaT and Wish, 181 thousand vehicles were included in this service campaign.

In November 2011, Toyota announced in Japan and other regions the voluntary safety recall of certain models of Toyota and Lexus brands vehicles in relation to abnormal noise, charge warning light indicators, and increasing of handle operation force resulted from peeling of a bonded part of the engine crankshaft pulley. The affected vehicle models included AlphardG, AlphardV, EstimaL, EstimaT, KlugerV, KlugerL, Kluger Hybrid, Harrier, Harrier Hybrid, Windom, RX300, RX330, RX400h, ES300, ES330, Solara, Camry, Avalon, Sienna, Highlander, and Highlander Hybrid, 549 thousand vehicles were included in this recall.

***Cost Reduction Efforts***

During fiscal 2012, Toyota's continued cost reduction efforts reduced operating costs and expenses by ¥150.0 billion. The amount of effect of cost reduction efforts includes the impact of fluctuation in the price of steel, precious metals, non-ferrous alloys including aluminum, plastic parts and other production materials and parts. In fiscal 2012, raw materials prices were on an increasing trend; however, continued cost reduction efforts together with suppliers contributed to the improvement in earnings by more than offsetting the effects from raw materials price increase. These cost reduction efforts related to ongoing value engineering and value analysis activities, the use of common parts resulting in a reduction of part types and other manufacturing initiatives designed to reduce the costs of vehicle production.

***Cost of Products Sold***

Cost of products sold decreased by ¥189.8 billion, or 1.2%, to ¥15,795.9 billion during fiscal 2012 compared with the prior fiscal year. The decrease resulted from the ¥343.6 billion favorable impact of fluctuations in foreign currency translation rates and others, and the ¥150.0 billion impact of cost reduction efforts, partially offset by the ¥135.0 billion impact of changes in vehicle unit sales and sales mix and other operational factors, and ¥110.0 billion increase in miscellaneous costs and others. The increase in miscellaneous costs was due mainly to the ¥50.0 billion increase in research and development expenses and the ¥80.0 billion increase in labor costs.

***Cost of Financing Operations***

Cost of financing operations decreased by ¥36.8 billion, or 5.9%, to ¥592.6 billion during fiscal 2012 compared with the prior fiscal year. The decrease resulted from the ¥35.7 billion favorable impact of fluctuations in foreign currency translation rates and others, partially offset by the ¥20.8 billion recording of valuation losses on interest rate swaps stated at fair value.

***Selling, General and Administrative Expenses***

Selling, general and administrative expenses decreased by ¥70.6 billion, or 3.7%, to ¥1,839.4 billion during fiscal 2012 compared with the prior fiscal year. This decrease reflects the ¥53.0 billion favorable impact of fluctuations in foreign currency translation rates and others, and the ¥19.2 billion decrease for the financial services operations.

**Table of Contents****Operating Income**

	<b>Yen in millions</b>	
	<b>2012 v. 2011 Change</b>	
<b>Changes in operating income and loss:</b>		
Effect of changes in vehicle unit sales and sales mix and other operational factors	¥	170,000
Effect of fluctuation in foreign currency translation rates and others		(285,400)
Effect of increase in miscellaneous costs and others		(100,000)
Effect of cost reduction efforts, financial services operations, and others		102,748
<b>Total</b>	<b>¥</b>	<b>(112,652)</b>

Toyota's operating income decreased by ¥112.6 billion, or 24.1%, to ¥355.6 billion during fiscal 2012 compared with the prior fiscal year. This decrease was due mainly to the ¥285.4 billion unfavorable impact of fluctuations in foreign currency translation rates and others, and the ¥100.0 billion increase in miscellaneous costs and others, partially offset by the ¥170.0 billion of favorable impact by changes in vehicle unit sales and sales mix and other operational factors and the ¥102.7 billion increase of cost reduction efforts, financial services operations, and others. The unfavorable impact of fluctuations in foreign currency translation rates and others included ¥250.0 billion unfavorable impact of fluctuations in foreign currency transaction rates. The ¥102.7 billion increase of cost reduction efforts, financial services operations, and others reflects the ¥150.0 billion impact of cost reduction efforts, partially offset by the ¥10.0 billion decrease in operating income in the financial services operations.

During fiscal 2012, operating loss (before elimination of intersegment profits), decreased by ¥155.3 billion in Japan compared with the prior fiscal year. During fiscal 2012, operating income (before elimination of intersegment profits), increased by ¥4.6 billion, or 35.4%, in Europe compared with the prior fiscal year, whereas it decreased by ¥153.0 billion, or 45.1%, in North America, decreased by ¥56.2 billion, or 18.0%, in Asia, and decreased by ¥51.3 billion, or 32.0%, in Other.

The following is a description of operating income and loss in each geographic market.

**Japan**

	<b>Yen in millions</b>	
	<b>2012 v. 2011 Change</b>	
<b>Changes in operating income and loss:</b>		
Effect of changes in vehicle unit sales and sales mix and other operational factors	¥	195,000
Effect of fluctuation in foreign currency translation rates and others		(275,000)
Effect of cost reduction efforts, decrease in miscellaneous costs and others		235,356
<b>Total</b>	<b>¥</b>	<b>155,356</b>

The decrease in operating losses in Japan reflects the ¥195.0 billion of favorable impact by changes in vehicle unit sales and sales mix and other operational factors and ¥235.3 billion impact of the cost reduction efforts, and decrease in miscellaneous costs and others, partially offset by the ¥275.0 billion unfavorable impact of effect of fluctuation in foreign currency transaction rates and others. The cost reduction efforts, decrease in miscellaneous costs and others mainly reflect the ¥130.0 billion impact of the cost reduction efforts and ¥40.0 billion decrease in miscellaneous costs and others. The increase in vehicle unit sales was mainly due to introduction of new products such as Prius a and Aqua.

**Table of Contents***North America*

	<b>Yen in millions</b>
	<b>2012 v. 2011 Change</b>
<b>Changes in operating income and loss:</b>	
Effect of changes in vehicle unit sales and sales mix and other operational factors	¥ (5,000)
Effect of fluctuation in foreign currency translation rates and others	(7,500)
Effect of cost reduction efforts, increase in miscellaneous costs and others	(140,594)
<b>Total</b>	<b>¥ (153,094)</b>

The decrease in operating income in North America was due to the ¥55.0 billion decrease in operating income in the financial services operations, the ¥7.5 billion unfavorable impact of the fluctuations in foreign currency translation rates and others, the ¥5.0 billion negative impact of changes in vehicle unit sales and sales mix and other operational factors and the ¥90.0 billion increase in miscellaneous costs and others.

*Europe*

	<b>Yen in millions</b>
	<b>2012 v. 2011 Change</b>
<b>Changes in operating income and loss:</b>	
Effect of changes in vehicle unit sales and sales mix and other operational factors	¥ (15,000)
Effect of fluctuation in foreign currency translation rates and others	(1,200)
Effect of cost reduction efforts, decrease in miscellaneous costs and others	20,848
<b>Total</b>	<b>¥ 4,648</b>

The increase in operating income in Europe was due to the ¥10.0 billion impact of cost reduction efforts and the ¥5.0 billion increase in operating income in the financial services operations, partially offset by ¥15.0 billion negative impact of changes in vehicle unit sales and sales mix and other operational factors and the ¥1.2 billion unfavorable impact of fluctuations in foreign currency translation rates and others.

*Asia*

	<b>Yen in millions</b>
	<b>2012 v. 2011 Change</b>
<b>Changes in operating income and loss:</b>	
Effect of changes in vehicle unit sales and sales mix and other operational factors	¥ (10,000)
Effect of fluctuation in foreign currency translation rates and others	11,600
Effect of cost reduction efforts, increase in miscellaneous costs and others	(57,787)
<b>Total</b>	<b>¥ (56,187)</b>

The decrease in operating income in Asia was due to the ¥10.0 billion negative impact of changes in vehicle unit sales and sales mix and other operational factors and others and the ¥35.0 billion increase in miscellaneous costs and others, partially offset by the ¥11.6 billion favorable impact of the fluctuation in foreign currency translation rates and others.



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**Table of Contents**

***Other Income and Expenses***

Interest and dividend income increased by ¥9.0 billion, or 10.0%, to ¥99.8 billion during fiscal 2012 compared with the prior fiscal year.

Interest expense decreased by ¥6.3 billion, or 21.8%, to ¥22.9 billion during fiscal 2012 compared with the prior fiscal year.

Foreign exchange gain, net increased by ¥22.8 billion, or 159.4%, to ¥37.1 billion during fiscal 2012 compared with the prior fiscal year. Foreign exchange gains and losses include the differences between the value of foreign currency denominated sales translated at prevailing exchange rates and the value of the sales amounts settled during the fiscal year, including those settled using forward foreign currency exchange contracts.

Other loss, net decreased by ¥56.0 billion to ¥36.8 billion during fiscal 2012 compared with the prior fiscal year. This was due to the recognition of impairment losses on available-for-sale securities.

***Income Taxes***

The provision for income taxes decreased by ¥50.5 billion, or 16.2%, to ¥262.2 billion during fiscal 2012 compared with the prior fiscal year due to the decrease in income before income taxes. The effective tax rate for fiscal 2012 was 60.6%, which was higher than the statutory tax rate in Japan. This was due to recurring items such as the valuation allowance and deferred tax liabilities relating to undistributed earnings in affiliated companies accounted for by the equity method.

***Net Income and Loss attributable to Noncontrolling Interests and Equity in Earnings of Affiliated Companies***

Net income attributable to noncontrolling interests increased by ¥27.4 billion, or 47.9%, to ¥84.7 billion during fiscal 2012 compared with the prior fiscal year. This increase was due to an increase during fiscal 2012 in net income attributable to the shareholders of consolidated subsidiaries.

Equity in earnings of affiliated companies during fiscal 2012 decreased by ¥17.3 billion, or 8.1%, to ¥197.7 billion compared with the prior fiscal year. This decrease was due to a decrease during fiscal 2012 in net income attributable to the shareholders of affiliated companies accounted for by the equity method.

***Net Income attributable to Toyota Motor Corporation***

Net income attributable to the shareholders of Toyota Motor Corporation decreased by ¥124.6 billion, or 30.5%, to ¥283.5 billion during fiscal 2012 compared with the prior fiscal year.

***Other Comprehensive Income and Loss***

Other comprehensive loss decreased by ¥263.8 billion to ¥34.1 billion for fiscal 2012 compared with the prior fiscal year. This decrease resulted from unfavorable foreign currency translation adjustments losses of ¥87.7 billion in fiscal 2012 compared with losses of ¥287.6 billion in the prior fiscal year, and from unrealized holding gains on securities in fiscal 2012 of ¥129.3 billion compared with losses of ¥26.1 billion in the prior fiscal year. The increase in unrealized holding gains on securities was due to changes in stock prices.

**Table of Contents****Segment Information**

The following is a discussion of results of operations for each of Toyota's operating segments. The amounts presented are prior to intersegment elimination.

	Yen in millions			
	Year ended March 31,		2012 v. 2011 Change	
	2011	2012	Amount	Percentage
<b>Automotive:</b>				
Net revenues	¥ 17,337,320	¥ 16,994,546	¥ (342,774)	(2.0)%
Operating income	85,973	21,683	(64,290)	(74.8)
<b>Financial Services:</b>				
Net revenues	1,192,205	1,100,324	(91,881)	(7.7)
Operating income	358,280	306,438	(51,842)	(14.5)
<b>All Other:</b>				
Net revenues	972,252	1,048,915	76,663	7.9
Operating income	35,242	42,062	6,820	19.4
<b>Intersegment elimination/unallocated amount:</b>				
Net revenues	(508,089)	(560,132)	(52,043)	
Operating income	(11,216)	(14,556)	(3,340)	

**Automotive Operations Segment**

The automotive operations segment is Toyota's largest operating segment by net revenues. Net revenues for the automotive segment decreased during fiscal 2012 by ¥342.7 billion, or 2.0%, compared with the prior fiscal year to ¥16,994.5 billion. The decrease reflects the ¥649.2 billion unfavorable impact of fluctuations in foreign currency translation rates and others, partially offset by the ¥320.0 billion of favorable impact by changes in vehicle unit sales and sales mix, and other operational factors.

Operating income from the automotive operations decreased by ¥64.3 billion during fiscal 2012 compared with the prior fiscal year to ¥21.6 billion. This decrease in operating income was due to the ¥250.0 billion unfavorable impact of fluctuations in foreign currency rates and the ¥100.0 billion increase in miscellaneous costs and others, partially offset by the ¥170.0 billion effect of cost reduction efforts, and the ¥150.0 billion of favorable impact by changes in vehicle unit sales and sales mix.

The changes in vehicle unit sales and changes in sales mix was due primarily to an increase in Toyota's vehicle unit sales by 44 thousand vehicles compared with the prior fiscal year resulting from the introduction of new products in spite of the impact of the Great East Japan Earthquake and the flood in Thailand. The increase in miscellaneous costs and others was due primarily to the ¥100.0 billion increase in labor costs and the ¥50.0 billion increase in research and development expenses.

**Financial Services Operations Segment**

Net revenues for the financial services operations decreased during fiscal 2012 by ¥91.8 billion, or 7.7%, compared with the prior fiscal year to ¥1,100.3 billion. This decrease was primarily due to the unfavorable impact of fluctuations in foreign currency translation rates and others of ¥66.9 billion and the ¥18.3 billion decrease in rental income from vehicles and equipment on operating leases.

Operating income from financial services operations decreased by ¥51.8 billion, or 14.5%, to ¥306.4 billion during fiscal 2012 compared with the prior fiscal year. This decrease was due primarily to the recording of ¥20.8 billion of valuation losses on interest rate swaps stated at fair value.

**Table of Contents**

Ratio of credit loss experience in the United States is as follows:

	Year ended March 31, 2011	2012
Net charge-offs as a percentage of average gross earning assets:		
Finance receivables	0.61%	0.24%
Operating lease	0.22	0.11
Total	0.52%	0.21%

**All Other Operations Segment**

Net revenues for Toyota's other operations segments increased by ¥76.6 billion, or 7.9%, to ¥1,048.9 billion during fiscal 2012 compared with the prior fiscal year.

Operating income from Toyota's other operations segments increased by ¥6.8 billion, or 19.4%, to ¥42.0 billion during fiscal 2012 compared with the prior fiscal year.

**Results of Operations Fiscal 2011 Compared with Fiscal 2010**

	Yen in millions		2011 v. 2010 Change	
	Year ended March 31, 2010	2011	Amount	Percentage
Net revenues:				
Japan	¥ 11,220,303	¥ 10,986,246	¥ (234,057)	(2.1)%
North America	5,670,526	5,429,136	(241,390)	(4.3)
Europe	2,147,049	1,981,497	(165,552)	(7.7)
Asia	2,655,327	3,374,534	719,207	27.1
Other*	1,673,861	1,809,116	135,255	8.1
Intersegment elimination/unallocated amount	(4,416,093)	(4,586,841)	(170,748)	
Total	18,950,973	18,993,688	42,715	0.2
Operating income (loss):				
Japan	(225,242)	(362,396)	(137,154)	
North America	85,490	339,503	254,013	297.1
Europe	(32,955)	13,148	46,103	
Asia	203,527	312,977	109,450	53.8
Other*	115,574	160,129	44,555	38.6
Intersegment elimination/unallocated amount	1,122	4,918	3,796	338.3
Total	147,516	468,279	320,763	217.4
Operating margin	0.8%	2.5%	1.7%	
Income before income taxes and equity in earnings of affiliated companies	291,468	563,290	271,822	93.3
Net margin from income before income taxes and equity in earnings of affiliated companies	1.5%	3.0%	1.5%	
Equity in earnings of affiliated companies	45,408	215,016	169,608	373.5
Net income attributable to Toyota Motor Corporation	209,456	408,183	198,727	94.9
Net margin attributable to Toyota Motor Corporation	1.1%	2.1%	1.0%	

\* Other consists of Central and South America, Oceania and Africa.

**Table of Contents****Net Revenues**

Toyota had net revenues for fiscal 2011 of ¥18,993.6 billion, an increase of ¥42.7 billion, or 0.2%, compared with the prior fiscal year. This increase reflects the impact of increased vehicle unit sales and changes in sales mix of approximately ¥740.0 billion, as well as increased parts sales of ¥69.8 billion, partially offset by unfavorable impact of fluctuations in foreign currency translation rates of ¥801.3 billion. Excluding the difference in the Japanese yen value used for translation purposes of ¥801.3 billion, net revenues would have been approximately ¥19,794.9 billion during fiscal 2011, a 4.5% increase compared with the prior fiscal year. The automotive market in fiscal 2011 contracted by 6.6% in Japan compared with the prior fiscal year due to the decline in demand following the conclusion of subsidies for environmentally-friendly vehicles ( eco-car ) offered by the government as a part of its stimulus packages, as well as the impact of the Great East Japan Earthquake. However, the Asian automotive market marked a significant increase of 27.6% compared with the prior calendar year, reflecting the recovery trend of the Asian economy. Under these automotive market conditions, Toyota's consolidated vehicle unit sales increased to 7,308 thousand vehicles, a 1.0% increase compared with the prior fiscal year.

The table below shows Toyota's net revenues from external customers by product category and by business.

	Yen in millions			
	Year ended March 31, 2010	Year ended March 31, 2011	2011 v. 2010 Change Amount	2011 v. 2010 Change Percentage
Vehicles	¥ 14,309,595	¥ 14,507,479	¥ 197,884	1.4%
Parts and components for overseas production	355,273	335,366	(19,907)	(5.6)
Parts and components for after service	1,543,941	1,553,497	9,556	0.6
Other	978,499	926,411	(52,088)	(5.3)
<b>Total Automotive</b>	<b>17,187,308</b>	<b>17,322,753</b>	<b>135,445</b>	<b>0.8</b>
All Other	537,421	497,767	(39,654)	(7.4)
<b>Total sales of products</b>	<b>17,724,729</b>	<b>17,820,520</b>	<b>95,791</b>	<b>0.5</b>
Financial services	1,226,244	1,173,168	(53,076)	(4.3)
<b>Total</b>	<b>¥ 18,950,973</b>	<b>¥ 18,993,688</b>	<b>¥ 42,715</b>	<b>0.2%</b>

Toyota's net revenues include net revenues from sales of products, consisting of net revenues from automotive operations and all other operations, that increased by 0.5% during fiscal 2011 compared with the prior fiscal year to ¥17,820.5 billion, and net revenues from financial services operations that decreased by 4.3% during fiscal 2011 compared with the prior fiscal year to ¥1,173.1 billion. Excluding the difference in the Japanese yen value used for translation purposes of ¥724.1 billion, net revenues from sales of products would have been ¥18,544.6 billion, a 4.6% increase during fiscal 2011 compared with the prior fiscal year. The increase in net revenues from sales of products is due to an increase in Toyota vehicle unit sales by 71 thousand vehicles. Excluding the difference in the Japanese yen value used for translation purposes of ¥77.2 billion, net revenues from financial services operations would have been approximately ¥1,250.3 billion, a 2.0% increase during fiscal 2011 compared with the prior fiscal year. This increase was mainly due to the increase of ¥13.1 billion rental revenue generated by vehicles and equipment on operating lease.

**Table of Contents**

The following table shows the number of financing contracts by geographic region at the end of the fiscal 2011 and 2010, respectively.

	Number of financing contracts in thousands			
	Year ended March 31,		2011 v. 2010 Change	
	2010	2011	Amount	Percentage
Japan	1,684	1,709	25	1.5%
North America	4,488	4,654	166	3.7
Europe	774	790	16	2.0
Asia	428	522	94	22.1
Other*	476	527	51	10.7
Total	7,850	8,202	352	4.5%

\* Other consists of Central and South America, Oceania and Africa.

Geographically, net revenues (before the elimination of intersegment revenues) for fiscal 2011 decreased by 2.1% in Japan, 4.3% in North America, and 7.7% in Europe, whereas net revenues increased by 27.1% in Asia and 8.1% in Other compared with the prior fiscal year. Excluding the difference in the Japanese yen value used for translation purposes of ¥801.3 billion, net revenues in fiscal 2011 would have decreased by 2.1% in Japan, and would have increased by 3.6% in North America, 4.1% in Europe, 29.7% in Asia and 11.0% in Other compared with the prior fiscal year.

The following is a discussion of net revenues in each geographic market (before the elimination of intersegment revenues).

**Japan**

	Thousands of units			
	Year ended March 31,		2011 v. 2010 Change	
	2010	2011	Amount	Percentage
Toyota's consolidated vehicle unit sales	2,163	1,913	(250)	(11.5)%

  

	Yen in millions			
	Year ended March 31,		2011 v. 2010 Change	
	2010	2011	Amount	Percentage
Net revenues:				
Sales of products	¥ 11,095,044	¥ 10,864,329	¥ (230,715)	(2.1)%
Financial services	125,259	121,917	(3,342)	(2.7)
Total	¥ 11,220,303	¥ 10,986,246	¥ (234,057)	(2.1)%

Due to the decline in demand following the conclusion of subsidies for eco-car offered by the government as a part of its stimulus packages, as well as the impact of the Great East Japan Earthquake, Toyota's domestic vehicle unit sales decreased by 250 thousand vehicles compared with the prior fiscal year. The decrease in vehicle unit sales resulted primarily from a 30 thousand vehicles, or 31.1%, decrease in Passo sales and a 29 thousand vehicles, or 38.4%, decrease in WISH sales. On the other hand, the decrease in net revenues from domestic vehicle unit sales was partially offset by the increase in the number of exported vehicles for the overseas markets of 190 thousand vehicles, or 8.6%.

**Table of Contents***North America*

	Thousands of units			
	Year ended March 31, 2010	Year ended March 31, 2011	2011 v. 2010 Change Amount	2011 v. 2010 Change Percentage
Toyota's consolidated vehicle unit sales	2,098	2,031	(67)	(3.2)%

  

	Yen in millions			
	Year ended March 31, 2010	Year ended March 31, 2011	2011 v. 2010 Change Amount	2011 v. 2010 Change Percentage
Net revenues:				
Sales of products	¥ 4,782,379	¥ 4,603,192	¥ (179,187)	(3.7)%
Financial services	888,147	825,944	(62,203)	(7.0)
Total	¥ 5,670,526	¥ 5,429,136	¥ (241,390)	(4.3)%

In North America, the vehicle unit sales of specified vehicle models increased due to the recovering trends of the automobile market and improvements to the overall economy. The increase in vehicle unit sales and this impact on sales trends were mainly represented by a 48 thousand vehicles, or 54.5%, increase in Sienna sales, a 30 thousand vehicles, or 39.2%, increase in Highlander sales, a 29 thousand vehicles, or 123.7%, increase in 4Runner sales, and a 27 thousand vehicles, or 14.1%, increase in RAV4 sales. Despite the improvements including a favorable effect of changes in sales mix, net revenues decreased compared with the prior fiscal year due to the decrease in vehicle unit sales by an intense competitive environment that introduced new vehicle models to the market and the unfavorable impact of fluctuations in foreign currency translation rates of ¥448.0 billion. The decrease in vehicle unit sales resulted primarily from an 84 thousand vehicles, or 23.0%, decrease in Corolla sales and a 28 thousand vehicles, or 7.9%, decrease in Camry sales, partially offset by the increase in vehicle unit sales of the aforementioned specified vehicle models.

*Europe*

	Thousands of units			
	Year ended March 31, 2010	Year ended March 31, 2011	2011 v. 2010 Change Amount	2011 v. 2010 Change Percentage
Toyota's consolidated vehicle unit sales	858	796	(62)	(7.3)%

  

	Yen in millions			
	Year ended March 31, 2010	Year ended March 31, 2011	2011 v. 2010 Change Amount	2011 v. 2010 Change Percentage
Net revenues:				
Sales of products	¥ 2,065,768	¥ 1,910,336	¥ (155,432)	(7.5)%
Financial services	81,281	71,161	(10,120)	(12.5)
Total	¥ 2,147,049	¥ 1,981,497	¥ (165,552)	(7.7)%

Although retail sales of Toyota and Lexus brands' vehicles increased in some European countries compared with the prior fiscal year, such as 36 thousand vehicles, or 52.5%, increase in Russia and 20 thousand vehicles, or 82.6%, increase in Turkey, net revenues in Europe generally decreased due primarily to the 62 thousand vehicles decrease in Toyota's vehicle unit sales compared with the prior fiscal year resulting from a decrease in demand following the conclusion of government stimulus packages in Western Europe, and the unfavorable impact of fluctuations in foreign currency translation rates of ¥253.2 billion.

**Table of Contents****Asia**

	Thousands of units			
	Year ended March 31, 2010	Year ended March 31, 2011	2011 v. 2010 Change Amount	2011 v. 2010 Change Percentage
Toyota's consolidated vehicle unit sales	979	1,255	276	28.1%

  

	Yen in millions			
	Year ended March 31, 2010	Year ended March 31, 2011	2011 v. 2010 Change Amount	2011 v. 2010 Change Percentage
Net revenues:				
Sales of products	¥ 2,612,595	¥ 3,325,466	¥ 712,871	27.3%
Financial services	42,732	49,068	6,336	14.8
Total	¥ 2,655,327	¥ 3,374,534	¥ 719,207	27.1%

Toyota's vehicle unit sales in Asia increased by 276 thousand vehicles compared with the prior fiscal year and represented a record high unit sales. This increase in net revenues was due to the overall recovery of Asian automotive markets which was supported by the recovery trend of the Asian economy, particularly in Thailand and Indonesia. Excluding the difference of ¥70.7 billion in the Japanese yen value used for translation purposes, net revenues would have increased by ¥789.9 billion.

**Other**

	Thousands of units			
	Year ended March 31, 2010	Year ended March 31, 2011	2011 v. 2010 Change Amount	2011 v. 2010 Change Percentage
Toyota's consolidated vehicle unit sales	1,139	1,313	174	15.3%

  

	Yen in millions			
	Year ended March 31, 2010	Year ended March 31, 2011	2011 v. 2010 Change Amount	2011 v. 2010 Change Percentage
Net revenues:				
Sales of products	¥ 1,571,846	¥ 1,694,680	¥ 122,834	7.8%
Financial services	102,015	114,436	12,421	12.2
Total	¥ 1,673,861	¥ 1,809,116	¥ 135,255	8.1%

Net revenues in Other increased due to increases in Toyota's vehicle unit sales as a result of economic recovery in certain of these markets. Toyota's vehicle unit sales increased by 103 thousand vehicles in the Middle East, by 50 thousand vehicles in Central and South America, and by 25 thousand vehicles in Africa, respectively, compared with the prior fiscal year.

**Operating Costs and Expenses**

	Yen in millions			
	Year ended March 31, 2010	Year ended March 31, 2011	2011 v. 2010 Change Amount	2011 v. 2010 Change Percentage
Operating costs and expenses				
Cost of products sold	¥ 15,971,496	¥ 15,985,783	¥ 14,287	0.1%
Cost of financing operations	712,301	629,543	(82,758)	(11.6)
Selling, general and administrative	2,119,660	1,910,083	(209,577)	(9.9)



Total	¥ 18,803,457	¥ 18,525,409	¥ (278,048)	(1.5)%
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**Table of Contents**

	Yen in millions	
	2011 v. 2010 Change	
Changes in operating costs and expenses:		
Effect of increase in vehicle unit sales and changes in sales mix	¥	580,000
Effect of fluctuation in foreign currency translation rates		(765,100)
Effect of increase in parts sales		15,400
Effect of cost reduction efforts		(180,000)
Effect of increase in miscellaneous costs and others		71,652
<b>Total</b>	<b>¥</b>	<b>(278,048)</b>

Operating costs and expenses decreased by ¥278.0 billion, or 1.5%, to ¥18,525.4 billion during fiscal 2011 compared with the prior fiscal year. This decrease resulted from the ¥765.1 billion favorable impact of fluctuations in foreign currency translation rates, and the ¥180.0 billion impact of cost reduction efforts, partially offset by the ¥580.0 billion impact of increase in vehicle unit sales and change in sales mix and the ¥71.7 billion increase in the miscellaneous costs and others including ¥20.0 billion increase in costs related to the Great East Japan Earthquake, and the ¥15.4 billion impact of increase in parts sales.

The ¥71.7 billion increase in miscellaneous costs and others includes ¥30.0 billion increase in product quality related expenses. This cost increased compared with the prior fiscal year due to the approximately ¥100.0 billion increase in costs related to recalls and other safety measures conducted to heighten the level of reassurance for customers, partially offset by the approximately ¥70.0 billion decrease in product warranty costs due to the decrease in payments to repair or replace defects of vehicles based on warranty contracts. See note 14 to the consolidated financial statements for further information.

In fiscal 2011, Toyota announced recalls and other safety measures including the following:

In July 2010, Toyota announced in Japan and other regions the voluntary safety recall of certain models of Toyota and Lexus brands vehicles in relation to abnormal engine noise or idling due to engine valve springs that contained some foreign materials. The affected vehicle models included Crown, GS350/450h/460, IS350, and LS460/600h/600hL, 275 thousand vehicles were included in this recall.

In August 2010, Toyota announced in North America the voluntary safety recall of certain models of Toyota vehicles to address the check engine illuminations and harsh shifting that may result from improper manufacturing of some Electronic Control Modules (ECMs). The affected vehicle models included Corolla and Matrix, 1,360 thousand vehicles were included in this recall.

In October 2010, Toyota announced in Japan and other regions the voluntary safety recall of certain models of Toyota and Lexus brands vehicles in relation to the connector terminal that may fail due to the inflexibility of the material of the fuel pump wiring harness and braking performance that may gradually decline by brake fluid leakage from the brake master cylinder. The affected vehicle models included Crown, Crown Majesta, Mark X, KlugerL, KlugerV, Harrier, AlphardG, AlphardV, Avalon, Highlander, RX330, GS300, GS350, IS250, IS350, and IS220D, 1,470 thousand vehicles were included in this recall.

In January 2011, Toyota announced in Japan and other regions the voluntary safety recall of certain models of Toyota and Lexus brands vehicles to address fuel leakage that may result from improper manufacturing of engine fuel pipe and fuel pump. The affected vehicle models included Noah, Voxy, RAV4L, RAV4J, Caldina, Isis, Vista, Vista Ardeo, Opa, Premio, Allion, Gaia, Nadia, WISH, Avensis, and Avensis Wagon, 1,343 thousand vehicles were included in this recall.

The net changes in fiscal 2010 and 2011 in the accrual for the four recalls and other safety measures that occurred in fiscal 2010 are shown below.

**Table of Contents**

Toyota expanded the coverage of a safety campaign in North America for certain models of Toyota and Lexus brands vehicles in relation to floor mat entrapment of accelerator pedals to include additional models, which was initially announced in November 2009. In March 2011, Toyota also expanded the safety campaign coverage to include more models to heighten the level of reassurance for customers. The vehicle models involved were LX570, RAV4, and 4Runner.

	Yen in millions		
	Year ended March 31,		
	2010	2011	2012
Balance at the beginning of year	¥	¥ 56,600	¥ 18,000
Accrual		89,000	13,100
Amounts paid		(32,400)	(51,700)
		(14,600)	
Balance at the end of year	¥	56,600	18,000
			¥ 1,900

**Cost Reduction Efforts**

During fiscal 2011, continued cost reduction efforts reduced operating costs and expenses by ¥180.0 billion. The effect of cost reduction efforts include the impact of fluctuation in the price of steel, precious metals, non-ferrous alloys including aluminum, plastic parts and other production materials and parts. In fiscal 2011, raw materials prices were on an increasing trend; however, continued cost reduction efforts, by working closely with suppliers, contributed to the improvement in earnings by offsetting the effects from price increase. These cost reduction efforts related to ongoing value engineering and value analysis activities, the use of common parts resulting in a reduction of part types and other manufacturing initiatives designed to reduce the costs of vehicle production.

**Cost of Products Sold**

Cost of products sold increased by ¥14.3 billion, or 0.1%, to ¥15,985.8 billion during fiscal 2011 compared with the prior fiscal year. The increase resulted from the ¥520.0 billion impact of increase in vehicle unit sales and changes in sales mix, ¥90.0 billion increase in miscellaneous costs, and the ¥13.9 billion impact of increases in parts sales, partially offset by the ¥584.9 billion favorable impact of fluctuations in foreign currency translation rates, and the ¥180.0 billion impact of cost reduction efforts. The increase in miscellaneous costs was due mainly to the ¥30.0 billion increase in costs related to quality initiatives, the ¥25.0 billion increase in research and development expenses and the ¥5.2 billion increase in labor costs. The increase in vehicle unit sales and the changes in sales mix was due to the automotive market recovery associated with global economic turnaround.

**Cost of Financing Operations**

	Yen in millions	
	2011 v. 2010 Change	
Changes in cost of financing operations:		
Effect of fluctuation in foreign currency translation rates	¥	(64,700)
Effect of increase in valuation gains on interest rate swaps stated at fair value		(6,400)
Effect of decrease in provision for residual value losses		(30,000)
Other		18,342
Total	¥	(82,758)

Cost of financing operations decreased by ¥82.8 billion, or 11.6%, to ¥629.5 billion during fiscal 2011 compared with the prior fiscal year. The decrease resulted from the ¥64.7 billion favorable impact of fluctuations

**Table of Contents**

in foreign currency translation rates, the ¥30.0 billion decrease in the provision for residual value losses and the ¥6.4 billion recognition of valuation gains on interest rate swaps stated at fair value. The decrease in the provision for residual value losses is attributable to prices in the used vehicles markets remaining at an unprecedented high level particularly in the United States.

***Selling, General and Administrative Expenses***

Selling, general and administrative expenses decreased by ¥209.5 billion, or 9.9%, to ¥1,910.1 billion during fiscal 2011 compared with the prior fiscal year. This decrease reflects the ¥115.5 billion favorable impact of fluctuations in foreign currency translation rates and the ¥83.9 billion decrease for the financial services operations. This decrease for the financial services operations includes the ¥100.0 billion decrease in the provision for credit losses and net charge-offs, which is attributable to the prices of used vehicles remaining at an unprecedented high level mainly in the United States and the prices of used Toyota and Lexus brands vehicles also remaining at a high level, partially offset by the ¥15.0 billion increase in provision for credit losses and charge-offs in relation to the Great East Japan Earthquake.

***Operating Income***

	<b>Yen in millions</b>	
	<b>2011 v. 2010 Change</b>	
Changes in operating income and loss:		
Effect of increase in vehicle unit sales and changes in sales mix and other operational factors	¥	300,000
Effect of increase in parts sales		54,400
Effect of fluctuation in foreign currency translation rates		(36,200)
Effect of increase in miscellaneous costs and others		(30,000)
Effect of cost reduction efforts, financial services operations, and others		32,563
<b>Total</b>	<b>¥</b>	<b>320,763</b>

Toyota's operating income increased by ¥320.7 billion, or 217.4%, to ¥468.2 billion during fiscal 2011 compared with the prior fiscal year. This increase was favorably impacted by the ¥300.0 billion increase in vehicle unit sales and changes in sales mix and other operational factors, the ¥54.4 billion increase in parts sales, the ¥32.6 billion impact of cost reduction efforts, financial services operations, and others, partially offset by the ¥36.2 billion unfavorable impact of fluctuations in foreign currency translation rates, and the ¥30.0 billion increase in miscellaneous costs and others including ¥20.0 billion impact of increase in expenses related to the Great East Japan Earthquake. The ¥32.6 billion increase of cost reduction efforts, financial services operations, and others were due to the ¥180.0 billion impact of cost reduction efforts and the ¥130.0 billion impact of financial services operations, partially offset by the ¥290.0 billion unfavorable impact of fluctuations in foreign currency translation rates.

During fiscal 2011, operating income (before elimination of intersegment profits), increased by ¥254.1 billion, or 297.1%, in North America, increased by ¥46.1 billion in Europe, increased by ¥109.4 billion, or 53.8%, in Asia, and increased by ¥44.6 billion, or 38.6%, in Other compared with the prior fiscal year, whereas it decreased by ¥137.2 billion in Japan.

**Table of Contents**

The following is a description of operating income and loss in each geographic market.

**Japan**

	<b>Yen in millions 2011 v. 2010 Change</b>	
<b>Changes in operating income and loss:</b>		
Effect of increase in the number of exported vehicles for the overseas market and other operational factors	¥	115,000
Effect of cost reduction efforts, increase in miscellaneous costs and others		(252,154)
<b>Total</b>	<b>¥</b>	<b>(137,154)</b>

The increase in operating losses in Japan was due to the ¥252.2 billion increase in cost reduction efforts, increase in miscellaneous costs and others, partially offset by the ¥115.0 billion impact of increase in the number of exported vehicles for the overseas market. The cost reduction efforts, increase in miscellaneous costs and others were mainly due to the ¥330.0 billion unfavorable impact of fluctuations in foreign currency translation rates and the ¥50.0 billion increase in miscellaneous costs and others, partially offset by the ¥140.0 billion impact of cost reduction efforts in automotive operations. The ¥50.0 billion increase in miscellaneous costs and others includes the ¥20.0 billion increase in costs related to the Great East Japan Earthquake.

**North America**

	<b>Yen in millions 2011 v. 2010 Change</b>	
<b>Changes in operating income and loss:</b>		
Effect of increase in production volume and other operational factors	¥	105,000
Effect of fluctuation in foreign currency translation rates		(23,800)
Effect of financial services operations, cost reduction efforts, decrease in miscellaneous costs and others		172,813
<b>Total</b>	<b>¥</b>	<b>254,013</b>

The increase in operating income in North America was due to the ¥130.0 billion increase in operating income in the financial services operations including impacts of the ¥100.0 billion decrease in the provision for credit losses and net charge-offs and the ¥30.0 billion decrease in the provision for residual value losses primarily for sales finance subsidiaries in the United States, the ¥105.0 billion impact of increase in production volume, the ¥30.0 billion impact of cost reduction efforts, and the ¥15.0 decrease in miscellaneous costs and others, partially offset by the ¥23.8 billion unfavorable impact of the fluctuations in foreign currency translation rates. The increase in production volume in North America is attributable to the increase in local vehicle production by 296 thousands of RAV4, Highlander and other models.

**Europe**

	<b>Yen in millions 2011 v. 2010 Change</b>	
<b>Changes in operating income and loss:</b>		
Effect of fluctuation in foreign currency translation rates	¥	1,400
Effect of cost reduction efforts, decrease in miscellaneous costs and others		44,703
<b>Total</b>	<b>¥</b>	<b>46,103</b>



**Table of Contents**

The increase in operating income in Europe was due to the ¥30.0 billion decrease in miscellaneous costs in automotive operations, the ¥5.0 billion effect of cost reduction efforts, the ¥5.0 billion increase in operating income in the financial services operations, and the ¥1.4 billion favorable impact of fluctuations in foreign currency translation rates.

**Asia**

	<b>Yen in millions</b>	
	<b>2011 v. 2010 Change</b>	
<b>Changes in operating income and loss:</b>		
Effect of increase in production volume and vehicle unit sales and other operational factors	¥	105,000
Effect of fluctuation in foreign currency translation rates		(5,900)
Effect of cost reduction efforts, decrease in miscellaneous costs and others		10,350
<b>Total</b>	<b>¥</b>	<b>109,450</b>

The increase in operating income in Asia was due to the ¥105.0 billion impact of increases in both production volume and vehicle unit sales and other operational factors, partially offset by the ¥5.9 billion unfavorable impact of fluctuations in foreign currency translation rates. The increases in both production volume and vehicle unit sales in Asia were primarily attributable to the increase in Toyota's vehicle unit sales by 276 thousand vehicles supported by the recovery of Asian automotive markets, particularly in Thailand and Indonesia, as the Asian economy is generally in the recovery trend.

**Other Income and Expenses**

Interest and dividend income increased by ¥12.6 billion, or 16.0%, to ¥90.8 billion during fiscal 2011 compared with the prior fiscal year due to the ¥10.5 billion increase of dividend income.

Interest expense decreased by ¥4.1 billion, or 12.2%, to ¥29.3 billion during fiscal 2011 compared with the prior fiscal year.

Foreign exchange gain, net decreased by ¥53.9 billion, or 79.0%, to ¥14.3 billion during fiscal 2011 compared with the prior fiscal year. Foreign exchange gains and losses include the differences between the value of foreign currency denominated sales translated at prevailing exchange rates and the value of the sales amounts settled during the year, including those settled using forward foreign currency exchange contracts.

Other income, net decreased by ¥11.7 billion, or 37.7%, to ¥19.2 billion during fiscal 2011 compared with the prior fiscal year.

**Income Taxes**

The provision for income taxes increased by ¥220.2 billion, or 237.6%, to ¥312.8 billion during fiscal 2011 compared with the prior fiscal year due to the increase in income before income taxes. The effective tax rate for fiscal 2011 was 55.5%, which was higher than the statutory tax rate in Japan. This was due to the increase in deferred tax liabilities relating to undistributed earnings in affiliated companies accounted for by the equity method.

**Net Income and Loss attributable to Noncontrolling Interests and Equity in Earnings of Affiliated Companies**

Net income attributable to noncontrolling interests increased by ¥22.5 billion, or 64.9%, to ¥57.3 billion during fiscal 2011 compared with the prior fiscal year. This increase was due to an increase during fiscal 2011 in net income attributable to the shareholders of consolidated subsidiaries.

**Table of Contents**

Equity in earnings of affiliated companies during fiscal 2011 increased by ¥169.6 billion, or 373.5%, to ¥215.0 billion compared with the prior fiscal year. This increase was due to an increase during fiscal 2011 in net income attributable to the shareholders of affiliated companies accounted for by the equity method.

**Net Income attributable to Toyota Motor Corporation**

Net income attributable to the shareholders of Toyota Motor Corporation increased by ¥198.7 billion, or 94.9%, to ¥408.1 billion during fiscal 2011 compared with the prior fiscal year.

**Other Comprehensive Income and Loss**

Other comprehensive income decreased by ¥558.8 billion to a loss of ¥297.9 billion for fiscal 2011 compared with the prior fiscal year. This decrease resulted from unfavorable foreign currency translation adjustments losses of ¥287.6 billion in fiscal 2011 compared with gains of ¥9.8 billion in the prior fiscal year, and from unrealized holding losses on securities in fiscal 2011 of ¥26.1 billion compared with gains of ¥176.4 billion in the prior fiscal year. The decrease in unrealized holding gains on securities was due to changes in stock prices.

**Segment Information**

The following is a discussion of results of operations for each of Toyota's operating segments. The amounts presented are prior to intersegment elimination.

	Yen in millions			
	Year ended March 31, 2010	Year ended March 31, 2011	2011 v. 2010 Change Amount	2011 v. 2010 Change Percentage
<b>Automotive:</b>				
Net revenues	¥ 17,197,428	¥ 17,337,320	¥ 139,892	0.8%
Operating income (loss)	(86,370)	85,973	172,343	
<b>Financial Services:</b>				
Net revenues	1,245,407	1,192,205	(53,202)	(4.3)
Operating income	246,927	358,280	111,353	45.1
<b>All Other:</b>				
Net revenues	947,615	972,252	24,637	2.6
Operating income (loss)	(8,860)	35,242	44,102	
<b>Intersegment elimination/unallocated amount:</b>				
Net revenues	(439,477)	(508,089)	(68,612)	
Operating income (loss)	(4,181)	(11,216)	(7,035)	

**Automotive Operations Segment**

The automotive operations segment is Toyota's largest operating segment by net revenues. Net revenues for the automotive segment increased during fiscal 2011 by ¥139.9 billion, or 0.8%, compared with the prior fiscal year to ¥17,337.3 billion. The increase was due to the ¥740.0 billion impact of increased vehicle unit sales and the changes in sales mix and the ¥69.8 billion increase in parts sales, partially offset by the ¥722.5 billion unfavorable impact of fluctuations in foreign currency translation rates.

Operating income from the automotive operations increased by ¥172.3 billion during fiscal 2011 compared with the prior fiscal year to ¥86.0 billion. This increase in operating income was due to the ¥300.0 billion impact of increased vehicle unit sales and the changes in sales mix, the ¥180.0 billion effect of cost reduction efforts and the ¥54.4 billion impact of increase in parts sales, partially offset by the ¥30.0 billion increase in miscellaneous costs and others and the ¥290.0 billion unfavorable impact of fluctuations in foreign currency rates.



**Table of Contents**

The increase in vehicle unit sales and changes in sales mix was due primarily to an increase in Toyota's vehicle unit sales by 71 thousand vehicles compared with the prior fiscal year, favored by the automotive market recovery during fiscal 2011. The increase in miscellaneous costs and others includes the ¥30.0 billion increase in costs related to quality initiatives and the ¥5.0 billion impact of damages in inventories and other assets resulting from the Great East Japan Earthquake.

**Financial Services Operations Segment**

Net revenues for the financial services operations decreased during fiscal 2011 by ¥53.2 billion, or 4.3%, compared with the prior fiscal year to ¥1,192.2 billion. This decrease was primarily due to the unfavorable impact of fluctuations in foreign currency translation rates of ¥77.5 billion, partially offset by the ¥13.1 billion increase in rental income from vehicles and equipment on operating leases.

Operating income from financial services operations increased by ¥111.3 billion, or 45.1%, to ¥358.2 billion during fiscal 2011 compared with the prior fiscal year. This increase was due to the ¥100.0 billion decrease in provision for credit losses and net charge-offs, and the ¥30.0 billion decrease in provision for residual value losses, while the provision for credit losses and net charge-offs include the ¥15.0 billion increase in provision for credit losses and net charge-offs related to the Great East Japan Earthquake.

The decrease in provisions for credit losses, net of charge-offs and residual value losses are primarily attributable to used car prices rising to an unprecedented high level in the United States and the prices of used Toyota and Lexus brands' vehicles also remaining at a high level.

Ratio of credit loss experience in the United States is as follows:

	<b>Year ended March 31,</b>	
	<b>2010</b>	<b>2011</b>
Net charge-offs as a percentage of average gross earning assets:		
Finance receivables	1.15%	0.61%
Operating lease	0.63	0.22
Total	1.03%	0.52%

**All Other Operations Segment**

Net revenues for Toyota's other operations segments increased by ¥24.6 billion, or 2.6%, to ¥972.2 billion during fiscal 2011 compared with the prior fiscal year.

Operating income from Toyota's other operations segments increased by ¥44.1 billion to ¥35.2 billion during fiscal 2011 compared with the prior fiscal year.

**Related Party Transactions**

Toyota does not have any significant related party transactions other than transactions with affiliated companies in the ordinary course of business. See note 12 to the consolidated financial statements for further discussion.

## **Table of Contents**

### **Legislation Regarding End-of-Life Vehicles**

In October 2000, the European Union enforced a directive that requires member states to promulgate regulations implementing the following:

manufacturers shall bear all or a significant part of the costs for taking back end-of-life vehicles put on the market after July 1, 2002 and dismantling and recycling those vehicles. Beginning January 1, 2007, this requirement will also be applicable to vehicles put on the market before July 1, 2002;

manufacturers may not use certain hazardous materials in vehicles sold after July 2003;

vehicles type-approved and put on the market after December 15, 2008 shall be re-usable and/or recyclable to a minimum of 85% by weight per vehicle and shall be re-usable and/or recoverable to a minimum of 95% by weight per vehicle; and

end-of-life vehicles must meet actual re-use of 80% and re-use as material or energy of 85%, respectively, of vehicle weight by 2006, rising to 85% and 95%, respectively, by 2015.

See note 23 to the consolidated financial statements for further discussion.

### **Recent Accounting Pronouncements in the United States**

In June 2011, FASB issued updated guidance of presentation of comprehensive income. This guidance requires to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance is effective for fiscal year, and interim period within the fiscal year, beginning after December 15, 2011. Management does not expect this guidance to have a material impact on Toyota's consolidated financial statements.

In December 2011, FASB issued updated guidance of disclosures about offsetting assets and liabilities. This guidance requires additional disclosures about gross and net information for assets and liabilities including financial instruments eligible for offset in the balance sheets. This guidance is effective for fiscal year beginning on or after January 1, 2013, and for interim period within the fiscal year. Management does not expect this guidance to have a material impact on Toyota's consolidated financial statements.

### **Critical Accounting Estimates**

The consolidated financial statements of Toyota are prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Toyota believes that of its significant accounting policies, the following may involve a higher degree of judgments, estimates and assumptions:

#### ***Product Warranties and Recalls and Other Safety Measures***

Toyota generally warrants its products against certain manufacturing and other defects. Provisions for product warranties are provided for specific periods of time and/or usage of the product and vary depending upon the nature of the product, the geographic location of the sale and other factors. All product warranties are consistent with commercial practices. Toyota includes a provision for estimated product warranty costs as a component of cost of sales at the time the related sale is recognized. The accrued warranty costs represent management's best estimate at the time of sale of the total costs that Toyota will incur to repair or replace product parts that fail while still under warranty. The amount of accrued estimated warranty costs is primarily based on historical experience of product failures as well as current information on repair costs. The amount of



## **Table of Contents**

warranty costs accrued also contains an estimate of warranty claim recoveries to be received from suppliers. The foregoing evaluations are inherently uncertain, as they require material estimates and some products' warranties extend for several years. Consequently, actual warranty costs may differ from the estimated amounts and could require additional warranty provisions. If these factors require a significant increase in Toyota's accrued estimated warranty costs, it would negatively affect future operating results of the automotive operations.

An estimate of warranty claim accrued for each fiscal year is calculated based on the estimate of warranty claim per unit. The estimate of warranty claim per unit is calculated by dividing the actual amounts of warranty claim, net of claim recovery cost received from suppliers, by the number of sales units for the fiscal year.

As the historical recovery amounts received from suppliers is used as a factor in Toyota's calculation of estimated accrued warranty cost, the estimated accrued warranty cost may change depending on the average recovery amounts received from suppliers in the past. However, Toyota believes that there is not a significant uncertainty of estimated amounts based on historical experience regarding recoveries received from suppliers. Toyota may seek recovery to suppliers over the life of the warranty, and there are no other significant special terms and conditions including cap on amounts that can be recovered.

Toyota accrues for costs of recalls and other safety measures, as well as product warranty cost described above, included as a component of cost of sales, at the time of vehicle sale based on the amount estimated from historical experience with consideration of individual occurrences of recalls and other safety measures.

Below are the important factors, judgments and assumptions taken into account for estimating costs of recalls and other safety measures.

Toyota accrues for cost of recalls and other safety measures based on the average repair cost per unit and pattern of payment occurrence in the past at the time of product sale. The average repair cost per unit is calculated based on historical expenses incurred in relation of recalls and other safety measures.

Factors that may bring material uncertainties to the estimated or actual amount include the important changes in the average repair cost for products.

### ***Allowance for Doubtful Accounts and Credit Losses***

#### ***Natures of estimates and assumptions***

Retail receivables and finance lease receivables consist of retail installment sales contracts secured by passenger cars and commercial vehicles. Collectability risks include consumer and dealer insolvencies and insufficient collateral values (less costs to sell) to realize the full carrying values of these receivables. As a matter of policy, Toyota maintains an allowance for doubtful accounts and credit losses representing management's estimate of the amount of asset impairment in the portfolios of finance, trade and other receivables. Toyota determines the allowance for doubtful accounts and credit losses based on a systematic, ongoing review and evaluation performed as part of the credit-risk evaluation process, historical loss experience, the size and composition of the portfolios, current economic events and conditions, the estimated fair value and adequacy of collateral, and other pertinent factors. This evaluation is inherently judgmental and requires material estimates, including the amounts and timing of future cash flows expected to be received, which may be susceptible to significant change. Although management considers the allowance for doubtful accounts and credit losses to be adequate based on information currently available, additional provisions may be necessary due to (i) changes in management estimates and assumptions about asset impairments, (ii) information that indicates changes in expected future cash flows, or (iii) changes in economic and other events and conditions. To the extent that sales incentives remain an integral part of sales promotion with the effect of reducing new vehicle prices, resale prices of used vehicles and, correspondingly, the collateral value of Toyota's retail receivables and finance lease receivables could experience further downward pressure. If these factors require a significant increase in

**Table of Contents**

Toyota's allowance for doubtful accounts and credit losses, it could negatively affect future operating results of the financial services operations. The level of credit losses, which has a greater impact on Toyota's results of operations, is influenced by two factors: frequency of occurrence and expected severity of loss. For evaluation purposes, exposures to credit losses are segmented into the two primary categories of consumer and dealer. Toyota's consumer category consists of smaller balances that are homogenous retail receivables and finance lease receivables. The dealer category consists of wholesale and other dealer loan receivables. The overall allowance for credit losses is evaluated at least quarterly, considering a variety of assumptions and factors to determine whether reserves are considered adequate to cover probable losses.

***Sensitivity analysis***

The level of credit losses, which could significantly impact Toyota's results of operations, is influenced by two factors: frequency of occurrence and expected severity of loss. The overall allowance for credit losses is evaluated at least quarterly, considering a variety of assumptions and factors to determine whether reserves are considered adequate to cover probable losses. The following table illustrates the effect of an assumed change in frequency of occurrence or expected severity of loss mainly in the United States, assuming all other assumptions are held constant respectively. The table below represents the impact on the allowance for credit losses in Toyota's financial services operations of the change in frequency of occurrence or expected severity of loss as any change impacts most significantly on the financial services operations.

	<b>Yen in millions</b>
	<b>Effect on the</b>
	<b>allowance</b>
	<b>for credit losses</b>
	<b>as of March 31, 2012</b>
10 percent change in frequency of occurrence or expected severity of loss	¥ 4,110
<i>Investment in Operating Leases</i>	

***Natures of estimates and assumptions***

Vehicles on operating leases, where Toyota is the lessor, are valued at cost and depreciated over their estimated useful lives using the straight-line method to their estimated residual values. Toyota utilizes industry published information and its own historical experience to determine estimated residual values for these vehicles. Toyota evaluates the recoverability of the carrying values of its leased vehicles for impairment when there are indications of declines in residual values, and if impaired, Toyota recognizes an allowance for losses on its residual values.

Throughout the life of the lease, management performs periodic evaluations of estimated end-of-term fair values to determine whether estimates used in the determination of the contractual residual value are still considered reasonable. Factors affecting the estimated residual value at lease maturity include, but are not limited to, new vehicle incentive programs, new vehicle pricing, used vehicle supply, projected vehicle return rates, and projected loss severity. The vehicle return rate represents the number of leased vehicles returned at contract maturity and sold by Toyota during the period as a percentage of the number of lease contracts that, as of their origination dates, were scheduled to mature in the same period. A higher rate of vehicle returns exposes Toyota to higher potential losses incurred at lease termination. Severity of loss is the extent to which the end-of-term fair value of a lease is less than its carrying value at lease end.

To the extent that sales incentives remain an integral part of sales promotion, resale prices of used vehicles and, correspondingly, the fair value of Toyota's leased vehicles could be subject to downward pressure. The extent of the impact this will have on the end of term residual value depends on the significance of the incentive programs and whether they are sustained over a number of periods. This in turn can impact the projection of future used vehicle values, adversely impacting the expected residual value of the current operating lease portfolio and increasing the provision for residual value losses. However, various other factors impact used

**Table of Contents**

vehicle values and the projection of future residual values, including the supply of and demand for used vehicles, interest rates, inflation, the actual or perceived quality, safety and reliability of vehicles, the general economic outlook, new vehicle pricing, projected vehicle return rates and projected loss severity, which may offset this effect. Such factors are highly likely to adversely affect the results of operations for financial services due to significant charges reducing the estimated residual value.

**Sensitivity analysis**

The following table illustrates the effect of an assumed change in the vehicle return rate and end-of-term market values mainly in the United States, which Toyota believes are the critical estimates, in determining the residual value losses, holding all other assumptions constant. The following table represents the impact on the residual value losses in Toyota's financial services operations of the change in vehicle return rate and end-of-term market values as those changes have a significant impact on financial services operations.

	<b>Yen in millions</b>	
	<b>Effect on the residual value losses</b>	
	<b>over the remaining terms</b>	
	<b>of the operating leases</b>	
	<b>on and after April 1, 2012</b>	
1 percent increase in vehicle return rate	¥	1,233
1 percent increase in end-of-term market values	¥	4,356

**Impairment of Long-Lived Assets**

Toyota periodically reviews the carrying value of its long-lived assets held and used and assets to be disposed of, including intangible assets, when events and circumstances warrant such a review. This review is performed using estimates of future cash flows. If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value. Management believes that the estimates of future cash flows and fair values are reasonable. However, changes in estimates of such cash flows and fair values would affect the evaluations and negatively affect future operating results of the automotive operations.

**Pension Costs and Obligations****Natures of estimates and assumptions**

Pension costs and obligations are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, benefits earned, interest costs, expected rate of return on plan assets, mortality rates and other factors. Actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense in future periods. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect Toyota's pension costs and obligations.

The two most critical assumptions impacting the calculation of pension costs and obligations are the discount rates and the expected rates of returns on plan assets. Toyota determines the discount rates mainly based on the rates of high quality fixed income bonds or fixed income governmental bonds currently available and expected to be available during the period to maturity of the defined benefit pension plans. Toyota determines the expected rates of return for pension assets after considering several applicable factors including, the composition of plan assets held, assumed risks of asset management, historical results of the returns on plan assets, Toyota's principal policy for plan asset management, and forecasted market conditions. A weighted-average discount rate of 2.8% and a weighted-average expected rate of return on plan assets of 3.9% are the results of assumptions used for the various pension plans in calculating Toyota's consolidated pension costs for fiscal 2012. Also, a weighted-average discount rate of 2.6% is the result of assumption used for the various pension plans in calculating Toyota's consolidated pension obligations for fiscal 2012.

**Table of Contents****Sensitivity analysis**

The following table illustrates the effects of assumed changes in weighted-average discount rates and the weighted-average expected rate of return on plan assets, which Toyota believes are critical estimates in determining pension costs and obligations, assuming all other assumptions are consistent.

	Yen in millions	
	Effect on pre-tax income for the year ended March 31, 2013	Effect on PBO as of March 31, 2012
Discount rates		
0.5% decrease	¥ (10,019)	¥ 203,889
0.5% increase	9,625	(178,641)
Expected rate of return on plan assets		
0.5% decrease	¥ (6,354)	
0.5% increase	6,354	

**Derivatives and Other Contracts at Fair Value**

Toyota uses derivatives in the normal course of business to manage its exposure to foreign currency exchange rates and interest rates. The accounting for derivatives is complex and continues to evolve. In addition, there are significant judgments and estimates involved, using information from counterparties or market, in estimating fair value in the absence of quoted market values. These estimates are based upon valuation methodologies deemed appropriate under the circumstances. However, the use of different assumptions may have a material effect on the estimated fair value amounts.

**Marketable Securities and Investments in Affiliated Companies**

Toyota's accounting policy is to record a write-down of such investments to net realizable value when a decline in fair value below the carrying value is other-than-temporary. In determining if a decline in value is other-than-temporary, Toyota considers the length of time and the extent to which the fair value has been less than the carrying value, the financial condition and prospects of the company and Toyota's ability and intent to retain its investment in the company for a period of time sufficient to allow for any anticipated recovery in fair value.

**Deferred Tax Assets**

The factors used to assess the likelihood of realization of the deferred tax assets are the future reversal of existing taxable temporary differences, the future taxable income and available tax planning strategies that are prudent and feasible. All available evidence, both positive and negative, is considered to determine whether, based on the weight of that evidence, a valuation allowance is needed for deferred tax assets which are not more-likely-than-not to be realized.

As of March 31, 2012, the parent company and its national tax filing group in Japan are in a cumulative pre-tax loss position in recent years. Meanwhile, Toyota has concluded that there is sufficient positive evidence to overcome the negative evidence of this cumulative pre-tax loss as operating results from the parent company and its national tax filing group in Japan recovered in the second half of this fiscal year as a result of increased production volume, vehicle unit sales and cost reduction from the first half of the fiscal year. Other positive evidence considered includes future forecasted taxable income in the fiscal year 2013 and beyond and effective tax planning strategies, inclusive of sales of appreciated assets. This forecasted taxable income is expected to be generated mainly from an increase in worldwide automotive industry demand and continuous cost reduction efforts and is anticipated to be sufficient, over a number of years, to realize the deferred tax assets prior to expiration of operating loss carryforwards in 2021.

**Table of Contents**

If the sufficient taxable income for the fiscal year 2013 or future years is not achieved due to the factors which cannot be anticipated such as high competition and volatility of worldwide automotive market, steep strengthening of Japanese yen and increase in prices for raw materials, or if tax planning strategies are no longer viable, it could affect the realization of deferred tax assets of the parent company and its national tax filing group in Japan.

**Outlook**

While Toyota is subject to downside global economic risks due to the European sovereign debt crisis, oil price increase, and other factors, Toyota expects the world economy will continue to see gradual recovery in fiscal 2013. Although competition in the automotive market has intensified all over the world, as shown in the small and low-price vehicles market, Toyota expects the automotive market to expand mainly in emerging countries in the future. In addition, heightened global awareness of the environment is leading to growing demand and diversification for the environmentally-friendly vehicles. With the foregoing external factors in mind, Toyota expects that net revenues for fiscal 2013 will increase compared with fiscal 2012 as a result of an increase in vehicle unit sales. With respect to operating income, factors expected to contribute to an increase in operating income include increased vehicle unit sales through marketing efforts, and cost reduction efforts. On the other hand, factors expected to contribute to a decrease in operating income include increase in miscellaneous costs and others. As a result, Toyota expects that operating income will increase in fiscal 2013 compared with fiscal 2012. Also, Toyota expects that income before income taxes and equity in earnings of affiliated companies and net income attributable to Toyota Motor Corporation will increase in fiscal 2013.

For the purposes of this outlook discussion, Toyota is assuming an average exchange rate of ¥80 to the U.S. dollar and ¥105 to the euro. Exchange rate fluctuations can materially affect Toyota's operating results. In particular, a strengthening of the Japanese yen against the U.S. dollar can have a material adverse effect on Toyota's operating results. See [Operating and Financial Review and Prospects](#) [Operating Results Overview](#) [Currency Fluctuations](#) for further discussion.

The foregoing statements are forward-looking statements based upon Toyota's management's assumptions and beliefs regarding exchange rates, market demand for Toyota's products, economic conditions and others. See [Cautionary Statement Concerning Forward-Looking Statements](#). Toyota's actual results of operations could vary significantly from those described above as a result of unanticipated changes in the factors described above or other factors, including those described in [Risk Factors](#).

**5.B LIQUIDITY AND CAPITAL RESOURCES**

Historically, Toyota has funded its capital expenditures and research and development activities through cash generated by operations. However, in the interest of preserving a stable and healthy business environment and a strong financial position going forward, Toyota raised certain funds from debt during fiscal 2012.

In fiscal 2013, Toyota expects to sufficiently fund its capital expenditures and research and development activities through cash and cash equivalents on hand, and cash generated by operations. Toyota will use its funds for the development of environment technologies, maintenance and replacement of manufacturing facilities, and the introduction of new products. See [Information on the Company](#) [Business Overview](#) [Capital Expenditures and Divestitures](#) for information regarding Toyota's material capital expenditures and divestitures for fiscal 2010, 2011 and 2012, and information concerning Toyota's principal capital expenditures and divestitures currently in progress.

Toyota funds its financing programs for customers and dealers, including loans and leasing programs, from both cash generated by operations and borrowings by its sales finance subsidiaries. Toyota seeks to expand its ability to raise funds locally in markets throughout the world by expanding its network of finance subsidiaries.



## **Table of Contents**

Toyota refrained from repurchasing of its own shares for fiscal 2010, 2011 and 2012. Toyota has decided, for the time being, to refrain from repurchasing its own shares, in order to prioritize retention of cash reserves given the continued uncertainties surrounding future global economy.

Net cash provided by operating activities was ¥1,452.4 billion for fiscal 2012, compared with ¥2,024.0 billion for the prior fiscal year. The decrease was due to a reduction in cash collection received from sale of products due to a decrease in net revenue for the automotive operations, partially offset by operating activities resulted from a decrease in cash payment to suppliers attributable to a decrease in cost of products sold in the automotive operations.

Net cash used in investing activities was ¥1,442.6 billion for fiscal 2012, compared with ¥2,116.3 billion for the prior fiscal year. The decrease in net cash used in investing activities resulted from a decrease in purchases of marketable securities and security investments, partially offset by a decrease in sales and maturity of marketable securities and security investments.

Net cash provided by or used in financing activities was a ¥355.3 billion decrease for fiscal 2012, compared with a ¥434.3 billion increase for the prior fiscal year. The decrease in net cash provided by or used in financing activities resulted from decreased proceeds from issuance of long-term debt and increased payments of long-term debt.

Total capital expenditures for property, plant and equipment, excluding vehicles and equipment on operating leases, were ¥723.5 billion during fiscal 2012, an increase of 15.0% over the ¥629.3 billion in total capital expenditures during the prior fiscal year. This increase was due to an increase of investments in Asia.

Total capital expenditures for vehicles and equipment on operating leases were ¥808.5 billion during fiscal 2012, a decrease of 23.9% over the ¥1,061.8 billion in expenditures from the prior fiscal year. This decrease was due to a decrease in investments in the financial services operations.

Toyota expects investments in property, plant and equipment, excluding vehicles and equipment on operating leases, to be approximately ¥820.0 billion during fiscal 2013.

Based on current available information, Toyota does not expect environmental matters to have a material impact on its financial position, results of operations, liquidity or cash flows during fiscal 2013. However, uncertainty exists with respect to Toyota's obligations under current and future environment regulations as described in Information on the Company Business Overview Governmental Regulation, Environmental and Safety Standards .

Cash and cash equivalents were ¥1,679.2 billion as of March 31, 2012. Most of Toyota's cash and cash equivalents are held in Japanese yen and in U.S. dollars. In addition, time deposits were ¥80.3 billion and marketable securities were ¥1,181.0 billion as of March 31, 2012.

Liquid assets, which Toyota defines as cash and cash equivalents, time deposits, marketable debt securities and its investment in monetary trust funds, decreased during fiscal 2012 by ¥201.7 billion, or 3.4%, to ¥5,761.4 billion.

Trade accounts and notes receivable, less allowance for doubtful accounts increased during fiscal 2012 by ¥550.6 billion, or 38.0%, to ¥1,999.8 billion. This increase was due to an increase in the volume of sales in fiscal 2012.

Inventories increased during fiscal 2012 by ¥318.0 billion, or 24.4%, to ¥1,622.2 billion. This increase was due to an increase in trading volume.

**Table of Contents**

Total finance receivables, net increased during fiscal 2012 by ¥23.8 billion, or 0.2%, to ¥9,717.3 billion. This increase was due to an increase in the number of financing contracts, partially offset by fluctuations in foreign currency translation rates. As of March 31, 2012, finance receivables were geographically distributed as follows: in North America 58.1%, in Japan 12.0%, in Europe 10.3%, in Asia 7.1% and in Other 12.5%.

Marketable securities and other securities investments, including those included in current assets, increased during fiscal 2012 by ¥438.0 billion, or 9.1%, reflecting purchase of marketable securities and security investments, and an increase in the fair values of common stocks.

Property, plant and equipment decreased during fiscal 2012 by ¥73.7 billion, or 1.2%, primarily reflecting the impacts of depreciation charges during the year and fluctuations in foreign currency translation rates, partially offset by the capital expenditures.

Accounts and notes payable increased during fiscal 2012 by ¥739.5 billion, or 49.2%. This increase was due to an increase in production volume in fiscal 2012.

Accrued expenses increased during fiscal 2012 by ¥55.2 billion, or 3.1%.

Income taxes payable increased during fiscal 2012 by ¥20.9 billion, or 18.6%, as a result of an increase of income taxes payable at automotive operations.

Toyota's total borrowings decreased during fiscal 2012 by ¥395.5 billion, or 3.2%. Toyota's short-term borrowings consist of loans with a weighted-average interest rate of 1.93% and commercial paper with a weighted-average interest rate of 0.72%. Short-term borrowings increased during fiscal 2012 by ¥271.6 billion, or 8.5%, to ¥3,450.6 billion. Toyota's long-term debt consists of unsecured and secured loans, medium-term notes, unsecured notes and long-term capital lease obligations with interest rates ranging from 0.00% to 32.00%, and maturity dates ranging from 2012 to 2050. The current portion of long-term debt decreased during fiscal 2012 by ¥260.2 billion, or 9.4%, to ¥2,512.6 billion and the non-current portion decreased by ¥406.9 billion, or 6.3%, to ¥6,042.2 billion. The decrease in total borrowings resulted from a decrease in bonds and medium-term notes, partially offset by an increase in commercial paper. As of March 31, 2012, approximately 34% of long-term debt was denominated in U.S. dollars, 26% in Japanese yen, 11% in Australia dollars, and 29% in other currencies. Toyota hedges interest rate risk exposure of fixed-rate borrowings by entering into interest rate swaps. There are no material seasonal variations in Toyota's borrowings requirements.

As of March 31, 2012, Toyota's total interest bearing debt was 113.8% of Toyota Motor Corporation shareholders' equity, compared with 120.0% as of March 31, 2011.

The following table provides information for credit rating of Toyota's short-term borrowing and long-term debt from rating agencies, Standard & Poor's Ratings Group(S&P), Moody's Investors Services (Moody's), and Rating and Investment Information, Inc.(R&I), as of May 31, 2012. A credit rating is not a recommendation to buy, sell or hold securities. A credit rating may be subject to withdrawal or revision at any time. Each rating should be evaluated separately of any other rating.

	<b>S&amp;P</b>	<b>Moody's</b>	<b>R&amp;I</b>
Short-term borrowing	A-1+	P-1	
Long-term debt	AA-	Aa3	AA+

Toyota's unfunded pension liabilities increased during fiscal 2012 by ¥130.8 billion, or 24.0%, to ¥676.6 billion. The unfunded pension liabilities relate to the parent company and its Japanese subsidiaries. The unfunded amounts will be funded through future cash contributions by Toyota or in some cases will be settled on the retirement date of each covered employee. The unfunded pension liabilities increased in fiscal 2012 compared with the prior fiscal year due to an increase in pension benefit obligations resulted from a decrease in discount rate. See note 19 to the consolidated financial statements for further discussion.

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## **Table of Contents**

Toyota's treasury policy is to maintain controls on all exposures, to adhere to stringent counterparty credit standards, and to actively monitor marketplace exposures. Toyota remains centralized, and is pursuing global efficiency of its financial services operations through Toyota Financial Services Corporation.

The key element of Toyota's financial strategy is maintaining a strong financial position that will allow Toyota to fund its research and development initiatives, capital expenditures and financial services operations efficiently even if earnings are subject to short-term fluctuations. Toyota believes that it maintains sufficient liquidity for its present requirements and that by maintaining its high credit ratings, it will continue to be able to access funds from external sources in large amounts and at relatively low costs. Toyota's ability to maintain its high credit ratings is subject to a number of factors, some of which are not within Toyota's control. These factors include general economic conditions in Japan and the other major markets in which Toyota does business, as well as Toyota's successful implementation of its business strategy.

### **5.C RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES**

Toyota believes that its long-term success depends on its ability to secure a leadership position with respect to vehicle research and development.

Toyota's research and development expenditures were approximately ¥779.8 billion in fiscal 2012, ¥730.3 billion in fiscal 2011 and ¥725.3 billion in fiscal 2010.

For this reason, Toyota is promoting next generation environmentally friendly, energy efficient, and safe vehicle technology in its research and development. Toyota is making efforts to produce vehicles that are friendly to the environment and human beings, with efforts focused in the following fields:

further improvements in hybrid technologies (functions, costs, etc.) and subsequent environmental contributions;

improvement in gasoline engine fuel economy and improvement of technology in connection with more stringent emissions standards;

promoting improvements in clean diesel engine functioning and fuel economy;

development of electric vehicles, fuel-electric vehicles and other alternative fuel vehicles; and

development of technology designed to promote driving and vehicle safety.

Toyota's belief is that the environment is one of the most important issues. Toyota is aiming to lower the volume of carbon dioxide emissions at all stages of operations, including development, production, logistics, usage, disposal and recycling of vehicles, as well as the reduction of environmental burdens. Toyota also utilizes various energy resources as a substitute to oil, and has successfully developed a plug-in hybrid vehicle which can be charged from domestic power supplies. Toyota is committed to realize the mass production of electric vehicles, the development of next-generation batteries, and the development of alternative fuel vehicles such as biofuel and fuel-cell vehicles. Toyota aims to maintain its leadership position in environmental technology, and is responding to environmental issues, the representative example being the Prius, the hybrid car introduced to the Japanese market in 1997.

In May 2010, Toyota invested in Tesla Motors, Inc. ( Tesla ) in the amount of \$50 million as part of a basic agreement with Tesla to implement a joint venture related to the development, technology, and production systems of electric vehicles and their components. At the 26th International Battery, Hybrid and Fuel Cell Electric Vehicle Symposium held in May 2012, Toyota announced its jointly developed electric vehicle, the RAV4 EV, which is scheduled to be released in California in summer 2012.

Toyota's research and development activities focus on the environment, vehicle safety, information technology and product development.



**Table of Contents**

Toyota's environmental research and development activities focus on:

Developing light-weight and more fuel-efficient engines and transmissions. These technologies include improved technologies in fuel economy, emission, and performance, such as the development of next-generation direct injection system and variable valve system for gasoline engines and the development of the next-generation ultra high pressure common rail system and the diesel particulate and nitrous oxide reduction system for diesel engines.

Developing alternative fuel powering systems for commercial sale. This includes developing hybrid vehicles and fuel cell hybrid vehicles. The second-generation Prius that Toyota introduced in September 2003 features a new hybrid system which decreases negative environmental impact while increasing power and performance. Furthermore, the third-generation Prius was introduced in 2009, and broke the record for sales by vehicle type which was previously held by the Corolla. The Aqua (called Prius c in the US), introduced in December 2011 and sold in approximately 50 countries worldwide, is a world leader in fuel economy and low pricing. In addition, Toyota's cumulative sales of hybrid vehicles exceeded 3 million units, which contributed approximately 18 million ton reduction of CO<sub>2</sub> emissions. In July 2007, Toyota developed the Plug-in Hybrid Vehicle ( PHV ) and received certification from Japan's Ministry of Land, Infrastructure, Transport and Tourism ( MLIT ). PHV runs as an Electric Vehicle ( EV ) in short distances and runs as a regular hybrid vehicle in long distances. Tests are conducted in Japan, North America and Europe and in late 2009, Toyota commenced its sale of PHV with lithium ion batteries to fleet vehicle users in Japan, North America and Europe. Toyota also commenced its sale of PHV models in January 2012, which can be charged from domestic power supplies in Japan, North America and Europe. In addition, in September 2008, Toyota started leasing the new Toyota Fuel Cell Hybrid Vehicle advanced (the new Toyota FCHV-adv ). The new Toyota FCHV-adv has completely overhauled its fuel cell system and has made significant improvements to low-temperature startup performance and cruising distance, which had posed challenges to promoting its widespread use. Toyota believes that fuel cell vehicles will be strong eco-cars for future generations. By 2015, Toyota plans to introduce sedan-type fuel cell vehicles at reasonable prices for customers in Japan, the United States and Europe where appropriate infrastructure is expected to be available. To control increases in oil prices and reduce the consumption of oil, the proliferation of fuel alternatives to oil such as biofuel and natural gas is expanding in some countries. Toyota works towards the ongoing formation of a mobility society and not only actively researches the development and introduction to the market of natural gas vehicles and flex-fuel vehicles ( FFV ) that are compatible with ethanol fuel, but is also conducting research and development into other practical uses of oil alternatives and biofuels, such as research into fuels that will not compete with food production, and into genetically modified organism ( GMO ) technology in order to process sugarcane more efficiently.

Engaging in recycling activities that take into account the lifecycle (development, manufacture, use, disposal) of a vehicle. Research and development focuses primarily on (1) developing materials that are suitable for recycling and designs that facilitate dismantling parts, and (2) research on effective dismantling technology of end-of-life vehicles and use of recycle materials.

Toyota's work in the area of vehicle safety is focused on the development of technologies designed to prevent accidents in the first instance, as well as the development of technologies that protect passengers and reduce the damage on impact in the event of an accident. Safety technologies in development include:

research on protecting diverse passengers, including senior citizens,

autonomous driving support systems, including pre-collision system , and

data exchange driving-support systems using advanced communication technologies.

To expand the frontiers of safety technology in automobiles, Toyota completed in 1995 its first prototype Advanced Safety Vehicle, the ASV-1. The ASV-2, which was introduced in 2000, incorporates emerging technologies, such as an autonomous safety support system that uses CCD stereo cameras to recognize obstacles



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## **Table of Contents**

in traffic lanes and an infrastructure-harmonized safety support system to warn the driver of pedestrian crossings. In 2002, Toyota conducted road testing of the ASV-3, a prototype based on further improved infrastructure-harmonized system. With the February 2003 introduction of the Harrier in Japan, Toyota became the first car manufacturer to implement a pre-collision system in its automobiles. This advanced system utilizes pre-collision sensors that use millimeter wave radar and cameras to detect objects presenting hazards, and in addition to alerting the driver to the danger of potential collisions, this system employs a brake assist mechanism that utilizes power-assisted braking to minimize the speed on impact, and automatically applies the vehicle's brakes when a collision is determined to be inevitable. In February 2004, Toyota introduced the pre-collision system for the first time in the United States by equipping the LS430 with the above features.

In September 2006, at the time of introduction of LS460 in Japan, Toyota established the world's first enhanced pre-collision system, which added functions to detect pedestrians in front, to support driver steering, and to react to vehicle collision.

In February 2008, Toyota developed the world's first driver monitoring pre-collision system for the Crown sold in Japan, that monitors whether the driver's eyes are open, in addition to the face monitor which monitors the direction in which the driver is facing.

Furthermore, in March 2009, Toyota developed and introduced the world's first front-side pre-collision system, which detects possible head-on and front-side collisions such as at intersections, for the Crown Majesta.

In addition, in 2011, Toyota established the Collaborative Safety Research Center aimed at reducing the number of traffic accident related deaths through cooperation with various hospitals and universities in North America. Toyota is greatly fortifying its efforts toward product safety and quality, and this research center is part of these efforts. Established within the same research center is the Toyota Technical Center (TTC), which is the research and development center of Toyota Motor Engineering & Manufacturing North America, Inc. At the TTC, Toyota's technicians based in Japan also take part in planning, and perform research focused on reducing the risk of distracted or impaired driving behaviors, as well as the protection of vulnerable demographics such as young children and the elderly. Toyota is also promoting the spread of safe vehicle technologies, and is implementing analyses of traffic accident and driver behavior data. Toyota is planning to invest in the amount of 50 million dollars over the next 5 years, starting from 2011.

In order to promote further streamlining of the global external decision-making process with respect to the development of vehicle safety technologies, Toyota appointed a Chief Safety Technology Officer (CSTO) in 2011, who will execute a general integration of safety technology within Toyota's technology department.

Toyota's product development program uses a series of methods which are generally intended to promote timely and appropriate responses to changing market demand. These methods include:

optimizing and eliminating vehicle platforms,

sharing parts and components among multiple vehicles,

shortening the time for development and production preparation by the simultaneous study of design and production engineering processes, and

using simulation technology for production design and evaluation.

Toyota carefully analyzes patents and the need for patents in each area of research to formulate more effective research and development strategies. Toyota identifies research and development projects in which it should acquire patents, and files relevant applications as necessary to help build a strong global patent portfolio.

In addition, Toyota wishes to contribute to sustainable mobility by promoting the spread of technologies with environmental and safety benefits. This is why Toyota takes an open stance to patent licensing, and grants





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**Table of Contents**

licenses when appropriate terms are met. For example, in March 2004, Toyota and Ford Motor Company entered into licensing agreements for patents related to hybrid systems and emissions purification. In addition, in March 2010, Toyota and Mazda Motor Corporation entered into a licensing agreement regarding the supply of hybrid system technology.

Toyota does not consider any one group of patents or licenses to be so important that their expiration or termination would materially affect Toyota's business. For a further discussion of Toyota's intellectual property, see [Information on the Company](#) [Business Overview](#) [Intellectual Property](#) .

**5.D TREND INFORMATION**

For a discussion of the trends that affect Toyota's business and operating results, see [Operating Results](#) and [Liquidity and Capital Resources](#) .

**5.E OFF-BALANCE SHEET ARRANGEMENTS**

Toyota uses its securitization program as part of its funding through special purpose entities for its financial services operations. Toyota is considered the primary beneficiary of these special purpose entities and therefore consolidates them. Toyota has not entered into any off-balance sheet securitization transactions during fiscal 2012.

**Lending Commitments**

*Credit Facilities with Credit Card Holders*

Toyota's financial services operations issue credit cards to customers. As customary for credit card businesses, Toyota maintains credit facilities with holders of credit cards issued by Toyota. These facilities are used upon each holder's requests up to the limits established on an individual holder's basis. Although loans made to customers through these facilities are not secured, for the purposes of minimizing credit risks and of appropriately establishing credit limits for each individual credit card holder, Toyota employs its own risk management policy which includes an analysis of information provided by financial institutions in alliance with Toyota. Toyota periodically reviews and revises, as appropriate, these credit limits. Outstanding credit facilities with credit card holders were ¥256.2 billion as of March 31, 2012.

*Credit Facilities with Dealers*

Toyota's financial services operations maintain credit facilities with dealers. These credit facilities may be used for business acquisitions, facilities refurbishment, real estate purchases, and working capital requirements. These loans are typically collateralized with liens on real estate, vehicle inventory, and/or other dealership assets, as appropriate. Toyota obtains a personal guarantee from the dealer or corporate guarantee from the dealership when deemed prudent. Although the loans are typically collateralized or guaranteed, the value of the underlying collateral or guarantees may not be sufficient to cover Toyota's exposure under such agreements. Toyota prices the credit facilities according to the risks assumed in entering into the credit facility. Toyota's financial services operations also provide financing to various multi-franchise dealer organizations, referred to as dealer groups, often as part of a lending consortium, for wholesale inventory financing, business acquisitions, facilities refurbishment, real estate purchases, and working capital requirements. Toyota's outstanding credit facilities with dealers totaled ¥1,615.7 billion as of March 31, 2012.

*Guarantees*

Toyota enters into certain guarantee contracts with its dealers to guarantee customers' payments of their installment payables that arise from installment contracts between customers and Toyota dealers, as and when requested by Toyota dealers. Guarantee periods are set to match the maturity of installment payments, and as of

**Table of Contents**

March 31, 2012, ranged from one month to 35 years. However, they are generally shorter than the useful lives of products sold. Toyota is required to execute its guarantee primarily when customers are unable to make required payments.

The maximum potential amount of future payments as of March 31, 2012 is ¥1,695.1 billion. Liabilities for these guarantees of ¥13.9 billion have been provided as of March 31, 2012. Under these guarantee contracts, Toyota is entitled to recover any amounts paid by it from the customers whose obligations it guaranteed.

**5.F TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS****Contractual Obligations and Commitments**

For information regarding debt obligations, capital lease obligations, operating lease obligations and other obligations, including amounts maturing in each of the next five years, see notes 13, 22 and 23 to the consolidated financial statements. In addition, as part of Toyota's normal business practices, Toyota enters into long-term arrangements with suppliers for purchases of certain raw materials, components and services. These arrangements may contain fixed/minimum quantity purchase requirements. Toyota enters into such arrangements to facilitate an adequate supply of these materials and services.

The following tables summarize Toyota's contractual obligations and commercial commitments as of March 31, 2012.

	Total	Yen in millions			
		Less than 1 year	1 to 3 years	3 to 5 years	5 years and after
<b>Contractual Obligations:</b>					
Short-term borrowings (note 13)					
Loans	¥ 1,158,556	¥ 1,158,556	¥	¥	¥
Commercial paper	2,292,093	2,292,093			
Long-term debt* (note 13)	8,533,549	2,508,445	2,953,108	2,028,170	1,043,826
Capital lease obligations (note 13)	21,348	4,175	4,661	3,356	9,156
Non-cancelable operating lease obligations (note 22)	56,365	10,375	14,498	10,839	20,653
Commitments for the purchase of property, plant and other assets (note 23)	73,004	54,607	2,945	6,326	9,126
<b>Total</b>	<b>¥ 12,134,915</b>	<b>¥ 6,028,251</b>	<b>¥ 2,975,212</b>	<b>¥ 2,048,691</b>	<b>¥ 1,082,761</b>

\* Long-term debt represents future principal payments.

Toyota is unable to make reasonable estimates of the period of cash settlement with respect to liabilities recognized for uncertain tax benefits, and accordingly such liabilities are excluded from the table above. See note 16 to the consolidated financial statements for further discussion.

**Table of Contents**

Toyota expects to contribute ¥104,943 million to its pension plans in fiscal 2013.

	Total Amounts Committed	Yen in millions Amount of Commitment Expiration Per Period			
		Less than 1 year	1 to 3 years	3 to 5 years	5 years and after
Commercial Commitments (note 23):					
Maximum potential exposure to guarantees given in the ordinary course of business	¥ 1,695,140	¥ 473,844	¥ 752,482	¥ 334,764	¥ 134,050
<b>Total Commercial Commitments</b>	<b>¥ 1,695,140</b>	<b>¥ 473,844</b>	<b>¥ 752,482</b>	<b>¥ 334,764</b>	<b>¥ 134,050</b>

**5.G SAFE HARBOR**

All information that is not historical in nature disclosed under Operating and Financial Review and Prospects Off-Balance Sheet Arrangements and Tabular Disclosure of Contractual Obligations is deemed to be a forward-looking statement. See Cautionary Statement Concerning Forward-Looking Statements for additional information.

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****6.A DIRECTORS AND SENIOR MANAGEMENT**

In March 2011, Toyota unveiled its Toyota Global Vision. In order to realize the Global Vision, Toyota implemented a new management organization highlighted by a more streamlined board of directors and a reduced number of layers in the executive decision-making structure. Specifically, in order to increase the speed of management decision-making, Toyota greatly reduced the number of directors, and the three-tier executive system with executive vice presidents, chief officers, and officers responsible for group affairs will be streamlined to two tiers, with executive vice presidents and chief officers. Toyota believes that this will facilitate the information from the chief officers who are closely familiar with the operations on-ground to management to be communicated more quickly. Toyota believes this will more clearly define the respective roles of the directors, who determine what Toyota will do as a global corporation, and the chief officers, who are in charge of Toyota's daily operations and who will determine how Toyota will implement them. The chief officers are appointed in a more flexible manner among the senior managing officers or managing officers. Furthermore, the regional chief officer under the executive vice president in charge of each region will mainly carry out operations on-ground, and will work towards connecting the needs of customers around the world and Toyota's development and production, sales, and other functions. Toyota believes it is crucial for it to be led by directors and senior management who deeply understand, and can effectively implement, Toyota's strengths the *monozukuri* spirit of conscientious manufacturing and the *genchi genbutsu* principle of placing emphasis on on-site operations with a go-and-see attitude for continued improvement and problem solving. Toyota has seven corporate auditors, four of whom are outside corporate auditors.

**Table of Contents**

Name			Number of Shares
(Date of birth)	Position	Brief career summary and important concurrent duties	
Fujio Cho  (February 2, 1937)	Chairman of the Board	1960 Joined Toyota Motor Corporation ( TMC )  1988 Director of TMC  1988 Toyota Motor Manufacturing, U.S.A., Inc. President  1994 Managing Director of TMC  1994 Retired from Toyota Motor Manufacturing, U.S.A., Inc. President  1996 Senior Managing Director of TMC  1998 Executive Vice President of TMC  1999 President of TMC  2005 Vice Chairman of TMC  2006 Chairman of TMC   (important concurrent duties)  Corporate Auditor of DENSO CORPORATION  Director of Central Japan Railway Company  Director of Sony Corporation  President and Representative Director of Toyota Kuragaike Kaihatsu Kabushiki Kaisha  Director of Toyota Industries Corporation	40,705
Takeshi Uchiyamada  (August 17, 1946)	Vice Chairman of the Board	1969 Joined TMC  1998 Director of TMC  2001 Managing Director of TMC  2003 Senior Managing Director of TMC  2005 Executive Vice President of TMC  2012 Vice Chairman of TMC	37,039

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(important concurrent duties)

Director of JTEKT Corporation

Chairman of Toyota Motor Engineering & Manufacturing (China)  
Co., Ltd

Director of Toyota Boshoku Corporation

Akio Toyoda	President,	1984 Joined TMC	4,581,575
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(May 3, 1956)	Member of the Board	2000 Director of TMC	
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2002 Managing Director of TMC

2003 Senior Managing Director of TMC

2005 Executive Vice President of TMC

2009 President of TMC

(important concurrent duties)

Corporate Auditor of Toyota Boshoku Corporation

Chairman and CEO of Toyota Motor North America, Inc.

Chairman of Toyota Motor Sales & Marketing Corporation

Chairman of Japan Automobile Manufacturers Association, Inc.

**Table of Contents**

Name			Number of Shares
(Date of birth)	Position	Brief career summary and important concurrent duties	
Yukitoshi Funo	Executive Vice President,	1970 Joined Toyota Motor Sales Co., Ltd.	34,248
(February 1, 1947)	Member of the Board	2000 Director of TMC	
		2003 Managing Officer of TMC	
		2003 Toyota Motor Sales, U.S.A., Inc. President	
		2004 Director of TMC	
		2005 Senior Managing Director of TMC	
		2005 Toyota Motor Sales, U.S.A., Inc. Chairman	
		2006 Toyota Motor North America, Inc. Chairman	
		2007 Retired from Toyota Motor North America, Inc. Chairman	
		2009 Executive Vice President of TMC	
		2009 Retired from Toyota Motor Sales, U.S.A., Inc. Chairman	
		(important concurrent duties)	
		Chairman of Toyota Motor Asia Pacific Engineering and Manufacturing Co., Ltd.	
		Chairman of Toyota Motor Asia Pacific Pte., Ltd.	
		Corporate Auditor of Hino Motors, Ltd.	
Atsushi Niimi	Executive Vice President,	1971 Joined TMC	37,000
(July 30, 1947)	Member of the Board	2000 Director of TMC	
		2002 Toyota Motor Manufacturing North America, Inc. President	
		2003 Managing Officer of TMC	
		2004 Director of TMC	
		2005 Retired from Toyota Motor Manufacturing North America, Inc. President	
		2005 Senior Managing Director of TMC	
		2009 Executive Vice President of TMC	

(important concurrent duties)

Chairman of Toyota Motor Engineering & Manufacturing North America, Inc.

Chairman of Toyota Motor Technical Center (China) Co., Ltd.

Corporate Auditor of JTEKT Corporation

Vice Chairman of Toyota Motor North America, Inc.

Shinichi Sasaki  (December 18, 1946)	Executive Vice President,  Member of the Board	1970 Joined TMC  2001 Director of TMC  2003 Managing Officer of TMC  2004 Toyota Motor Engineering & Manufacturing Europe NV/SA President  2005 Senior Managing Director of TMC  2005 Toyota Motor Europe NV/SA, Toyota Motor Marketing Europe NV/SA and Toyota Motor Engineering & Manufacturing Europe NV/SA merged under the name Toyota Motor Europe NV/SA  2005 Toyota Motor Europe NV/SA President  2006 Retired from Toyota Motor Europe NV/SA President  2009 Executive Vice President of TMC	14,210
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(important concurrent duties)

Director of KDDI CORPORATION

Corporate Auditor of Toyoda Gosei Co., Ltd.

**Table of Contents**

Name			Number of Shares
(Date of birth)	Position	Brief career summary and important concurrent duties	
Satoshi Ozawa	Executive Vice President,	1974 Joined Toyota Motor Sales Co., Ltd.	30,200
(August 5, 1949)	Member of the Board	2003 Managing Officer of TMC	
		2007 Senior Managing Director of TMC	
		2010 Executive Vice President of TMC	
		(important concurrent duties)	
		Chairman of Toyota Motor Europe NV/SA	
Nobuyori Kodaira	Executive Vice President,	1972 Joined Ministry of International Trade and Industry	9,000
(March 18, 1949)	Member of the Board	2004 Director-General, Agency for Natural Resources and Energy	
		2006 Retired from Director-General, Agency for Natural Resources and Energy	
		2008 Advisor of TMC	
		2009 Managing Officer of TMC	
		2010 Senior Managing Director of TMC	
		2011 Director and Senior Managing Officer of TMC	
		2012 Executive Vice President of TMC	
Mitsuhsisa Kato	Executive Vice President,	1975 Joined TMC	7,350
(March 2, 1953)	Member of the Board	2004 Managing Officer of TMC	
		2006 Toyota Technocraft Co., Ltd. President	
		2006 Advisor of TMC	
		2007 Retired from Advisor of TMC	
		2010 Retired from Toyota Technocraft Co., Ltd. President	
		2010 Senior Managing Director of TMC	
		2011 Senior Managing Officer of TMC	
		2012 Executive Vice President of TMC	



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(important concurrent duties)

Masamoto Maekawa	Executive Vice President,	Corporate Auditor of TOKAI RIKA CO., LTD.	20,300
(October 17, 1949)	Member of the Board	1973 Joined Toyota Motor Sales Co., Ltd.	
		2003 Managing Officer of TMC	
		2007 Toyota Administa Corporation President	
		2007 Advisor of TMC	
		2009 Retired from Toyota Administa Corporation President	
		2009 Senior Managing Director of TMC	
		2011 Senior Managing Officer of TMC	
Mamoru Furuhashi	Director,	2012 Executive Vice President of TMC	30,105
(January 3, 1950)	Member of the Board	1973 Joined TMC	
		2003 Managing Officer of TMC	
		2007 Senior Managing Director of TMC	
		2011 Director and Senior Managing Officer of TMC	

**Table of Contents**

Name			Number of Shares
(Date of birth)	Position	Brief career summary and important concurrent duties	
Takahiko Ijichi	Director,	1976 Joined TMC	20,000
(July 15, 1952)	Member of the Board	2004 Managing Officer of TMC	
		2008 Senior Managing Director of TMC	
		2011 Director and Senior Managing Officer of TMC	
		(important concurrent duties)	
		Corporate Auditor of HAMAMATSU PHOTONICS K.K.	
Yasumori Ihara	Director,	1975 Joined Toyota Motor Sales Co., Ltd.	10,000
(November 17, 1951)	Member of the Board	2004 Managing Officer of TMC	
		2007 Toyota Transportation Co., Ltd. President	
		2007 Advisor of TMC	
		2008 Retired from Advisor of TMC	
		2009 Retired from Toyota Transportation Co., Ltd. President	
		2009 Senior Managing Director of TMC	
		2011 Director and Senior Managing Officer of TMC	
Yoichiro Ichimaru	Full-time Corporate Auditor	1971 Joined Toyota Motor Sales Co., Ltd.	25,568
(October 10, 1948)		2001 Director of TMC	
		2003 Managing Officer of TMC	
		2005 Senior Managing Director of TMC	
		2009 Executive Vice President of TMC	
		2011 Corporate Auditor of TMC	
Masaki Nakatsugawa	Full-time Corporate Auditor	1976 Joined Toyota Motor Sales Co., Ltd.	5,800
(January 29, 1953)		2002 Dispatched to Toyota Motor Thailand Co., Ltd.	
		2004 General Manager for Accounting Div. of TMC	
		2006 Corporate Auditor of TMC	
Masahiro Kato	Full-time Corporate Auditor	1975 Joined TMC	6,600

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(September 17, 1952)		2009 Toyota Motor (China) Investment Co., Ltd. President
		2009 Managing Officer of TMC
		2011 Retired from Toyota Motor (China) Investment Co., Ltd. President
		2011 Corporate Auditor of TMC
Yoichi Morishita	Outside Corporate Auditor	1957 Joined Matsushita Electric Industrial Co., Ltd.
(June 23, 1934)		1987 Director of the same
		1989 Managing Director of the same
		1990 Senior Managing Director of the same
		1992 Executive Vice President of the same
		1993 President of the same
		2000 Chairman of the same
		2006 Outside Corporate Auditor of TMC
		2006 Executive Advisor of Matsushita Electric Industrial Co., Ltd.
		2008 Name of Matsushita Electric Industrial Co., Ltd. was changed to Panasonic Corporation
		2008 Executive Advisor of Panasonic Corporation
		(important concurrent duties)
		Executive Advisor of Panasonic Corporation
		Outside Corporate Auditor of The Kansai Electric Power Co., Inc.

**Table of Contents**

Name			Number of Shares
(Date of birth)	Position	Brief career summary and important concurrent duties	
Akishige Okada  (April 9, 1938)	Outside Corporate Auditor	1963 Joined Mitsui Bank, Ltd.  1991 Director of Mitsui Taiyo Kobe Bank, Ltd.  1995 Managing Director of Sakura Bank, Ltd.  1996 Senior Managing Director of the same  1997 President of the same  2001 Chairman of Sumitomo Mitsui Banking Corporation  2002 Chairman of Sumitomo Mitsui Financial Group Inc. (concurrent)  2005 Retired from Chairman of Sumitomo Mitsui Financial Group Inc.  2005 Advisor of Sumitomo Mitsui Banking Corporation  2006 Outside Corporate Auditor of TMC  2010 Honorary Advisor of Sumitomo Mitsui Banking Corporation  (important concurrent duties)  Honorary Advisor of Sumitomo Mitsui Banking Corporation  Outside Corporate Auditor of Mitsui Fudosan Co., Ltd.  Outside Director of Daicel Corporation	
Kunihiro Matsuo  (September 13, 1942)	Outside Corporate Auditor	2004 Supreme Public Prosecutors Office Prosecutor-General  2006 Retired from Supreme Public Prosecutors Office Prosecutor-General  2006 Registered as Attorney  2007 Outside Corporate Auditor of TMC  (important concurrent duties)  Outside Director of Asahi Glass Co., Ltd.  Outside Corporate Auditor of MITSUI & CO., LTD.	

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Outside Corporate Auditor of KOMATSU LTD.

Outside Corporate Auditor of BROTHER INDUSTRIES, LTD.

Yoko Wake

Outside Corporate Auditor

1970 Joined the Fuji Bank, Limited

(November 18, 1947)

1973 Retired from the same

1977 Instructor of Faculty of Business and Commerce of Keio University

1982 Associate Professor of the same

1993 Professor of the same

2011 Outside Corporate Auditor of TMC

None of the persons listed above was selected as director, corporate auditor or member of senior management pursuant to an arrangement or understanding with Toyota's major shareholders, customers, suppliers or others.

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**Table of Contents**

**6.B COMPENSATION**

The aggregate amount of remuneration, including bonuses but excluding stock options, accrued for all directors and corporate auditors as a group by Toyota for services in all capacities during fiscal 2012 was approximately ¥1,275 million. Directors and corporate auditors of Toyota Motor Corporation receive year-end bonuses, the aggregate amount of which is approved at Toyota Motor Corporation's ordinary general shareholders' meeting and is based on Toyota Motor Corporation's financial performance for the fiscal year. The amounts of the bonuses paid to individual directors and corporate auditors are then determined based upon discussions at a meeting of Toyota Motor Corporation's board of directors and the meeting of corporate auditors.

In addition to the above form of compensation, Toyota has enacted stock option plans every year from 2006 until 2010. Under the 2006 plan, Toyota issued to its directors and corporate auditors stock acquisition rights to purchase 302,000 shares of common stock at an exercise price of ¥6,140 and with an expiration date of July 31, 2014. Under the 2007 plan, Toyota issued to its directors and corporate auditors stock acquisition rights to purchase 322,000 shares of common stock at an exercise price of ¥7,278 and with an expiration date of July 31, 2015. Under the 2008 plan, Toyota issued to its directors and corporate auditors stock acquisition rights to purchase 335,000 shares of common stock at an exercise price of ¥4,726 and with an expiration date of July 31, 2016. Under the 2009 plan, Toyota issued to its directors and corporate auditors stock acquisition rights to purchase 440,000 shares of common stock at an exercise price of ¥4,193 and with an expiration date of July 31, 2017. Under the 2010 plan, Toyota issued to its directors stock acquisition rights to purchase 400,000 shares of common stock at an exercise price of ¥3,183 and with an expiration date of July 31, 2018. See "Share Ownership" "Stock Options" for a more detailed discussion of Toyota's stock option plans.

Toyota's Annual Securities Report filed with the Kanto Local Bureau of Finance on June 25, 2012, contained the following information concerning compensation in fiscal 2012 on a consolidated basis for directors and corporate auditors whose total compensation exceeded ¥100 million during such period:

- Fujio Cho, Director: ¥144 million (¥105 million in base compensation, ¥22 million in bonus, and ¥16 million in stock options)

- Akio Toyoda, Director: ¥136 million (¥100 million in base compensation, ¥20 million in bonus, and ¥16 million in stock options) The amounts above were recorded as expenses in fiscal 2012. The stock options are the fair market value calculated based on certain conditions as of the grant date.

**6.C BOARD PRACTICES**

Toyota's articles of incorporation provide for a board of directors of not more than 20 members and for not more than seven corporate auditors. Shareholders elect the directors and corporate auditors at the general shareholders' meeting. The normal term of office of a director is one year and of a corporate auditor is four years. Directors and corporate auditors may serve any number of consecutive terms.

The board of directors may appoint one Chairman of the Board and one President, as well as one or more Vice Chairmen of the Board and Executive Vice Presidents. The board of directors elects, pursuant to its resolutions, one or more Representative Directors. Each Representative Director represents Toyota generally in the conduct of its affairs. The board of directors has the ultimate responsibility for the administration of Toyota's affairs. None of Toyota's directors is party to a service contract with Toyota or any of its subsidiaries that provides for benefits upon termination of employment.

Under the Corporation Act and Toyota's articles of incorporation, Toyota may, by a resolution of its board of directors, exempt Directors (including former Directors) from their liabilities to Toyota arising in connection with their failure to execute their duties within the limits stipulated by laws and regulations.

**Table of Contents**

Under the Corporation Act, Toyota must have at least three corporate auditors. At least half of the corporate auditors are required to be persons who have not been a Director, accounting counselor (or if an accounting counselor is a judicial person, a member of such judicial person who is in charge of its affairs), executive officer, general manager or employee of Toyota or any of its subsidiaries at any time during the past. The corporate auditors may not at the same time be directors, accounting counselor (in case that an accounting counselor is a judicial person, a member of such judicial person who is in charge of its affairs), executive officers, general managers or employees of Toyota or any of its subsidiaries. Together, these corporate auditors form a board of corporate auditors. The corporate auditors have the duty to examine the financial statements and business reports which are submitted by the board of directors to the general shareholders' meeting. The corporate auditors also monitor the administration of Toyota's affairs by the directors. Corporate auditors are not required to be, and Toyota's corporate auditors are not, certified public accountants. They are required to participate in meetings of the board of directors but are not entitled to vote.

Under the Corporation Act and Toyota's articles of incorporation, Toyota may, by a resolution of its board of directors, exempt corporate auditors (including former corporate auditors) from their liabilities to Toyota arising in connection with their failure to execute their duties within the limits stipulated by laws and regulations. In addition, Toyota may enter into a liability limitation agreement with each outside corporate auditor which limits the maximum amount of their liabilities owed to Toyota arising in connection with their failure to execute their duties to an amount equal to the minimum liability limit amount prescribed in the laws and regulations.

Toyota does not have a remuneration committee.

**6.D EMPLOYEES**

The total number of Toyota employees, on a consolidated basis, as reported in Toyota's annual Japanese securities report filed with the Director of the Kanto Local Finance Bureau was 325,905 at March 31, 2012, 317,716 at March 31, 2011 and 320,590 at March 31, 2010. The following tables set forth a breakdown of persons employed by business segment and by geographic location at March 31, 2012.

Segment	Number of Employees	Location	Number of Employees
Automotive	286,167	Japan	197,169
Financial services	8,519	North America	38,477
All other	26,685	Europe	19,092
Unallocated	4,534	Asia	47,810
		Other*	23,357
Total company	325,905	Total company	325,905

\* Other consists of Central and South America, Oceania and Africa.

Most regular employees of Toyota Motor Corporation and its consolidated subsidiaries in Japan, other than management, are required to become members of the labor unions that comprise the Federation of All Toyota Workers' Unions. Approximately 87% of Toyota Motor Corporation's regular employees in Japan are members of this union.

In Japan, basic wages and other working conditions are negotiated annually. In addition, in accordance with Japanese national custom, each employee is also paid a semi-annual bonus. Bonuses are negotiated at the time of wage negotiations and are based on Toyota's financial results, prospects and other factors. The average wage increases per employee, excluding bonuses, in Japan have been approximately 2.1% per year for the past five fiscal years.

## **Table of Contents**

In general, Toyota considers its labor relations with all of its workers to be good. However, Toyota is currently a party to, and otherwise from time to time experiences, labor disputes in some of the countries in which it operates. Toyota does not expect any disputes to which it is currently a party to materially affect Toyota's consolidated financial position.

Toyota's average number of temporary employees on a consolidated basis was 75,757 during fiscal 2012.

### **6.E SHARE OWNERSHIP**

For information on the number of shares of Toyota's common stock held by each director and corporate auditor as of June 2012, see [Directors and Senior Management](#). Each such director and corporate auditor owns less than one percent of the issued and outstanding shares of common stock of Toyota. The shares held by each director and corporate auditor do not include options that are exercisable for shares of Toyota's common stock. For a description of these options, see [Stock Options](#) below.

None of Toyota's shares of common stock entitles the holder to any preferential voting rights.

#### **Stock Options**

Toyota enacted stock option plans every year from 2006 until 2010. Toyota will not enact any such plan after 2011. The plans for which stock options or stock acquisition rights are currently exercisable or will become exercisable in the future were approved by Toyota's shareholders in June of 2006, 2007, 2008, 2009 and 2010. Under the 2006 plan, Toyota issued stock acquisition rights to purchase 3,176,000 shares of common stock to its directors and 580 officers and employees, including directors, officers and employees of its subsidiaries and one Toyota affiliate. Under the 2007 plan, Toyota issued stock acquisition rights to purchase 3,264,000 shares of common stock to its directors and 579 officers and employees, including directors, officers and employees of its subsidiaries and one Toyota affiliate. Under the 2008 plan, Toyota issued stock acquisition rights to purchase 3,494,000 shares of common stock to its directors and 597 officers and employees, including directors, officers and employees of its subsidiaries and one Toyota affiliate. Under the 2009 plan, Toyota issued stock acquisition rights to purchase 3,492,000 shares of common stock to its directors and 615 officers and employees, including directors, officers and employees of its subsidiaries and one Toyota affiliate. Under the 2010 plan, Toyota issued stock acquisition rights to purchase 3,600,000 shares of common stock to its directors and officers and employees, including directors, officers and employees of its subsidiaries and one Toyota affiliate.

Pursuant to the provisions of the 2006, 2007, 2008, 2009 and 2010 plans, stock acquisition rights may be exercised during a six-year period that starts two years from the date of grant. The exercise price of each stock acquisition right is 1.025 times the closing price of Toyota's common stock on the Tokyo Stock Exchange on the date of grant. The 2006, 2007, 2008, 2009 and 2010 plans provide that each director will be granted no more than 400 and no less than 300 stock acquisition rights, and each eligible officer or employee will be granted no more than 200 and no less than 20 stock acquisition rights. For each of the 2006, 2007, 2008, 2009 and 2010 plans, 100 shares will be issued or delivered upon the exercise of each stock acquisition right. The options are granted as of early August of each year for each plan.

An option holder who retires while one's options are still exercisable retains the right to exercise one's options until the expiration of the exercise period described above. However, an option holder's right to purchase common stock under each plan lapses automatically upon one's death or upon taking position such as in the management with a competitor.



**Table of Contents**

The following table summarizes information for options and the incentive plan outstanding and exercisable at March 31, 2012:

Exercise price range (Yen)	Number of shares	Outstanding		Weighted- average remaining life (Years)	Number of shares	Exercisable	
		Weighted- average exercise price (Yen)	Weighted- average exercise price (U.S. dollars)			Weighted- average exercise price (Yen)	Weighted- average exercise price (U.S. dollars)
¥3,183 - 6,000	8,526,000	¥ 4,038	\$ 49	5.34	5,774,000	¥ 4,445	\$ 54
6,001 - 7,278	4,004,000	6,766	82	2.88	4,004,000	6,766	82

Toyota also has an employee stock ownership association in Japan for employees and full time and part time company advisors. Members of the employee stock ownership association set aside certain amounts from their monthly salary and bonuses to purchase Toyota's common stock through the employee stock ownership association. As of March 31, 2012, the employee stock ownership association held 17,494,728 shares of Toyota's common stock.

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****7.A MAJOR SHAREHOLDERS**

As of March 31, 2012, 3,447,997,492 shares of Toyota's common stock were issued, out of which, 281,187,739 shares were treasury stock and 3,166,809,753 shares were outstanding. Beneficial ownership of Toyota's common stock in the table below was prepared from information known to Toyota or that could be ascertained from public filings, including filings made by Toyota's shareholders regarding their ownership of Toyota's common stock under the Financial Instruments and Exchange Law of Japan.

Under the Financial Instruments and Exchange Law, any person who becomes, beneficially and solely or jointly, a holder, including, but not limited to, a deemed holder who manages shares for another holder pursuant to a discretionary investment agreement, of more than 5% of the total issued shares of a company listed on a Japanese stock exchange (including ADSs representing such shares) must file a report concerning the shareholding with the Director of the relevant local finance bureau. A similar report must be filed, with certain exceptions, if the percentage of shares held by a holder, solely or jointly, of more than 5% of the total issued shares of a company increases or decreases by 1% or more, or if any change to a material matter set forth in any previously filed reports occurs.

Based on information known to Toyota or can be ascertained from public filings, the following table sets forth the beneficial ownership of holders of more than 5% of Toyota's common stock as of the most recent practicable date.

Name of Beneficial Owner	Number of Shares (in thousands)	Percentage of Shares Issued
Toyota Industries Corporation	218,515	6.34

According to The Bank of New York Mellon, depository for Toyota's ADSs, as of March 31, 2012, 81,289,063 shares of Toyota's common stock were held in the form of ADRs and there were 2,213 ADR holders of record in the United States. According to Toyota's register of shareholders, as of March 31, 2012, there were 668,186 holders of common stock of record worldwide. As of March 31, 2012, there were 219 record holders of Toyota's common stock with addresses in the United States, whose shareholdings represented approximately 12.7% of the issued common stock on that date. Because some of these shares were held by brokers or other nominees, the number of record holders with addresses in the United States might not fully show the number of beneficial owners in the United States.

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## **Table of Contents**

None of Toyota's shares of common stock entitles the holder to any preferential voting rights.

To the extent known to Toyota, Toyota is not owned or controlled, directly or indirectly, by another corporation, any foreign government or any natural or legal person.

Toyota knows of no arrangements the operation of which may at a later time result in a change of control.

## **7.B RELATED PARTY TRANSACTIONS**

### **Business Relationships**

Toyota purchases materials, supplies and services from numerous suppliers throughout the world in the ordinary course of business, including Toyota's equity-method affiliates and those firms with which certain members of Toyota's board of directors are affiliated. Toyota purchased materials, supplies and services from these affiliated entities in the amount of ¥3,785.2 billion in fiscal 2012. Toyota also sells its products and services to Toyota's equity-method affiliates and firms with which certain members of Toyota's board of directors are affiliated. Toyota sold products and services to these affiliated entities in the amount of ¥1,536.3 billion in fiscal 2012. Toyota believes all of these purchase and sale transactions were arm's-length transactions. See note 12 of Toyota's consolidated financial statements for additional information regarding Toyota's investments in and transactions with affiliated companies.

### **Loans**

Toyota regularly has trade accounts and other receivables by, and accounts payable to, Toyota's equity-method affiliates and firms with which certain members of Toyota's board of directors are affiliated. Toyota had outstanding trade accounts and other receivables by these affiliated entities in the amount of ¥283.4 billion as of March 31, 2012. Toyota had outstanding trade accounts and other payables to these affiliated entities in the amount of ¥707.9 billion as of March 31, 2012.

Toyota, from time to time, provides short- to medium-term loans to its affiliates, as well as loans under a loan program established by certain subsidiaries to assist their executives and directors with the purchase of homes. As of March 31, 2012, an aggregate amount of ¥8.0 billion in loans was outstanding to its equity-method affiliates. As of March 31, 2012, an aggregate amount of ¥30.0 billion in loans was outstanding to those of its affiliates not accounted for under the equity method, which are 20% to 50% owned by Toyota. As of March 31, 2012, the largest loan outstanding to any such equity-method affiliate was a loan of ¥7.8 billion at a fixed rate. Toyota believes that each of these loans was entered into in the ordinary course of business.

## **7.C INTERESTS OF EXPERTS AND COUNSEL**

Not applicable.

## **ITEM 8. FINANCIAL INFORMATION**

### **8.A CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION**

1-3. Consolidated Financial Statements. Toyota's audited consolidated financial statements are included under Item 18 Financial Statements. Except for Toyota's consolidated financial statements included under Item 18, no other information in this annual report has been audited by Toyota's auditors.

4. Not applicable.

5. Not applicable.

6. Export Sales. See Operating and Financial Review and Prospects Operating Results Overview Geographic Breakdown .

**Table of Contents**

7. Legal and Arbitration Proceedings. See Information on the Company Business Overview Legal Proceedings .

8. Dividend Policy. See Key Information Selected Financial Data Dividend Information .

**8.B SIGNIFICANT CHANGES**

Except as disclosed in this annual report, there have been no significant changes since the date of Toyota's latest annual financial statements.

**ITEM 9. THE OFFER AND LISTING****9.A LISTING DETAILS**

The following table sets forth for the periods shown the reported high and low sales prices of the common stock on the Tokyo Stock Exchange and the ADSs on the New York Stock Exchange.

	Tokyo Stock Exchange Price per Share		New York Stock Exchange Price per ADS	
	High	Low	High	Low
<b>Fiscal Year Ended March 31,</b>				
2008	¥ 7,850	¥ 4,830	\$ 128.12	\$ 96.91
2009	5,670	2,650	106.74	57.68
2010	4,200	3,270	91.78	67.90
2011	3,955	2,800	93.90	67.56
2012	3,635	2,330	87.15	60.37
<b>Financial Quarter Ended:</b>				
June 30, 2010	3,830	3,030	81.65	68.05
September 30, 2010	3,280	2,806	74.67	67.56
December 31, 2010	3,340	2,800	79.81	69.33
March 31, 2011	3,955	2,830	93.90	77.36
June 30, 2011	3,425	3,095	84.00	75.85
September 30, 2011	3,480	2,562	85.49	66.34
December 31, 2011	2,710	2,330	69.81	60.37
March 31, 2012	3,635	2,553	87.15	67.27
<b>Month Ended:</b>				
December 31, 2011	2,690	2,472	68.66	63.27
January 31, 2012	2,906	2,553	74.88	67.27
February 29, 2012	3,460	2,784	84.90	74.91
March 31, 2012	3,635	3,220	87.15	79.70
April 30, 2012	3,640	3,225	86.98	78.91
May 31, 2012	3,280	2,990	81.60	75.74

**9.B PLAN OF DISTRIBUTION**

Not applicable.

**9.C MARKETS**

The primary trading market for Toyota's common stock is the Tokyo Stock Exchange. The common stock is also listed on the Nagoya Stock Exchange and three other regional stock exchanges in Japan.

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**Table of Contents**

Since September 29, 1999, American Depositary Shares, each equal to two shares of Toyota's common stock and evidenced by American Depositary Receipts, have been traded and listed on the New York Stock Exchange through a sponsored ADR facility operated by The Bank of New York Mellon, as depository. Prior to that time, Toyota's ADSs were listed on the Nasdaq SmallCap Market through five unsponsored ADR facilities.

Toyota's common stock is also listed on the London Stock Exchange.

**9.D SELLING SHAREHOLDERS**

Not applicable.

**9.E DILUTION**

Not applicable.

**9.F EXPENSES OF THE ISSUE**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**10.A SHARE CAPITAL**

Not applicable.

**10.B MEMORANDUM AND ARTICLES OF ASSOCIATION**

Except as otherwise stated, set forth below is information relating to Toyota's common stock, including brief summaries of the relevant provisions of Toyota's articles of incorporation and share handling regulations, as currently in effect, and of the Corporation Act, Act Concerning Book-Entry Transfer of Corporate Bonds, Shares and Other Securities (the Book-Entry Transfer Act) and related legislation.

**General**

Toyota's authorized number of shares as of March 31, 2012 was 10,000,000,000 shares, of which 3,447,997,492 shares were issued. Toyota does not issue share certificates for its shares. In accordance with the Corporation Act, the Book-Entry Transfer Act and Toyota's articles of incorporation, Toyota's shares are recorded or registered on (i) Toyota's register of shareholders and (ii) transfer account books of the Japan Securities Depository Center, Inc. ( JASDEC ) which is a book-entry transfer institution and securities firms, banks or other account management institutions. The transfer of shares will generally become effective once the transfer is recorded in the transferee's account. In order to assert shareholders' rights against Toyota, a shareholder must generally have his or her name and address recorded or registered on Toyota's register of shareholders. A shareholder can assert minority shareholders' rights (shareholders' rights for which Toyota has not set a record date) against Toyota if JASDEC provides an individual shareholder notice to Toyota upon the shareholder's request. The shareholder of deposited shares underlying the ADSs is the depository for the ADSs. Accordingly, holders of ADSs will not be able directly to assert shareholders' rights.

A shareholder must have a transfer account to transfer shares. Shareholders who do not have a transfer account with JASDEC must have an account with an account management institution that directly or indirectly has a transfer account with JASDEC. Once Toyota decides on the record date for its shareholders' meeting or makes a request to JASDEC based on justifiable grounds, JASDEC will promptly provide to Toyota names, addresses and other information with respect to Toyota's shareholders who are recorded on the transfer account books of JASDEC or account management institutions. Upon receiving such information, Toyota will record or register such information received from JASDEC on its register of shareholders. Accordingly, holders of shares recorded or registered on Toyota's register of shareholders will be treated as shareholders of Toyota and may

## **Table of Contents**

exercise rights, such as voting rights, and will receive dividends (if any) and notices to shareholders directly from Toyota. Shareholders wishing to assert minority shareholders' rights against Toyota must request an individual shareholder notice to JASDEC or the account management institution at which the shareholder has opened a transfer account. In response to such request, JASDEC will provide the individual shareholders notice to Toyota. The shareholder may assert his or her minority shareholders' rights against Toyota for a period of four weeks after the date the individual shareholder notice is provided to Toyota. The shares held by a person who is deemed to hold additional shares according to the transfer account books are aggregated for these purposes.

### **Corporate Purpose**

Article 2 of Toyota's articles of incorporation states that its purpose is to engage in the following businesses:

the manufacture, sale, leasing and repair of:

motor vehicles, industrial vehicles, ships, aircraft, other transportation machinery and apparatus, spacecraft and space machinery and apparatus, and parts thereof;

industrial machinery and apparatus, other general machinery and apparatus, and parts thereof;

electrical machinery and apparatus, and parts thereof; and

measuring machinery and apparatus, medical machinery and apparatus, and parts thereof;

the manufacture and sale of ceramics and products of synthetic resins, and materials thereof;

the manufacture, sale and repair of construction materials and equipment, furnishings and fixtures for residential buildings;

the planning, designing, supervision, execution and undertaking of construction works, civil engineering works, land development, urban development and regional development;

the sale, purchase, leasing, brokerage and management of real estate;

the service of information processing, information communications and information supply and the development, sale and leasing of software;

the design and development of product sales systems that utilize networks such as the Internet;

the sale, leasing and maintenance of computers included within such systems, and sale of products by utilizing such systems;

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the inland transportation, marine transportation, air transportation, stevedoring, warehousing and tourism businesses;

the printing, publishing, advertising and publicity, general leasing, security and workers dispatch businesses;

the credit card operations, purchase and sale of securities, investment consulting, investment trust operation, and other financial services;

the operation and management of such facilities as parking lots, showrooms, educational facilities, medical care facilities, sports facilities, marinas, airfields, food and drink stands and restaurants, lodging facilities, retail stores and others;

the non-life insurance agency business and the life insurance agency business;

the production and processing by using biotechnology of agricultural products including trees, and the sale of such products;

the sale of goods related to each of the preceding items and mineral oil; and

the conducting of engineering, consulting, invention and research relating to each of the preceding items and the utilization of such invention and research, and any businesses incidental to or related to any of the preceding items.

## **Table of Contents**

### **Dividends**

#### **Dividends General**

Toyota normally pays dividends twice per year, including an interim dividend and a year-end dividend. Although Toyota's articles of incorporation provide that retained earnings can be distributed as dividends pursuant to the resolution of its board of directors, Toyota's board of directors recommends the payment of year-end dividends to shareholders and pledgees of record as of March 31 in each year. Year-end dividends are usually paid to the shareholders immediately following approval of the dividends at the general shareholders' meeting, normally around the end of June of each year. In addition to these year-end dividends, Toyota may pay interim dividends in the form of cash distributions from its distributable surplus to shareholders and pledgees of record as of September 30 in each year by resolution of its board of directors. Toyota normally pays the interim dividend in late November.

In addition, under the Corporation Act, dividends may be paid to shareholders and pledgees of record as of any record date, other than those specified above, as set forth by Toyota's articles of incorporation or as determined by its board of directors from time to time. Toyota's articles of incorporation also permit Toyota to pay dividends, in addition to interim dividends mentioned in the preceding paragraph, by a resolution of its board of directors. Toyota has incorporated such a provision into its articles of incorporation in order to enable a flexible capital policy. Under the Corporation Act, dividends may be distributed in cash or (except in the case of interim dividends mentioned in the preceding paragraph) in kind, subject to limitations on distributable surplus and to certain other conditions.

#### **Dividends Distributable amount**

Under the Corporation Act, Toyota is permitted to make distributions of surplus to the extent that the aggregate book value of the assets to be distributed to shareholders does not exceed the distributable amount provided for by the Corporation Act and the ordinance of the Ministry of Justice as at the effective date of such distribution of surplus.

The amount of surplus at any given time shall be the amount of Toyota's assets and the book value of Toyota's treasury stock after subtracting and adding the amounts of the items provided for by the Corporation Act and the ordinance of the Ministry of Justice.

#### **Dividends Prescription**

Under its articles of incorporation, Toyota is not obligated to pay any dividends in cash which are left unclaimed for a period of three years after the date on which they first became payable.

#### **Capital Accounts**

The amount of the cash or assets paid or contributed by subscribers for new shares (with certain exceptions) is required to be accounted for as stated capital, although Toyota may account for an amount not exceeding one-half of such cash or assets as additional paid-in capital.

Under the Corporation Act, Toyota may reduce its additional paid-in capital and legal reserve without limitation on the amount to be reduced, generally, by a resolution of a general shareholders' meeting and if so decided by the same resolution, may account for the whole or any part of the amount of the reduction of additional paid-in capital as stated capital. The whole or any part of surplus which may be distributed as dividends may also be transferred to stated capital by a resolution of a general shareholders' meeting.

#### **Stock Splits**

Toyota may at any time split the outstanding shares into a greater number of shares by a resolution of the board of directors. Toyota must give public notice of the stock split, specifying a record date for the stock split, not less than two weeks prior to the record date.



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## **Table of Contents**

### **Consolidation of Shares**

Toyota may at any time consolidate shares in issue into a smaller number of shares by a special shareholders resolution (as defined in *Voting Rights* ). When a consolidation of shares is to be made, Toyota must give public notice of certain matters two weeks prior to the effective date of the consolidation. Toyota must disclose the reason for the consolidation of shares at a general shareholders meeting.

### **Japanese Unit Share System**

**General.** Consistent with the requirements of the Corporation Act, Toyota's articles of incorporation provide that 100 shares constitute one unit. Although the number of shares constituting a unit is included in the articles of incorporation, any amendment to the articles of incorporation reducing (but not increasing) the number of shares constituting a unit or eliminating the provisions for the unit of shares may be made by a resolution of the board of directors rather than by a special shareholders resolution, which is otherwise required for amending the articles of incorporation. The number of shares constituting one unit, however, cannot exceed 1,000 shares.

**Voting Rights under the Unit Share System.** Under the unit share system, shareholders have one voting right for each unit of shares that they hold. Any number of shares less than a full unit will carry no voting rights.

**Purchase by Toyota of Shares Constituting Less Than a Unit.** A holder of shares constituting less than a full unit may require Toyota to purchase those shares at their market value in accordance with the provisions of Toyota's share handling regulations.

**Surrender of American Depositary Receipts.** ADR holders will only be permitted to surrender ADRs and withdraw underlying shares constituting an integral number of a whole unit. If a holder surrenders an ADR including ADRs representing shares that do not constitute an integral number of whole units, the depositary will deliver to that holder only those shares which constitute a whole unit. The depositary will then issue to the holder a new ADR representing the remaining shares. Holders of an ADR that represents less than a whole unit of underlying shares will be unable to withdraw the underlying shares. As a result, those holders will be unable to require Toyota to purchase their shares to the extent those shares constitute less than one whole unit.

### **Voting Rights**

Toyota holds its ordinary general shareholders meeting each year. In addition, Toyota may hold an extraordinary general shareholders meeting whenever necessary by giving at least two weeks advance notice. Under the Corporation Act, notice of any shareholders meeting must be given to each shareholder having voting rights or, in the case of a non-resident shareholder, to his or her resident proxy or mailing address in Japan in accordance with Toyota's share handling regulations, at least two weeks prior to the date of the meeting.

A holder of shares constituting one or more whole units is entitled to one vote per unit of shares subject to the limitations on voting rights set forth in this paragraph. In general, under the Corporation Act, a resolution can be adopted at a general shareholders meeting by a majority of the shares having voting rights represented at the meeting. The Corporation Act and Toyota's articles of incorporation require a quorum for the election of directors and corporate auditors of not less than one-third of the total number of outstanding shares having voting rights. Toyota's shareholders are not entitled to cumulative voting in the election of directors. A corporate shareholder, the management of which is substantially under Toyota's control as provided by an ordinance of the Ministry of Justice, either through the holding of voting rights or for any other reason, does not have voting rights.

Shareholders may exercise their voting rights by attending the general shareholders meeting or in writing by mail. Shareholders who choose to exercise their voting rights by mail must fill out and return to Toyota the voting right exercise form enclosed with the convocation notice of the general shareholders meeting by the date specified in such convocation notice. In addition, from the general shareholders meeting for fiscal 2009, shareholders may exercise their voting rights through the internet. Shareholders electing to exercise their voting rights through the internet must log on to the *Website to Exercise Voting Rights* using the login ID and

**Table of Contents**

temporary password provided in the voting right exercise form enclosed with the convocation notice and submit their votes by a date specified in the convocation notice, following instructions appearing on the website. Institutional investors may also use the Electronic Proxy Voting Platform operated by Investor Communications Japan ( ICJ ) to exercise their voting rights through the use of the Internet, if such institutional investor applies to use the platform in advance. Shareholders may also exercise their voting rights through proxies, provided that those proxies are also shareholders who have voting rights. Toyota may refuse a shareholder having two or more proxies attend a general shareholders meeting.

The Corporation Act provides that a quorum of at least one-third of outstanding shares with voting rights must be present at a shareholders meeting to approve any material corporate actions such as:

- (1) any amendment of the articles of incorporation with certain exceptions in which a shareholders resolution is not required;
- (2) acquisition of its own shares from a specific party;
- (3) consolidation of shares;
- (4) any issue or transfer of its shares at a specially favorable price (or any issue of stock acquisition rights or bonds with stock acquisition rights at specially favorable conditions by Toyota) to any persons other than shareholders;
- (5) the removal of a corporate auditor;
- (6) the exemption of liability of a director or corporate auditor with certain exceptions;
- (7) a reduction of stated capital which meets certain requirements with certain exceptions;
- (8) a distribution of in-kind dividends which meets certain requirements;
- (9) dissolution, merger, or consolidation with certain exceptions in which a shareholders resolution is not required;
- (10) the transfer of the whole or a material part of the business;
- (11) the taking over of the entire business of any other corporation with certain exceptions in which a shareholders resolution is not required;
- (12) share exchange or share transfer for the purpose of establishing 100% parent-subsidary relationships with certain exceptions in which a shareholders resolution is not required; or
- (13) company split with certain exceptions in which a shareholders resolution is not required.

At least two-thirds of the shares having voting rights represented at the meeting must approve these actions.

The voting rights of holders of ADSs are exercised by the depositary based on instructions from those holders.

**Rights to be Allotted Shares**

Holders of shares have no preemptive rights under Toyota's articles of incorporation. Under the Corporation Act, the board of directors may, however, determine that shareholders shall be given rights to be allotted shares or stock acquisition rights on request in connection with a particular issue or transfer of shares, or issue of stock acquisition rights, respectively. In this case, such rights must be given on uniform terms to all shareholders as of a specified record date by at least two weeks' prior public notice to shareholders of the record date.

Rights to be allotted shares are nontransferable. However, a shareholder may be allotted stock acquisition rights without consideration thereto, and may transfer such rights.

## **Table of Contents**

### **Liquidation Rights**

In the event of a liquidation of Toyota, the assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among the shareholders in proportion to the respective number of shares they own.

### **Liability to Further Calls or Assessments**

All of Toyota's currently outstanding shares, including shares represented by the ADSs, are fully paid and nonassessable.

### **Transfer Agent**

Mitsubishi UFJ Trust and Banking Corporation is the transfer agent for the shares. Mitsubishi UFJ Trust and Banking Corporation's office is located at 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-8212 Japan. Mitsubishi UFJ Trust and Banking Corporation maintains Toyota's register of shareholders and records transfers of record ownership upon receiving notification from JASDEC.

### **Record Date**

The close of business on March 31 is the record date for Toyota's year-end dividends, if paid. A holder of shares constituting one or more whole units who is recorded or registered as a holder on Toyota's register at the close of business as of March 31 is also entitled to exercise shareholders' voting rights at the ordinary general shareholders' meeting with respect to the business year ending on March 31. The close of business on September 30 of each year is the record date for interim dividends, if paid. In addition, Toyota may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks' prior public notice.

The shares generally trade ex-dividend or ex-rights in the Japanese stock exchanges on the second business day before a record date (or if the record date is not a business day, the third business day prior thereto), for the purpose of dividends or rights offerings.

### **Acquisition by Toyota of Shares**

Toyota may acquire its own shares (i) through a stock exchange on which such shares are listed or by way of tender offer (pursuant to an ordinary resolution of a general shareholders' meeting or a resolution of the board of directors), (ii) by purchase from a specific party (pursuant to a special resolution of a general shareholders' meeting) or (iii) from a subsidiary of Toyota (pursuant to a resolution of the board of directors). When such acquisition is made by Toyota from a specific party other than a subsidiary of Toyota, any other shareholder may make a demand to a representative director, more than five calendar days prior to the relevant shareholders' meeting, that Toyota also purchase the shares held by such shareholder. However, the acquisition of its own shares at a price not exceeding the market price to be provided under an ordinance of the Ministry of Justice will not trigger the right of any shareholder to include him/her as the seller of his/her shares in such proposed purchase.

Any such acquisition of shares must satisfy certain requirements that the total amount of the acquisition price may not exceed the amount of the distributable dividends. See "Dividends".

Shares acquired by Toyota may be held by it for any period or may be cancelled by resolution of the board of directors. Toyota may also transfer to any person the shares held by it, subject to a resolution of the board of directors, and subject also to other requirements applicable to the issuance of new shares. Toyota may also utilize its treasury stock for the purpose of transfer to any person upon exercise of stock acquisition rights or for the purpose of acquiring another company by way of merger, share exchange or corporate split through exchange of treasury stock for shares or assets of the acquired company.

The Corporation Act generally prohibits any subsidiary of Toyota from acquiring shares of Toyota.

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## **Table of Contents**

### **Acquisition or Disposition of Shares or ADS**

Under the Foreign Exchange and Foreign Trade Law and the cabinet orders and ministerial ordinances thereunder (collectively, the Foreign Exchange Regulations ), all aspects of regulations on foreign exchange and foreign trade transactions are, with minor exceptions (which are not generally applicable to the purchase and sale of Toyota's shares), only subject to post transaction reporting requirements. Acquisitions and dispositions of shares of common stock or ADS by non-residents of Japan (including foreign corporations not resident in Japan) are generally not subject to this reporting requirement. However, the Minister of Finance has the power to impose a licensing requirement for transactions in limited circumstances.

### **Report of Substantial Shareholdings**

The Financial Instruments and Exchange Law of Japan and regulations under the Law require any person who has become a holder (together with its related persons) of more than 5% of the total issued shares of a company listed on any Japanese stock exchange (including ADSs representing such shares) to file with the Director of a competent Local Finance Bureau, within five business days, a report concerning those shareholdings. A similar report must also be filed to reflect any change of 1% or more in any shareholding or any change in material matters set out in reports previously filed. Any such report shall be filed with the Director of a competent Local Finance Bureau through the Electronic Disclosure for Investor's Network ( EDINET ) system. Copies of any report must also be furnished to the company. For this purpose, shares issuable to a shareholder upon exercise of stock acquisition rights are taken into account in determining both the number of shares held by that stock acquisition rights holder and the company's total issued shares.

### **10.C MATERIAL CONTRACTS**

All contracts concluded by Toyota during the two years preceding this filing were entered into in the ordinary course of business.

### **10.D EXCHANGE CONTROLS**

The Foreign Exchange Regulations govern the acquisition and holding of shares of capital stock of Toyota by exchange non-residents and by foreign investors . The Foreign Exchange Regulations currently in effect do not, however, affect transactions between exchange non-residents to purchase or sell shares outside Japan using currencies other than Japanese yen.

Exchange non-residents are:

individuals who do not reside in Japan; and

corporations whose principal offices are located outside Japan.

Generally, branches and other offices of non-resident corporations that are located within Japan are regarded as residents of Japan. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

Foreign investors are:

individuals who are exchange non-residents;

corporations or other organizations that are organized under the laws of foreign countries or whose principal offices are located outside of Japan; and

corporations (1) of which 50% or more of their voting rights are held directly or indirectly by individuals who are exchange non-residents and/or corporations or other organizations (a) that are organized under the laws of foreign countries or (b) whose

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principal offices are located outside of Japan or (2) a majority of whose officers, or officers having the power of representation, are individuals who are exchange non-residents.

**Table of Contents**

In general, the acquisition of shares of a Japanese company (such as the shares of capital stock of Toyota) by an exchange non-resident from a resident of Japan is not subject to any prior filing requirements. In certain limited circumstances, however, the Minister of Finance may require prior approval of an acquisition of this type. While prior approval, as described above, is not required, in the case where a resident of Japan transfers shares of a Japanese company (such as the shares of capital stock of Toyota) for consideration exceeding ¥100 million to an exchange non-resident, the resident of Japan who transfers the shares is required to report the transfer to the Minister of Finance within 20 days from the date of the transfer or the date of receipt of payment, whichever comes later, unless the transfer was made through a bank, securities company or financial futures trader licensed under Japanese law.

If a foreign investor acquires shares of a Japanese company that is listed on a Japanese stock exchange (such as the shares of capital stock of Toyota) and, as a result of the acquisition, the foreign investor, in combination with any existing holdings, directly or indirectly holds 10% or more of the issued shares of the relevant company, the foreign investor, with certain exceptions, must file a report of the acquisition with the Minister of Finance and any other competent Ministers having jurisdiction over that Japanese company by the 15th day of the month following the month in which the date of the acquisition falls. In limited circumstances, such as where the foreign investor is in a country that is not listed on an exemption schedule in the Foreign Exchange Regulations, a prior notification of the acquisition must be filed with the Minister of Finance and any other competent Ministers, who may then modify or prohibit the proposed acquisition.

Under the Foreign Exchange Regulations, dividends paid on, and the proceeds of sales in Japan of, shares held by non-residents of Japan may in general be converted into any foreign currency and repatriated abroad. Under the terms of the deposit agreement pursuant to which Toyota's ADSs are issued, the Depositary is required, to the extent that in its judgment it can convert yen on a reasonable basis into dollars and transfer the resulting dollars to the United States, to convert all cash dividends that it receives in respect of deposited shares into dollars and to distribute the amount received (after deduction of applicable withholding taxes) to the holders of ADSs.

**10.E TAXATION**

The following discussion is a general summary of the principal U.S. federal income and Japanese national tax consequences of the acquisition, ownership and disposition of shares of common stock or ADSs. This summary does not purport to address all material tax consequences that may be relevant to holders of shares of common stock or ADSs, and does not take into account the specific circumstances of any particular investors, some of which (such as tax-exempt entities, banks, insurance companies, broker-dealers, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, regulated investment companies, real estate investment trusts, partnerships and other pass-through entities, investors liable for the U.S. alternative minimum tax, investors that own or are treated as owning 10% or more of Toyota's voting stock, investors that hold shares of common stock or ADSs as part of a straddle, hedge, conversion transaction or other integrated transaction and U.S. Holders (as defined below) whose functional currency is not the U.S. dollar) may be subject to special tax rules. This summary is based on the tax laws and regulations of the United States and Japan, judicial decisions, published rulings and administrative pronouncements all as in effect on the date hereof, as well as on the current income tax convention between the United States and Japan (the Treaty), as described below, all of which are subject to change (possibly with retroactive effect), and to differing interpretations.

For purposes of this discussion, a U.S. Holder is any beneficial owner of shares of common stock or ADSs that, for U.S. federal income tax purposes, is:

1. an individual who is a citizen or resident of the United States,
2. a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States, any state thereof, or the District of Columbia,

**Table of Contents**

3. an estate the income of which is subject to U.S. federal income tax without regard to its source, or
4. a trust that is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons, or that has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

An Eligible U.S. Holder is a U.S. Holder that:

1. is a resident of the United States for purposes of the Treaty,
2. does not maintain a permanent establishment in Japan (a) with which the shares of common stock or ADSs are effectively connected and through which the U.S. holder carries on or has carried on business, or (b) of which the shares of common stock or ADSs form part of the business property, and
3. is eligible for benefits under the Treaty with respect to income and gain derived in connection with the shares of common stock or ADSs.

This summary does not address any aspects of U.S. federal tax law other than income taxation, and does not discuss any aspects of Japanese tax law other than such income taxation, as limited to national taxes, inheritance and gift taxation. This summary also does not cover any state or local, or non-U.S., non-Japanese tax considerations. Investors are urged to consult their tax advisors regarding the U.S. federal, state and local and Japanese and other tax consequences of acquiring, owning and disposing of shares of common stock or ADSs. In particular, where relevant, investors are urged to confirm their status as Eligible U.S. Holders with their tax advisors and to discuss with their tax advisors any possible consequences of their failure to qualify as Eligible U.S. Holders. In addition, this summary is based in part upon the representations of the depositary and the assumption that each obligation in the deposit agreement, and in any related agreement, will be performed in accordance with its terms.

In general, for purposes of the Treaty and for U.S. federal income and Japanese income tax purposes, owners of ADRs evidencing ADSs will be treated as the owners of the shares of common stock represented by those ADSs, and exchanges of shares of common stock for ADSs, and exchanges of ADSs for shares of common stock, will not be subject to U.S. federal income or Japanese income tax.

*The discussion below is intended for general information only and does not constitute a complete analysis of all tax consequences relating to ownership of shares of common stock or ADSs. Prospective purchasers of shares of common stock or ADSs should consult their own tax advisors concerning the tax consequences of their particular situations.*

**Japanese Taxation**

The following is a summary of the principal Japanese tax consequences (limited to national taxes) to non-residents of Japan or non-Japanese corporations without permanent establishments in Japan ( non-resident Holders ) who are holders of shares of common stock or of ADSs. The following information regarding taxation in Japan is based on the tax treaties and tax laws in force and their interpretation by Japan's tax authorities as of the date of this annual report. Tax laws and treaties and their interpretations may change (including with retroactive effect). Toyota will not revise this summary on the basis of any such change occurring after the date of this annual report.

Generally, non-resident Holders are subject to Japanese withholding tax on dividends paid by Japanese corporations. Stock splits are, in general, not a taxable event.

In the absence of an applicable tax treaty, convention or agreement reducing the maximum rate of Japanese withholding tax or allowing exemption from Japanese withholding tax, the rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to non-resident Holders is generally 20 percent (20.42 percent, on or after January 1, 2013), provided, with respect to dividends paid on listed shares issued by a



**Table of Contents**

Japanese corporation (such as the shares of common stock or ADSs of Toyota) to non-resident Holders, other than any individual shareholder who holds 3 percent or more of the total issued shares issued by the relevant Japanese corporation, the aforementioned 20 percent (20.42 percent, on or after January 1, 2013) withholding tax rate is reduced to (i) 7 percent for dividends due and payable on or before December 31, 2012, (ii) 7.147 percent for dividends due and payable on or after January 1, 2013 but on or before December 31, 2013 and (iii) 15.315 percent for dividends due and payable on or after January 1, 2014. Due to the imposition of a special additional withholding tax (2.1 percent of the original withholding tax amount) to secure funds for reconstruction from the Great East Japan Earthquake, the original withholding tax rate of 7 percent, 15 percent and 20 percent, as applicable, will be effectively increased, respectively, to 7.147 percent, 15.315 percent and 20.42 percent, during the period beginning on January 1, 2013 and ending on December 31, 2037.

At the date of this annual report, Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, in most cases to 15 percent or 10 percent for portfolio investors (15 percent under the income tax treaties with, among other countries, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore, Spain and Sweden, and 10 percent under the income tax treaties with, among other countries, Australia, France, Hong Kong, the Netherlands, Switzerland, the U.K. and the United States.)

Under the Treaty, the maximum rate of Japanese withholding tax which may be imposed on dividends paid by a Japanese corporation to an Eligible U.S. Holder that is a portfolio investor is generally reduced to 10 percent of the gross amount actually distributed, and dividends paid by a Japanese corporation to an Eligible U.S. Holder that is a pension fund are exempt from Japanese income tax by way of withholding or otherwise unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension fund.

If the maximum tax rate provided for in the income tax treaty applicable to dividends paid by Toyota to any particular non-resident Holder is lower than the withholding tax rate otherwise applicable under Japanese tax law or if any particular non-resident Holder is exempt from Japanese income tax with respect to such dividends under the income tax treaty applicable to such particular non-resident Holder, such non-resident Holder who is entitled to a reduced rate of or exemption from Japanese withholding tax on payment of dividends on shares of common stock by Toyota is required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax on Dividends (together with any other required forms and documents) in advance through the withholding agent to the relevant tax authority before the payment of dividends. A standing proxy for non-resident Holders of a Japanese corporation may provide this application service. With respect to ADSs, this reduced rate or exemption is applicable if the Depositary or its agent submits, together with other documents, two Application Forms (one before payment of dividends, the other within eight months after the recording date concerning such payment of dividends) to the Japanese tax authority. To claim this reduced rate or exemption, any relevant non-resident Holder of ADSs will be required to file a proof of taxpayer status, residence and beneficial ownership (as applicable) and to provide other information or documents as may be required by the Depositary. A non-resident Holder who is entitled, under an applicable income tax treaty, to a reduced treaty rate lower than the withholding tax rate otherwise applicable under Japanese tax law or an exemption from the withholding tax, but failed to submit the required application in advance, will be entitled to claim the refund of withholding taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident Holder is entitled to a reduced treaty rate under the applicable income tax treaty) or the whole of the withholding tax withheld (if such non-resident Holder is entitled to an exemption under the applicable income tax treaty) by complying with a certain subsequent filing procedure. Toyota does not assume any responsibility to ensure withholding at the reduced rate, or exemption therefrom, for non-resident Holders who would be so eligible under an applicable tax treaty but where the required procedures as stated above are not followed.

Gains derived from the sale of shares of common stock or ADSs outside Japan by a non-resident Holder holding such shares of common stock or ADSs as portfolio investors are, in general, not subject to Japanese income tax or corporation tax under Japanese law. Eligible U.S. Holders are not subject to Japanese income or corporation tax with respect to such gains under the Treaty so long as filings required under Japanese law are made.

## **Table of Contents**

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired from another individual shares of common stock or ADSs as a legatee, heir or donee even though neither the individual nor the deceased nor donor is a Japanese resident.

Holders of shares of common stock or ADSs should consult their tax advisors regarding the effect of these taxes and, in the case of U.S. Holders, the possible application of the Estate and Gift Tax Treaty between the U.S. and Japan.

### **U.S. Federal Income Taxation**

#### ***U.S. Holders***

The following discussion is a summary of the principal U.S. federal income tax consequences to U.S. Holders that hold those shares of common stock or ADSs as capital assets (generally, for investment purposes).

#### ***Taxation of Dividends***

Subject to the passive foreign investment company ( PFIC ) rules discussed below, the gross amount of any distribution made by Toyota in respect of shares of common stock or ADSs (without reduction for Japanese withholding taxes) will constitute a taxable dividend to the extent paid out of current or accumulated earnings and profits, as determined under U.S. federal income tax principles. The U.S. dollar amount of such a dividend generally will be included in the gross income of a U.S. Holder, as ordinary income, when actually or constructively received by the U.S. Holder, in the case of shares of common stock, or by the depository, in the case of ADSs. Dividends paid by Toyota will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

Under current law, dividends received on shares and ADSs of certain foreign corporations in taxable years beginning before January 1, 2013 by non-corporate U.S. investors may be subject to U.S. federal income tax at lower rates than other types of ordinary income if certain conditions are met. Dividends received by non-corporate U.S. Holders with respect to shares of common stock or ADSs of Toyota are expected to be eligible for these reduced rates of tax. U.S. Holders should consult their own tax advisors regarding the eligibility of such dividends for a reduced rate of tax.

The U.S. dollar amount of a dividend paid in Japanese yen will be determined based on the Japanese yen/U.S. dollar exchange rate in effect on the date that the dividend is included in the gross income of the U.S. Holder, regardless of whether the payment is converted into U.S. dollars on that date. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is included in the gross income of a U.S. Holder through the date that payment is converted into U.S. dollars (or otherwise disposed of) will be treated as U.S. source ordinary income or loss. U.S. Holders should consult their own tax advisors regarding the calculation and U.S. federal income tax treatment of foreign currency gain or loss.

To the extent, if any, that the amount of any distribution received by a U.S. Holder in respect of shares of common stock or ADSs exceeds Toyota's current and accumulated earnings and profits, as determined under U.S. federal income tax principles, the distribution first will be treated as a tax-free return of capital to the extent of the U.S. Holder's adjusted tax basis in those shares or ADSs, and thereafter will be treated as U.S. source capital gain.

Distributions of additional shares of common stock that are made to U.S. Holders with respect to their shares of common stock or ADSs, and that are part of a pro rata distribution to all of Toyota's shareholders, generally will not be subject to U.S. federal income tax.

For U.S. foreign tax credit purposes, dividends included in gross income by a U.S. Holder in respect of shares of common stock or ADSs will constitute income from sources outside the United States, and will

**Table of Contents**

generally be passive category income or, in the case of certain U.S. Holders, general category income. Subject to generally applicable limitations under U.S. federal income tax law and the Treaty, any Japanese withholding tax imposed in respect of a Toyota dividend may be claimed as a credit against the U.S. federal income tax liability of a U.S. Holder, or alternatively as a deduction in the computation of such U.S. Holder's taxable income, if the U.S. Holder does not elect to claim a credit for any foreign taxes paid or accrued for the taxable year. Special rules generally will apply to the calculation of foreign tax credits in respect of dividend income that qualifies for preferential U.S. federal income tax rates. Additionally, special rules apply to individuals whose foreign source income during the taxable year consists entirely of qualified passive income and whose creditable foreign taxes paid or accrued during the taxable year do not exceed \$300 (\$600 in the case of a joint return). Further, under some circumstances, a U.S. Holder that:

(i) has held shares of common stock or ADSs for less than a specified minimum period, or

(ii) is obligated to make payments related to Toyota dividends,

will not be allowed a foreign tax credit for Japanese taxes imposed on Toyota dividends.

U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

***Taxation of Capital Gains and Losses***

In general, upon a sale or other taxable disposition of shares of common stock or ADSs, a U.S. Holder will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized on the sale or other taxable disposition and the U.S. Holder's adjusted tax basis in those shares of common stock or ADSs. A U.S. Holder generally will have an adjusted tax basis in a share of common stock or an ADS equal to its U.S. dollar cost. Subject to the PFIC rules discussed below, gain or loss recognized on the sale or other taxable disposition of shares of common stock or ADSs generally will be capital gain or loss and, if the U.S. Holder's holding period for those shares or ADSs exceeds one year, will be long-term capital gain or loss. Non-corporate U.S. Holders, including individuals, currently are eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. Under U.S. federal income tax law, the deduction of capital losses is subject to limitations. Any gain or loss recognized by a U.S. Holder in respect of the sale or other disposition of shares of common stock or ADSs generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes.

Deposits and withdrawals of common stock in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

***Passive Foreign Investment Companies***

A non-U.S. corporation generally will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying look-through rules, either (1) at least 75% of its gross income is passive income, or (2) on average at least 50% of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions. The PFIC determination is made annually and generally is based on the value of a non-U.S. corporation's assets (including goodwill) and composition of its income.

Toyota does not believe that it was a PFIC for U.S. federal income tax purposes for its taxable year ended March 31, 2012, and intends to continue its operations in such a manner that it will not become a PFIC in the future. Because the PFIC determination is made annually and the application of the PFIC rules to a corporation such as Toyota (which among other things is engaged in leasing and financing through several subsidiaries) is not entirely clear, no assurances can be made regarding determination of its PFIC status in the current or any future

**Table of Contents**

taxable year. If Toyota is determined to be a PFIC, U.S. Holders could be subject to additional U.S. federal income taxes on gain recognized with respect to the shares of common stock or ADSs and on certain distributions. In addition, an interest charge may apply to the portion of the U.S. federal income tax liability on such gains or distributions treated under the PFIC rules as having been deferred by the U.S. Holder. Moreover, dividends that a non-corporate U.S. Holder receives from Toyota will not be eligible for the reduced U.S. federal income tax rates on dividends described above if Toyota is a PFIC either in the taxable year of the dividend or the preceding taxable year. If a U.S. Holder owns shares of common stock or ADSs in any taxable year in which Toyota is a PFIC, such U.S. Holder generally would be required to file Internal Revenue Service ( IRS ) Form 8621 (or other form specified by the U.S. Department of the Treasury) with the U.S. Holder's U.S. federal income tax return in each year that Toyota is a PFIC. Toyota will inform U.S. Holders if it believes that it will be classified as a PFIC in any taxable year.

Prospective investors should consult their own tax advisors regarding the potential application of the PFIC rules to shares of common stock or ADSs.

***Non-U.S. Holders***

The following discussion is a summary of the principal U.S. federal income tax consequences to beneficial owners of shares of common stock or ADSs that are neither U.S. Holders nor partnerships, nor entities taxable as partnerships for U.S. federal income tax purposes ( Non-U.S. Holders ).

A Non-U.S. Holder generally will not be subject to any U.S. federal income or withholding tax on distributions received in respect of shares of common stock or ADSs unless the distributions are effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States (and, if an applicable tax treaty requires, are attributable to a U.S. permanent establishment or fixed base of such Non-U.S. Holder).

A Non-U.S. Holder generally will not be subject to U.S. federal income tax in respect of gain recognized on a sale or other disposition of shares of common stock or ADSs, unless:

- (i) the gain is effectively connected with a trade or business conducted by the Non-U.S. Holder within the United States (and, if an applicable tax treaty requires, is attributable to a U.S. permanent establishment or fixed base of such Non-U.S. Holder), or
- (ii) the Non-U.S. Holder is an individual who was present in the United States for 183 or more days in the taxable year of the disposition and other conditions are met.

Income that is effectively connected with a U.S. trade or business of a Non-U.S. Holder, and, if an income tax treaty applies and so requires, is attributable to a U.S. permanent establishment or fixed base of the Non-U.S. Holder, generally will be taxed in the same manner as the income of a U.S. Holder. In addition, under certain circumstances, any effectively connected earnings and profits realized by a corporate Non-U.S. Holder may be subject to an additional branch profits tax at the rate of 30% or at a lower rate that may be prescribed by an applicable income tax treaty.

***Backup Withholding and Information Reporting***

In general, information reporting requirements will apply to dividends paid to a U.S. Holder in respect of shares of common stock or ADSs, and to the proceeds received upon the sale, exchange or redemption of the shares of common stock or ADSs within the United States by U.S. Holders. Furthermore, backup withholding may apply to those amounts (currently at a 28% rate) if a U.S. Holder fails to provide an accurate taxpayer identification number, to certify that such U.S. Holder is not subject to backup withholding or to otherwise comply with the applicable requirements of the backup withholding requirements.

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**Table of Contents**

Dividends paid to a Non-U.S. Holder in respect of shares of common stock or ADSs, and proceeds received upon the sale, exchange or redemption of shares of common stock or ADSs by a Non-U.S. Holder, generally are exempt from information reporting and backup withholding under current U.S. federal income tax law. However, a Non-U.S. Holder may be required to provide certification of non-U.S. status in order to obtain that exemption.

Persons required to establish their exempt status generally must provide such certification under penalty of perjury on IRS Form W-9, entitled Request for Taxpayer Identification Number and Certification, in the case of U.S. persons, and on IRS Form W-8BEN, entitled Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding (or other appropriate IRS Form W-8), in the case of non-U.S. persons. Backup withholding is not an additional tax. The amount of backup withholding imposed on a payment generally may be claimed as a credit against the holder's U.S. federal income tax liability provided that the required information is properly furnished to the IRS in a timely manner.

In addition, certain U.S. Holders who are individuals that hold certain foreign financial assets (which may include shares of common stock or ADSs) are required to report information relating to such assets, subject to certain exceptions. U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of shares of common stock or ADSs.

THE SUMMARY OF U.S. FEDERAL INCOME AND JAPANESE NATIONAL TAX CONSEQUENCES SET OUT ABOVE IS INTENDED FOR GENERAL INFORMATION PURPOSES ONLY. PROSPECTIVE PURCHASERS OF COMMON STOCK OR ADSs ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING OR DISPOSING OF COMMON STOCK OR ADSs, BASED ON THEIR PARTICULAR CIRCUMSTANCES.

**10.F DIVIDENDS AND PAYING AGENTS**

Not applicable.

**10.G STATEMENT BY EXPERTS**

Not applicable.

**10.H DOCUMENTS ON DISPLAY**

Toyota files annual reports on Form 20-F and reports on Form 6-K with the SEC. You may read and copy this information at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549 or by accessing the SEC's home page (<http://www.sec.gov>). You can also request copies of the documents, upon payment of a duplicating fee, by writing to the Public Reference Section of the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. In addition, Toyota's reports, proxy statements and other information may be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005. Copies of the documents referred to herein may also be inspected at Toyota's offices by contacting Toyota at 1 Toyota-cho, Toyota City, Aichi Prefecture 471-8571, Japan, attention: Financial Reporting Department, Accounting Division, telephone number: 81-565-28-2121.

**10.I SUBSIDIARY INFORMATION**

Not applicable.

**Table of Contents****ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*****Quantitative and Qualitative Disclosures about Market Risk***

Toyota is exposed to market risk from changes in foreign currency exchange rates, interest rates, certain commodity and equity security prices. In order to manage the risk arising from changes in foreign currency exchange rates and interest rates, Toyota enters into a variety of derivative financial instruments.

A description of Toyota's accounting policies for derivative instruments is included in note 2 to the consolidated financial statements and further disclosure is provided in notes 20 and 21 to the consolidated financial statements.

Toyota monitors and manages these financial exposures as an integral part of its overall risk management program, which recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effects on Toyota's operating results.

The financial instruments included in the market risk analysis consist of all of Toyota's cash and cash equivalents, marketable securities, finance receivables, securities investments, long-term and short-term debt and all derivative financial instruments. Toyota's portfolio of derivative financial instruments consists of forward foreign currency exchange contracts, foreign currency options, interest rate swaps, interest rate currency swap agreements and interest rate options. Anticipated transactions denominated in foreign currencies that are covered by Toyota's derivative hedging are not included in the market risk analysis. Although operating leases are not required to be included, Toyota has included these instruments in determining interest rate risk.

***Foreign Currency Exchange Rate Risk***

Toyota has foreign currency exposures related to buying, selling and financing in currencies other than the local currencies in which it operates. Toyota is exposed to foreign currency risk related to future earnings or assets and liabilities that are exposed due to operating cash flows and various financial instruments that are denominated in foreign currencies. Toyota's most significant foreign currency exposures relate to the U.S. dollar and the euro.

Toyota uses a value-at-risk analysis ( VAR ) to evaluate its exposure to changes in foreign currency exchange rates. The VAR of the combined foreign exchange position represents a potential loss in pre-tax earnings that was estimated to be ¥107.6 billion and ¥87.9 billion at March 31, 2011 and 2012, respectively. Based on Toyota's overall currency exposure (including derivative positions), the risk during fiscal 2012 to pre-tax cash flow from currency movements was on average ¥87.9 billion, with a high of ¥95.6 billion and a low of ¥82.5 billion.

The VAR was estimated by using a Monte Carlo Simulation Method and assumed 95% confidence level on the realization date and a 10-day holding period.

***Interest Rate Risk***

Toyota is subject to market risk from exposures to changes in interest rates based on its financing, investing and cash management activities. Toyota enters into various financial instrument transactions to maintain the desired level of exposure to the risk of interest rate fluctuations and to minimize interest expense. The potential decrease in fair value resulting from a hypothetical 100 basis point upward shift in interest rates would be approximately ¥139.6 billion as of March 31, 2011 and ¥144.2 billion as of March 31, 2012.

There are certain shortcomings inherent to the sensitivity analyses presented. The model assumes that interest rate changes are instantaneous parallel shifts in the yield curve. However, in reality, changes are rarely instantaneous. Although certain assets and liabilities may have similar maturities or periods to repricing, they may not react correspondingly to changes in market interest rates. Also, the interest rates on certain types of

## **Table of Contents**

assets and liabilities may fluctuate with changes in market interest rates, while interest rates on other types of assets may lag behind changes in market rates. Finance receivables are less susceptible to prepayments when interest rates change and, as a result, Toyota's model does not address prepayment risk for automotive related finance receivables. However, in the event of a change in interest rates, actual loan prepayments may deviate significantly from the assumptions used in the model.

### ***Commodity Price Risk***

Commodity price risk is the possibility of higher or lower costs due to changes in the prices of commodities, such as non-ferrous alloys (e.g., aluminum), precious metals (e.g., palladium, platinum and rhodium) and ferrous alloys, which Toyota uses in the production of motor vehicles. Toyota does not use derivative instruments to hedge the price risk associated with the purchase of those commodities and controls its commodity price risk by holding minimum stock levels.

### ***Equity Price Risk***

Toyota holds investments in various available-for-sale equity securities that are subject to price risk. The fair value of available-for-sale equity securities was ¥960.2 billion as of March 31, 2011 and ¥1,034.3 billion as of March 31, 2012. The potential change in the fair value of these investments, assuming a 10% change in prices, would be approximately ¥96.0 billion as of March 31, 2011 and ¥103.4 billion as of March 31, 2012.

## **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

### **12.A DEBT SECURITIES**

Not applicable.

### **12.B WARRANTS AND RIGHTS**

Not applicable.

### **12.C OTHER SECURITIES**

Not applicable.

**Table of Contents**

**12.D AMERICAN DEPOSITARY SHARES**

**Fees and Charges for Holders of American Depositary Receipts**

The Bank of New York Mellon, as depositary for the ADSs (the "Depositary") collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

**Persons depositing or withdrawing shares must pay:**

\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

\$0.02 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to the ADR holder had been shares and the shares had been deposited for issuance of ADSs

Registration fees

Expenses of the depositary

Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS

**Fees Incurred in Fiscal 2012**

For fiscal 2012, Toyota received \$200,000 from the Depositary for standard out-of-pocket maintenance costs for the ADRs (consisting of the expenses of postage and envelopes for mailing annual reports, printing and distributing dividend checks, stationery, postage, facsimile, and telephone calls) and expenses relating to Toyota's annual general shareholders' meeting that are incurred with respect to Toyota's ADR holders. The Depositary also paid Toyota's continuing annual stock exchange listing fees.

**Fees to be Paid in the Future**

The Depositary has agreed to reimburse Toyota for expenses Toyota incurs that are related to the maintenance of the ADS program. The Depositary has agreed to pay the standard out-of-pocket maintenance costs for the ADRs, which includes the expenses of postage and envelopes for mailing annual reports, printing and distributing dividend checks, stationery, postage, facsimile, and telephone calls. It has also agreed to reimburse Toyota annually for investor relations expenses and any other program related expenses. There are limits on the amount of expenses for which the Depositary will reimburse Toyota, but the amount of reimbursement available to Toyota is not tied to the amount of fees investors pay to the Depositary.

**For:**

Issuance of ADSs, including issuances resulting from a distribution, sale or exercise of shares or rights or other property

Cancellation of ADSs for the purpose of withdrawal including if the deposit agreement terminates

Any cash distribution to ADS registered holders

Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS registered holders

Registration of transfer of shares on Toyota's share register to the name of the depositary or its nominee or the custodian or its nominee when shares are deposited or withdrawn

Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)

Converting foreign currency to U.S. dollars

As necessary





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**Table of Contents**

**PART II**

**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

None.

**ITEM 15. CONTROLS AND PROCEDURES**

**(a) DISCLOSURE CONTROLS AND PROCEDURES**

Toyota performed an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the fiscal 2012. Disclosure controls and procedures are designed to ensure that information required to be disclosed in the Form 20-F that Toyota files under the Exchange Act is accumulated and communicated to its management, including the chief executive officer and the principal accounting and financial officer, to allow timely decision regarding required disclosure. The disclosure controls and procedures also ensures that the Form 20-F that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. The evaluation was performed under the supervision of Toyota's Chairman of the Board and the Executive Vice President. Toyota's disclosure controls and procedures are designed to provide reasonable assurance of achieving its objectives. Managerial judgment was necessary to evaluate the cost-benefit relationship of possible controls and procedures. The Chairman of the Board and the Executive Vice President have concluded that Toyota's disclosure controls and procedures are effective at the reasonable assurance level.

**(b) MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Toyota's management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Toyota's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that in reasonable detail, accurately and fairly reflect the transactions and dispositions of Toyota's assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that Toyota's receipts and expenditures are being made only in accordance with authorizations of Toyota's management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Toyota's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Toyota's management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

## **Table of Contents**

Based on this evaluation, management concluded that Toyota's internal control over financial reporting was effective as of March 31, 2012.

PricewaterhouseCoopers Aarata, an independent registered public accounting firm that audited the consolidated financial statements included in this report, has also audited the effectiveness of Toyota's internal control over financial reporting as of March 31, 2012, as stated in its report included herein.

### **(c) ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM**

Toyota's independent registered public accounting firm, PricewaterhouseCoopers Aarata, has issued an audit report on the effectiveness of Toyota's internal control over financial reporting. This report appears in Item 18.

### **(d) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

There have been no changes in Toyota's internal control over financial reporting during fiscal 2012 that have materially affected, or are reasonably likely to materially affect, Toyota's internal control over financial reporting.

## **ITEM 16. [RESERVED]**

### **ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Toyota maintains a corporate auditor system, in accordance with the Corporation Act. Toyota's board of corporate auditors is comprised of seven corporate auditors, four of whom are outside corporate auditors. Each corporate auditor has been appointed at Toyota's shareholders' meetings and has certain statutory powers independently, including auditing the business affairs and accounts of Toyota.

Toyota's board of corporate auditors has determined that it does not have an audit committee financial expert serving on the board of corporate auditors. The qualifications for, and powers of, the corporate auditor delineated in the Corporation Act are different from those anticipated for any audit committee financial expert. Corporate auditors have the authority to be given reports from a certified public accountant or an accounting firm concerning audits, including technical accounting matters. At the same time, each corporate auditor has the authority to consult internal and external experts on accounting matters. Each corporate auditor must fulfill the requirements under Japanese laws and regulations and otherwise follow Japanese corporate governance practices and, accordingly, Toyota's board of corporate auditors has confirmed that it is not necessarily in Toyota's best interest to nominate as corporate auditor a person who meets the definition of audit committee financial experts. Although Toyota does not have an audit committee financial expert on its board of corporate auditors, Toyota believes that Toyota's current corporate governance system, taken as a whole, including the corporate auditors' ability to consult internal and external experts, is fully equivalent to a system having an audit committee financial expert on its board of corporate auditors.

### **ITEM 16B. CODE OF ETHICS**

Toyota has adopted a code of ethics that applies to its directors and managing officers, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of Toyota's code of ethics is included as an exhibit to this annual report on Form 20-F.

### **ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

PricewaterhouseCoopers Aarata has audited the financial statements of Toyota included in this annual report on Form 20-F.

**Table of Contents**

The following table presents the aggregate fees for professional services and other services rendered by PricewaterhouseCoopers Aarata and the various network and member firms of PricewaterhouseCoopers to Toyota in fiscal 2011 and fiscal 2012.

	Yen in millions	
	2011	2012
Audit Fees <sup>(1)</sup>	¥ 3,332	¥ 3,039
Audit-related Fees <sup>(2)</sup>	54	81
Tax Fees <sup>(3)</sup>	490	411
All Other Fees <sup>(4)</sup>	231	276
<b>Total</b>	<b>¥ 4,107</b>	<b>¥ 3,807</b>

- (1) Audit Fees consist of fees billed for the annual audit services engagement and other audit services, which are those services that only the external auditor reasonably can provide, and include the services of annual audit, quarterly reviews and assessment and reviews of the effectiveness of internal controls over financial reporting of Toyota and its subsidiaries and affiliates; the services associated with SEC registration statements or other documents issued in connection with securities offerings such as comfort letters and consents; and consultations as to the accounting or disclosure treatment of transactions or events.
- (2) Audit-related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of its financial statements or that are traditionally performed by the external auditor, and mainly include services such as due diligence; agreed-upon or expanded audit procedures; internal control reviews and assistance; review of the information system; and financial statement audits of employee benefit plans.
- (3) Tax Fees include fees billed for tax compliance services, including services such as tax planning, advice and compliance of federal, state, local and international tax; the review of tax returns; assistance with tax audits and appeals; tax-only valuation services including transfer pricing and cost segregation studies; expatriate tax assistance and compliance.
- (4) All Other Fees primarily include fees billed for risk management advisory services of assessment and testing of security infrastructure controls; advisory services relating to accounting manual and accounting control; advisory services relating to establishment of a new subsidiary; assistance with continuing education and training; and services providing information related to automotive market conditions and sales networks.

**Policies and Procedures of the Board of Corporate Auditors**

Below is a summary of the current policies and procedures of the board of corporate auditors for the pre-approval of audit and permissible non-audit services performed by Toyota's independent public accountants.

Under the policy, the Representative Directors submit a request for general pre-approval of audit and permissible non-audit services for the following fiscal year, which shall include details of the specific services and estimated fees for the services, to the board of corporate auditors, which reviews and determines whether or not to grant the request by the end of March of the fiscal year. Upon the general pre-approval of the board of corporate auditors, the Representative Directors are not required to obtain any specific pre-approval for audit and permissible non-audit services so long as those services fall within the scope of the general pre-approval provided.

The board of corporate auditors makes a further determination of whether or not to grant a request to revise the general pre-approval for the applicable fiscal year if such request is submitted by the Representative Directors. Such request may include (i) adding any audit or permissible non-audit services other than the ones listed in the general pre-approval and (ii) obtaining services that are listed in the general pre-approval but of which the total fee amount exceeds the amount affirmed by the general pre-approval. The determination of



**Table of Contents**

whether or not to grant a request to revise the general pre-approval noted in the foregoing may alternatively be made by an Executive Corporate Auditor, who is designated in advance by a resolution of the board of corporate auditors, in which case such Executive Corporate Auditor shall report such decision at the next meeting of the board of corporate auditors. The performance of audit and permissible non-audit services and the payment of fees are subject to review by the board of corporate auditors at least once every fiscal half year.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Toyota does not have an audit committee. Toyota is relying on the general exemption contained in Rule 10A-3(c)(3) under the Exchange Act, which provides an exemption from the NYSE's listing standards relating to audit committees for foreign companies like Toyota that have a board of corporate auditors. Toyota's reliance on Rule 10A-3(c)(3) does not, in its opinion, materially adversely affect the ability of its board of corporate auditors to act independently and to satisfy the other requirements of Rule 10A-3.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

The following table sets forth purchases of Toyota's common stock by Toyota and its affiliated purchasers during fiscal 2012:

Period	(a) Total Number of Shares Purchased <sup>(1)</sup>	(b) Average Price Paid per Share (Yen) <sup>(1)</sup>	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup>
April 1, 2011 – April 30, 2011	1,868	¥ 3,279.00		
May 1, 2011 – May 31, 2011	2,205	3,270.90		
June 1, 2011 – June 30, 2011	2,789	3,276.38		
July 1, 2011 – July 31, 2011	2,637	3,333.25		
August 1, 2011 – August 31, 2011	2,420	2,957.55		
September 1, 2011 – September 30, 2011	1,204	2,674.98		
October 1, 2011 – October 31, 2011	1,047	2,576.91		
November 1, 2011 – November 30, 2011	1,190	2,525.23		
December 1, 2011 – December 31, 2011	1,884	2,575.53		
January 1, 2012 – January 31, 2012 <sup>(2)</sup>	4,317,766	2,565.09		
February 1, 2012 – February 29, 2012	12,815	2,725.63		
March 1, 2012 – March 31, 2012	2,701	3,417.45		
<b>Total</b>	<b>4,350,526</b>			

(1) A portion of the above purchases were made as a result of holders of shares constituting less than one unit, which is 100 shares of common stock, requesting Toyota to purchase shares that are a fraction of a unit, in accordance with Toyota's share handling regulations. Toyota is required to comply with such requests pursuant to the Corporation Act. See Memorandum and Articles of Association – Japanese Unit Share System.

(2) Toyota did not have any publicly announced plans or programs in place for fiscal 2012.

(3) 4,310,444 of the total number of 4,317,766 shares purchased during this period were obtained by affiliates of Toyota in exchange for shares of Toyota Auto Body Co., Ltd. and Kanto Auto Works, Ltd. as a result of share exchanges between Toyota and these companies.



**Table of Contents****ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

**ITEM 16G. CORPORATE GOVERNANCE****Significant Differences in Corporate Governance Practices between Toyota and U.S. Companies Listed on the NYSE**

Pursuant to home country practices exemptions granted by the NYSE, Toyota is permitted to follow certain corporate governance practices complying with Japanese laws, regulations and stock exchange rules in lieu of the NYSE's listing standards. The SEC approved changes to the NYSE's listing standards related to corporate governance practices of listed companies (the NYSE Corporate Governance Rules) in November 2003, as further amended in November 2004. Toyota is exempt from the approved changes, except for requirements that (a) Toyota's board of corporate auditors satisfies the requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act), (b) Toyota must disclose significant differences in its corporate governance practices as compared to those followed by domestic companies under the NYSE listing standards, (c) Toyota's principal executive officer must notify the NYSE in writing after any executive officer of Toyota becomes aware of any non-compliance with (a) and (b), and (d) Toyota must submit annual and interim written affirmations to the NYSE. Toyota's corporate governance practices and those followed by domestic companies under the NYSE Corporate Governance Rules have the following significant differences:

**1. Directors.** Toyota currently does not have any directors who will be deemed an independent director as required under the NYSE Corporate Governance Rules for U.S. listed companies. Unlike the NYSE Corporate Governance Rules, the Corporation Act does not require Japanese companies with a board of corporate auditors such as Toyota to have any independent directors on its board of directors. While the NYSE Corporate Governance Rules require that the non-management directors of each listed company meet at regularly scheduled executive sessions without management, Toyota currently has no non-management director on its board of directors. Unlike the NYSE Corporate Governance Rules, the Corporation Act does not require, and accordingly Toyota does not have, an internal corporate organ or committee comprised solely of independent directors.

**2. Committees.** Under the Corporation Act, Toyota has elected to structure its corporate governance system as a company with corporate auditors, who are under a statutory duty to monitor, review and report on the management of the affairs of Toyota. Toyota, as with other Japanese companies with a board of corporate auditors, does not have certain committees that are required of U.S. listed companies subject to the NYSE Corporate Governance Rules, including those that are responsible for director nomination, corporate governance and executive compensation.

Pursuant to the Corporation Act, Toyota's board of directors nominates and submits a proposal for the appointment of directors for shareholder approval. The shareholders vote on such nomination at the general shareholders' meeting. The Corporation Act requires that the respective limits or calculation formula, and kind (in case that the remuneration, bonus and any other benefits in compensation for the execution of duties (remuneration, etc.) are to be paid in other than cash) of remuneration, etc. to be paid to directors, and limits of remuneration, etc. to be paid to corporate auditors, must be determined by a resolution of the general shareholders' meeting, unless their remuneration, etc. is provided for in the articles of incorporation. The distribution of remuneration, etc. among each director is broadly delegated to the board of directors and the distribution of remuneration among each corporate auditor is determined by consultation among the corporate auditors.

**3. Audit Committee.** Toyota avails itself of paragraph (c)(3) of Rule 10A-3 of the Exchange Act, which provides a general exemption from the audit committee requirements to a foreign private issuer with a board of corporate auditors, subject to certain requirements which continue to be applicable under Rule 10A-3.



**Table of Contents**

Pursuant to the requirements of the Corporation Act, Toyota elects its corporate auditors through a resolution adopted at a general shareholders meeting. Toyota currently has seven corporate auditors, which exceeds the minimum number of corporate auditors required pursuant to the Corporation Act.

Unlike the NYSE Corporate Governance Rules, the Corporation Act, among others, does not require corporate auditors to establish an expertise in accounting nor are they required to present other special knowledge and experience. Under the Corporation Act, the board of corporate auditors may determine the auditing policies and methods of investigating the conditions of Toyota's business and assets, and may resolve other matters concerning the execution of the corporate auditors' duties. The board of corporate auditors also prepares auditors' reports and gives consent to proposals of the nomination of corporate auditors and accounting auditors.

Toyota currently has four outside corporate auditors under the Corporation Act. Under the Corporation Act, at least half of the corporate auditors of Toyota must be outside corporate auditors, which is any person who was not a director, accounting counselor (in the case that an accounting counselor is a legal entity, a member of such entity who is in charge of its affairs), executive officer, manager, or employee of Toyota or its subsidiaries at any time during the past. Such qualifications for an outside corporate auditor are different from the audit committee independence requirement under the NYSE Corporate Governance Rules.

**4. Corporate Governance Guidelines.** Unlike the NYSE Corporate Governance Rules, Toyota is not required to adopt corporate governance guidelines under Japanese laws and regulations, including the Corporation Act, the Financial Instruments and Exchange Law of Japan and stock exchange rules. However, Toyota is required to resolve the matters at the board of directors concerning provision of the system to ensure the execution of duties of the directors to comply with the laws, regulations and the articles of incorporation, and any other systems to ensure the adequacy of the business required under the ordinance of the Ministry of Justice ( internal control system or *naibu-tosei* ), and to disclose such matters resolved, policies and the present status of its corporate governance in its business reports, annual securities report and certain other disclosure documents in accordance with the regulations under the Financial Instruments and Exchange Law and stock exchange rules in respect of timely disclosure.

**5. Code of Business Conduct and Ethics.** Unlike the NYSE Corporate Governance Rules, under Japanese laws and regulations including the Corporation Act, the Financial Instruments and Exchange Law and stock exchange rules, Toyota is not required to adopt a code of business conduct and ethics for directors, officers and employees. Accordingly, Toyota is not required to adopt and disclose waivers of the code of business conduct and ethics for these individuals. However, Toyota resolved to maintain a code of business conduct and ethics as part of its internal control system, or *naibu-tosei*, pursuant to the Corporation Act, in order to ensure its employees comply with laws, regulations and the articles of incorporation, etc. Toyota additionally maintains guidelines and internal regulations such as Guiding Principles at Toyota, Toyota Code of Conduct and a code of ethics pursuant to Section 406 of the Sarbanes-Oxley Act. Please see Code of Ethics for additional information.

**6. Shareholder Approval of Equity Compensation Plans.** Unlike the NYSE Corporate Governance Rules, under which material revisions to equity-compensation plans of listed companies are subject to shareholder approval, pursuant to the Corporation Act, generally, the adoption of equity compensation plans for directors is required to be approved by a majority of shareholders at the general shareholders' meeting as the remuneration, etc. in other than cash. In addition to such approval, if Toyota desires to adopt an equity-compensation plan under which stock acquisition rights are granted on specially favorable terms to the recipient (except where such rights are granted to all of its shareholders on a pro-rata basis at the same time), then Toyota obtains approval by super-majority (as defined in the Corporation Act) at the ordinary general shareholders' meeting. Such approval is applicable only to stock acquisition rights to be granted within one year from the date of the approval.

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

**Table of Contents**

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

Not applicable.

**ITEM 18. FINANCIAL STATEMENTS**

The following financial statements are filed as part of this annual report on Form 20-F.

**Table of Contents**

**TOYOTA MOTOR CORPORATION**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	<b>Page</b>
<u>Report of Independent Registered Public Accounting Firm</u>	F - 2
<u>Consolidated balance sheets at March 31, 2011 and 2012</u>	F - 3
<u>Consolidated statements of income for the years ended March 31, 2010, 2011 and 2012</u>	F - 5
<u>Consolidated statements of shareholders' equity for the years ended March 31, 2010, 2011 and 2012</u>	F - 6
<u>Consolidated statements of cash flows for the years ended March 31, 2010, 2011 and 2012</u>	F - 8
<u>Notes to consolidated financial statements</u>	F - 10
All financial statement schedules are omitted because they are not applicable or the required information is shown in the financial statements or the notes thereto.	

Financial statements of 50% or less owned persons accounted for by the equity method have been omitted because the registrant's proportionate share of the income from continuing operations before income taxes is less than 20% of consolidated income (loss) from continuing operations before income taxes and the investment in and advances to each company is less than 20% of consolidated total assets.

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**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

To the Shareholders and Board of Directors of

Toyota Jidosha Kabushiki Kaisha

( Toyota Motor Corporation )

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Toyota Motor Corporation and its subsidiaries at March 31, 2011 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 15(b). Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers Aarata

Nagoya, Japan

June 25, 2012

**Table of Contents**

**TOYOTA MOTOR CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

**ASSETS**

	Yen in millions		U.S. dollars
	2011	March 31, 2012	in millions March 31, 2012
<b>Current assets</b>			
Cash and cash equivalents	¥ 2,080,709	¥ 1,679,200	\$ 20,431
Time deposits	203,874	80,301	977
Marketable securities	1,225,435	1,181,070	14,370
Trade accounts and notes receivable, less allowance for doubtful accounts of ¥11,856 million in 2011 and ¥13,004 million (\$158 million) in 2012	1,449,151	1,999,827	24,332
Finance receivables, net	4,136,805	4,114,897	50,065
Other receivables	306,201	408,547	4,971
Inventories	1,304,242	1,622,282	19,738
Deferred income taxes	605,884	718,687	8,744
Prepaid expenses and other current assets	517,454	516,378	6,283
<b>Total current assets</b>	<b>11,829,755</b>	<b>12,321,189</b>	<b>149,911</b>
<b>Noncurrent finance receivables, net</b>	<b>5,556,746</b>	<b>5,602,462</b>	<b>68,165</b>
<b>Investments and other assets</b>			
Marketable securities and other securities investments	3,571,187	4,053,572	49,320
Affiliated companies	1,827,331	1,920,987	23,372
Employees receivables	62,158	56,524	688
Other	661,829	460,851	5,607
<b>Total investments and other assets</b>	<b>6,122,505</b>	<b>6,491,934</b>	<b>78,987</b>
<b>Property, plant and equipment</b>			
Land	1,237,620	1,243,261	15,127
Buildings	3,635,605	3,660,912	44,542
Machinery and equipment	8,947,350	9,094,399	110,651
Vehicles and equipment on operating leases	2,491,946	2,575,353	31,334
Construction in progress	298,828	275,357	3,350
<b>Total property, plant and equipment, at cost</b>	<b>16,611,349</b>	<b>16,849,282</b>	<b>205,004</b>
Less - Accumulated depreciation	(10,302,189)	(10,613,902)	(129,139)
<b>Total property, plant and equipment, net</b>	<b>6,309,160</b>	<b>6,235,380</b>	<b>75,865</b>
<b>Total assets</b>	<b>¥ 29,818,166</b>	<b>¥ 30,650,965</b>	<b>\$ 372,928</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents**

**TOYOTA MOTOR CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
**LIABILITIES AND SHAREHOLDERS EQUITY**

	Yen in millions		U.S. dollars
	2011	March 31, 2012	in millions March 31, 2012
<b>Current liabilities</b>			
Short-term borrowings	¥ 3,179,009	¥ 3,450,649	\$ 41,984
Current portion of long-term debt	2,772,827	2,512,620	30,571
Accounts payable	1,503,072	2,242,583	27,285
Other payables	579,326	629,093	7,654
Accrued expenses	1,773,233	1,828,523	22,248
Income taxes payable	112,801	133,778	1,628
Other current liabilities	870,722	984,328	11,976
<b>Total current liabilities</b>	<b>10,790,990</b>	<b>11,781,574</b>	<b>143,346</b>
<b>Long-term liabilities</b>			
Long-term debt	6,449,220	6,042,277	73,516
Accrued pension and severance costs	668,022	708,402	8,619
Deferred income taxes	810,127	908,883	11,058
Other long-term liabilities	179,783	143,351	1,744
<b>Total long-term liabilities</b>	<b>8,107,152</b>	<b>7,802,913</b>	<b>94,937</b>
<b>Shareholders equity</b>			
Toyota Motor Corporation shareholders equity			
Common stock, no par value,			
authorized: 10,000,000,000 shares in 2011 and 2012;			
issued: 3,447,997,492 shares in 2011 and 2012			
Additional paid-in capital	397,050	397,050	4,831
Retained earnings	505,760	550,650	6,700
Accumulated other comprehensive income (loss)	11,835,665	11,917,074	144,994
Treasury stock, at cost, 312,298,805 shares in 2011 and 281,187,739 shares in 2012	(1,144,721)	(1,178,833)	(14,343)
	(1,261,383)	(1,135,680)	(13,818)
<b>Total Toyota Motor Corporation shareholders equity</b>	<b>10,332,371</b>	<b>10,550,261</b>	<b>128,364</b>
Noncontrolling interests	587,653	516,217	6,281
<b>Total shareholders equity</b>	<b>10,920,024</b>	<b>11,066,478</b>	<b>134,645</b>
Commitments and contingencies			
<b>Total liabilities and shareholders equity</b>	<b>¥ 29,818,166</b>	<b>¥ 30,650,965</b>	<b>\$ 372,928</b>

The accompanying notes are an integral part of these consolidated financial statements.



**Table of Contents**

**TOYOTA MOTOR CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Yen in millions			U.S. dollars in millions For the year ended March 31, 2012
	2010	For the years ended March 31, 2011		
<b>Net revenues</b>				
Sales of products	¥ 17,724,729	¥ 17,820,520	¥ 17,511,916	\$ 213,066
Financing operations	1,226,244	1,173,168	1,071,737	13,040
Total net revenues	18,950,973	18,993,688	18,583,653	226,106
<b>Costs and expenses</b>				
Cost of products sold	15,971,496	15,985,783	15,795,918	192,188
Cost of financing operations	712,301	629,543	592,646	7,211
Selling, general and administrative	2,119,660	1,910,083	1,839,462	22,380
Total costs and expenses	18,803,457	18,525,409	18,228,026	221,779
Operating income	147,516	468,279	355,627	4,327
<b>Other income (expense)</b>				
Interest and dividend income	78,224	90,771	99,865	1,215
Interest expense	(33,409)	(29,318)	(22,922)	(279)
Foreign exchange gain, net	68,251	14,305	37,105	452
Other income (loss), net	30,886	19,253	(36,802)	(448)
Total other income (expense)	143,952	95,011	77,246	940
Income before income taxes and equity in earnings of affiliated companies	291,468	563,290	432,873	5,267
Provision for income taxes	92,664	312,821	262,272	3,191
Equity in earnings of affiliated companies	45,408	215,016	197,701	2,405
Net income	244,212	465,485	368,302	4,481
Less: Net income attributable to noncontrolling interests	(34,756)	(57,302)	(84,743)	(1,031)
Net income attributable to Toyota Motor Corporation	¥ 209,456	¥ 408,183	¥ 283,559	\$ 3,450
<b>Net income attributable to Toyota Motor Corporation per share</b>				
- Basic	¥ 66.79	¥ 130.17	¥ 90.21	\$ 1.10
- Diluted	¥ 66.79	¥ 130.16	¥ 90.20	\$ 1.10
Cash dividends per share	¥ 45.00	¥ 50.00	¥ 50.00	\$ 0.61



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The accompanying notes are an integral part of these consolidated financial statements.

F-5

**Table of Contents**

**TOYOTA MOTOR CORPORATION**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

Yen in millions

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total Toyota Motor Corporation shareholders equity	Noncontrolling interests	Total shareholders equity
<b>Balances at March 31, 2009</b>	¥ 397,050	¥ 501,211	¥ 11,531,622	¥ (1,107,781)	¥ (1,260,895)	¥ 10,061,207	¥ 539,530	¥ 10,600,737
Equity transaction with noncontrolling interests and other		(2,116)				(2,116)	(2,748)	(4,864)
Issuance during the year		2,236				2,236		2,236
Comprehensive income								
Net income			209,456			209,456	34,756	244,212
Other comprehensive income								
Foreign currency translation adjustments				9,894		9,894	5,721	15,615
Unrealized gains or (losses) on securities, net of reclassification adjustments				176,407		176,407	4,095	180,502
Pension liability adjustments				74,645		74,645	98	74,743
Total comprehensive income						470,402	44,670	515,072
Dividends paid to Toyota Motor Corporation shareholders			(172,476)			(172,476)		(172,476)
Dividends paid to noncontrolling interests							(10,732)	(10,732)
Purchase and reissuance of common stock					470	470		470
<b>Balances at March 31, 2010</b>	¥ 397,050	¥ 501,331	¥ 11,568,602	¥ (846,835)	¥ (1,260,425)	¥ 10,359,723	¥ 570,720	¥ 10,930,443
Equity transaction with noncontrolling interests and other		2,310				2,310	5,183	7,493
Issuance during the year		2,119				2,119		2,119
Comprehensive income								
Net income			408,183			408,183	57,302	465,485
Other comprehensive income (loss)								
Foreign currency translation adjustments				(287,613)		(287,613)	(11,965)	(299,578)
Unrealized gains or (losses) on securities, net of reclassification adjustments				(26,058)		(26,058)	(1,599)	(27,657)
Pension liability adjustments				15,785		15,785	(4,331)	11,454
Total comprehensive income						110,297	39,407	149,704
Dividends paid to Toyota Motor Corporation shareholders			(141,120)			(141,120)		(141,120)
							(27,657)	(27,657)

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Dividends paid to noncontrolling interests									
Purchase and reissuance of common stock					(958)		(958)		(958)
<b>Balances at March 31, 2011</b>	¥ 397,050	¥ 505,760	¥ 11,835,665	¥ (1,144,721)	¥ (1,261,383)	¥ 10,332,371	¥ 587,653	¥ 10,920,024	

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****TOYOTA MOTOR CORPORATION****CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (CONTINUED)**

Yen in millions

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total Toyota Motor Corporation shareholders equity	Noncontrolling interests	Total shareholders equity
<b>Balances at March 31, 2011</b>	¥ 397,050	¥ 505,760	¥ 11,835,665	¥ (1,144,721)	¥ (1,261,383)	¥ 10,332,371	¥ 587,653	¥ 10,920,024
Equity transaction with noncontrolling interests and other		43,311	(45,365)	(6,503)	125,819	117,262	(119,824)	(2,562)
Issuance during the year		1,483				1,483		1,483
Comprehensive income								
Net income			283,559			283,559	84,743	368,302
Other comprehensive income (loss)								
Foreign currency translation adjustments				(87,729)		(87,729)	(5,563)	(93,292)
Unrealized gains or (losses) on securities, net of reclassification adjustments				129,328		129,328	2,466	131,794
Pension liability adjustments				(69,208)		(69,208)	4,098	(65,110)
Total comprehensive income						255,950	85,744	341,694
Dividends paid to Toyota Motor Corporation shareholders			(156,785)			(156,785)		(156,785)
Dividends paid to noncontrolling interests							(37,356)	(37,356)
Purchase and reissuance of common stock		96			(116)	(20)		(20)
<b>Balances at March 31, 2012</b>	¥ 397,050	¥ 550,650	¥ 11,917,074	¥ (1,178,833)	¥ (1,135,680)	¥ 10,550,261	¥ 516,217	¥ 11,066,478

U.S. dollars in millions

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total Toyota Motor Corporation shareholders equity	Noncontrolling interests	Total shareholders equity
<b>Balances at March 31, 2011</b>	\$ 4,831	\$ 6,154	\$ 144,004	\$ (13,928)	\$ (15,348)	\$ 125,713	\$ 7,150	\$ 132,863
Equity transaction with noncontrolling interests and other		527	(552)	(79)	1,531	1,427	(1,458)	(31)
Issuance during the year		18				18		18
Comprehensive income								
Net income			3,450			3,450	1,031	4,481
Other comprehensive income (loss)								

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Foreign currency translation adjustments			(1,067)		(1,067)		(68)		(1,135)
Unrealized gains or (losses) on securities, net of reclassification adjustments			1,573		1,573		30		1,603
Pension liability adjustments			(842)		(842)		50		(792)
<b>Total comprehensive income</b>					3,114		1,043		4,157
Dividends paid to Toyota Motor Corporation shareholders			(1,908)		(1,908)				(1,908)
Dividends paid to noncontrolling interests							(454)		(454)
Purchase and reissuance of common stock		1		(1)		(0)			(0)
<b>Balances at March 31, 2012</b>	\$ 4,831	\$ 6,700	\$ 144,994	\$ (14,343)	\$ (13,818)	\$ 128,364	\$ 6,281	\$	134,645

The accompanying notes are an integral part of these consolidated financial statements.

F-7

**Table of Contents****TOYOTA MOTOR CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Yen in millions			U.S. dollars
	For the years ended March 31,			in millions
	2010	2011	2012	For the year ended March 31, 2012
<b>Cash flows from operating activities</b>				
Net income	¥ 244,212	¥ 465,485	¥ 368,302	\$ 4,481
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation	1,414,569	1,175,573	1,067,830	12,992
Provision for doubtful accounts and credit losses	100,775	4,140	9,623	117
Pension and severance costs, less payments	1,254	(23,414)	16,711	203
Losses on disposal of fixed assets	46,937	36,214	33,528	408
Unrealized losses on available-for-sale securities, net	2,486	7,915	53,831	655
Deferred income taxes	25,537	85,710	6,395	78
Equity in earnings of affiliated companies	(45,408)	(215,016)	(197,701)	(2,405)
Changes in operating assets and liabilities, and other				
(Increase) decrease in accounts and notes receivable	(576,711)	421,423	(585,464)	(7,123)
(Increase) decrease in inventories	56,059	51,808	(344,923)	(4,197)
(Increase) decrease in other current assets	97,494	38,307	(180,529)	(2,196)
Increase (decrease) in accounts payable	649,214	(406,210)	756,363	9,203
Increase (decrease) in accrued income taxes	102,207	(40,629)	20,943	255
Increase in other current liabilities	213,341	239,319	316,366	3,849
Other	226,564	183,384	111,160	1,352
<b>Net cash provided by operating activities</b>	<b>2,558,530</b>	<b>2,024,009</b>	<b>1,452,435</b>	<b>17,672</b>
<b>Cash flows from investing activities</b>				
Additions to finance receivables	(7,806,201)	(8,438,785)	(8,333,248)	(101,390)
Collection of finance receivables	7,509,578	7,934,364	8,007,711	97,429
Proceeds from sales of finance receivables	8,390	69,576	53,999	657
Additions to fixed assets excluding equipment leased to others	(604,536)	(629,326)	(723,537)	(8,803)
Additions to equipment leased to others	(833,065)	(1,061,865)	(808,545)	(9,838)
Proceeds from sales of fixed assets excluding equipment leased to others	52,473	51,342	36,633	446
Proceeds from sales of equipment leased to others	465,092	486,695	431,313	5,248
Purchases of marketable securities and security investments	(2,412,182)	(4,421,807)	(3,173,634)	(38,614)
Proceeds from sales of marketable securities and security investments	77,025	189,037	162,160	1,973
Proceeds upon maturity of marketable securities and security investments	1,031,716	3,527,119	2,694,665	32,786
Payment for additional investments in affiliated companies, net of cash acquired	(1,020)	(299)	(147)	(2)
Changes in investments and other assets, and other	(337,454)	177,605	209,972	2,555
<b>Net cash used in investing activities</b>	<b>¥ (2,850,184)</b>	<b>¥ (2,116,344)</b>	<b>¥ (1,442,658)</b>	<b>\$ (17,553)</b>

The accompanying notes are an integral part of these consolidated financial statements.



**Table of Contents****TOYOTA MOTOR CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended March 31,
	2010	2011	2012	2012
<b>Cash flows from financing activities</b>				
Proceeds from issuance of long-term debt	¥ 3,178,310	¥ 2,931,436	¥ 2,394,807	\$ 29,138
Payments of long-term debt	(2,938,202)	(2,489,632)	(2,867,572)	(34,889)
Increase (decrease) in short-term borrowings	(335,363)	162,260	311,651	3,792
Dividends paid	(172,476)	(141,120)	(156,785)	(1,908)
Purchase of common stock, and other	(10,251)	(28,617)	(37,448)	(456)
Net cash provided by (used in) financing activities	(277,982)	434,327	(355,347)	(4,323)
Effect of exchange rate changes on cash and cash equivalents	(8,898)	(127,029)	(55,939)	(681)
Net increase (decrease) in cash and cash equivalents	(578,534)	214,963	(401,509)	(4,885)
Cash and cash equivalents at beginning of year	2,444,280	1,865,746	2,080,709	25,316
Cash and cash equivalents at end of year	¥ 1,865,746	¥ 2,080,709	¥ 1,679,200	\$ 20,431

The accompanying notes are an integral part of these consolidated financial statements.



**Table of Contents**

**TOYOTA MOTOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Nature of operations:**

Toyota is primarily engaged in the design, manufacture, and sale of sedans, minivans, compact cars, sport-utility vehicles, trucks and related parts and accessories throughout the world. In addition, Toyota provides financing, vehicle and equipment leasing and certain other financial services primarily to its dealers and their customers to support the sales of vehicles and other products manufactured by Toyota.

**2. Summary of significant accounting policies:**

The parent company and its subsidiaries in Japan and its foreign subsidiaries maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan and those of their countries of domicile. Certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements to conform to U.S.GAAP.

Significant accounting policies after reflecting adjustments for the above are as follows:

**Basis of consolidation and accounting for investments in affiliated companies -**

The consolidated financial statements include the accounts of the parent company and those of its majority-owned subsidiary companies. All significant intercompany transactions and accounts have been eliminated. Investments in affiliated companies in which Toyota exercises significant influence, but which it does not control, are stated at cost plus equity in undistributed earnings. Consolidated net income includes Toyota's equity in current earnings of such companies, after elimination of unrealized intercompany profits. Investments in such companies are reduced to net realizable value if a decline in market value is determined other-than-temporary. Investments in non-public companies in which Toyota does not exercise significant influence (generally less than a 20% ownership interest) are stated at cost. The accounts of variable interest entities as defined by U.S.GAAP are included in the consolidated financial statements, if applicable.

**Estimates -**

The preparation of Toyota's consolidated financial statements in conformity with U.S.GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The more significant estimates include: product warranties, liabilities accrued for recalls and other safety measures, allowance for doubtful accounts and credit losses, residual values for leased assets, impairment of long-lived assets, pension costs and obligations, fair value of derivative financial instruments, other-than-temporary losses on marketable securities, litigation liabilities and valuation allowance for deferred tax assets.

**Translation of foreign currencies -**

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at appropriate year-end current exchange rates and all income and expense accounts of those subsidiaries are translated at the average exchange rates for each period. The foreign currency translation adjustments are included as a component of accumulated other comprehensive income.

Foreign currency receivables and payables are translated at appropriate year-end current exchange rates and the resulting transaction gains or losses are recorded in operations currently.

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**Table of Contents**

**TOYOTA MOTOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Revenue recognition -**

Revenues from sales of vehicles and parts are generally recognized upon delivery which is considered to have occurred when the dealer has taken title to the product and the risk and reward of ownership have been substantively transferred, except as described below.

Toyota's sales incentive programs principally consist of cash payments to dealers calculated based on vehicle volume or a model sold by a dealer during a certain period of time. Toyota accrues these incentives as revenue reductions upon the sale of a vehicle corresponding to the program by the amount determined in the related incentive program.

Revenues from the sales of vehicles under which Toyota conditionally guarantees the minimum resale value are recognized on a pro rata basis from the date of sale to the first exercise date of the guarantee in a manner similar to operating lease accounting. The underlying vehicles of these transactions are recorded as assets and are depreciated in accordance with Toyota's depreciation policy.

Revenues from retail financing contracts and finance leases are recognized using the effective yield method. Revenues from operating leases are recognized on a straight-line basis over the lease term.

The sale of certain vehicles includes a determinable amount for the contract, which entitles customers to free vehicle maintenance. Such revenues from free maintenance contracts are deferred and recognized as revenue over the period of the contract, which approximates the pattern of the related costs.

**Other costs -**

Advertising and sales promotion costs are expensed as incurred. Advertising costs were ¥304,375 million, ¥308,903 million and ¥304,713 million (\$3,707 million) for the years ended March 31, 2010, 2011 and 2012, respectively.

Toyota generally warrants its products against certain manufacturing and other defects. Provisions for product warranties are provided for specific periods of time and/or usage of the product and vary depending upon the nature of the product, the geographic location of the sale and other factors. Toyota records a provision for estimated product warranty costs at the time the related sale is recognized based on estimates that Toyota will incur to repair or replace product parts that fail while under warranty. The amount of accrued estimated warranty costs is primarily based on historical experience as to product failures as well as current information on repair costs. The amount of warranty costs accrued also contains an estimate of warranty claim recoveries to be received from suppliers.

In addition to product warranties above, Toyota accrues for costs of recalls and other safety measures based on management's estimates when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. Prior to the fourth quarter of fiscal 2010, amounts were accrued based on individual occurrences of recalls and other safety measures. During the fourth quarter of fiscal 2010, as a result of significant changes in facts and circumstances, Toyota has employed an estimation model, to accrue at the time of vehicle sale, an amount that represents management's best estimate of expenses related to future recalls and other safety measures. The estimation model for recalls and other safety measures takes into account Toyota's historical experience and individual occurrences of recalls and other safety measures. This change resulted from Toyota's fiscal 2010 experience with recalls and other safety measures changes in the operating processes such as the establishment of the Special Committee for Global Quality to address quality-related matters, as well as the broadening of the number of vehicles subject to recalls and other safety measures.

Litigation liabilities are established to cover probable losses on various lawsuits based on the information currently available. Attorneys' fees are expensed as incurred.

Research and development costs are expensed as incurred. Research and development costs were ¥725,345 million, ¥730,340 million and ¥779,806 million (\$9,488 million) for the years ended March 31, 2010, 2011 and 2012, respectively.



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**Table of Contents**

**TOYOTA MOTOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Cash and cash equivalents -**

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

**Marketable securities -**

Marketable securities consist of debt and equity securities. Debt and equity securities designated as available-for-sale are carried at fair value with unrealized gains or losses included as a component of accumulated other comprehensive income in shareholders' equity, net of applicable taxes. Individual securities classified as available-for-sale are reduced to net realizable value for other-than-temporary declines in market value. In determining if a decline in value is other-than-temporary, Toyota considers the length of time and the extent to which the fair value has been less than the carrying value, the financial condition and prospects of the company and Toyota's ability and intent to retain its investment in the company for a period of time sufficient to allow for any anticipated recovery in market value. Realized gains and losses, which are determined on the average-cost method, are reflected in the statement of income when realized.

**Security investments in non-public companies -**

Security investments in non-public companies are carried at cost as fair value is not readily determinable. If the value of a non-public security investment is estimated to have declined and such decline is judged to be other-than-temporary, Toyota recognizes the impairment of the investment and the carrying value is reduced to its fair value. Determination of impairment is based on the consideration of such factors as operating results, business plans and estimated future cash flows. Fair value is determined principally through the use of the latest financial information.

**Finance receivables -**

Finance receivables recorded on Toyota's balance sheet are comprised of the unpaid principal balance, plus accrued interest, less charge-offs, net of any unearned income and deferred origination costs and the allowance for credit losses. Deferred origination costs are amortized so as to approximate a level rate of return over the term of the related contracts.

The determination of portfolio segments is based primarily on the qualitative consideration of the nature of Toyota's business operations and finance receivables. The three portfolio segments within finance receivables are as follows:

***Retail receivables portfolio segment -***

The retail receivables portfolio segment consists of retail installment sales contracts acquired mainly from dealers ( auto loans ) including credit card loans. These contracts acquired must first meet specified credit standards. Thereafter, Toyota retains responsibility for contract collection and administration.

The contract periods of auto loans primarily range from 2 to 7 years. Toyota acquires security interests in the vehicles financed and has the right to repossess vehicles if customers fail to meet their contractual obligations. Almost all auto loans are non-recourse, which relieves the dealers from financial responsibility in the event of repossession.

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**Table of Contents**

**TOYOTA MOTOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Toyota classifies retail receivables portfolio segment into one class based on common risk characteristics associated with the underlying finance receivables, the similarity of the credit risks, and the quantitative materiality.

***Finance lease receivables portfolio segment -***

Toyota acquires new vehicle lease contracts originated primarily through dealers. The contract periods of these primarily range from 2 to 5 years. Lease contracts acquired must first meet specified credit standards after which Toyota assumes ownership of the leased vehicle. Toyota is responsible for contract collection and administration during the lease period.

Toyota is generally permitted to take possession of the vehicle upon a default by the lessee. The residual value is estimated at the time the vehicle is first leased. Vehicles returned to Toyota at the end of their leases are sold by auction.

Toyota classifies finance lease receivables portfolio segment into one class based on common risk characteristics associated with the underlying finance receivables and the similarity of the credit risks.

***Wholesale and other dealer loan receivables portfolio segment -***

Toyota provides wholesale financing to qualified dealers to finance inventories. Toyota acquires security interests in vehicles financed at wholesale. In cases where additional security interests would be required, Toyota takes dealership assets or personal assets, or both, as additional security. If a dealer defaults, Toyota has the right to liquidate any assets acquired and seek legal remedies.

Toyota also makes term loans to dealers for business acquisitions, facilities refurbishment, real estate purchases and working capital requirements. These loans are typically secured with liens on real estate, other dealership assets and/or personal assets of the dealers.

Toyota classifies wholesale and other dealer loan receivables portfolio segment into three classes of wholesale, real estate and working capital, based on the risk characteristics associated with the underlying finance receivables.

A receivable account balance is considered impaired when, based on current information and events, it is probable that Toyota will be unable to collect all amounts due according to the terms of the contract. Factors such as payment history, compliance with terms and conditions of the underlying loan agreement and other subjective factors related to the financial stability of the borrower are considered when determining whether a loan is impaired. Impaired finance receivables include certain nonaccrual receivables for which a specific reserve has been assessed. An account modified as a troubled debt restructuring is considered to be impaired. A troubled debt restructuring occurs when an account is modified through a concession to a borrower experiencing financial difficulty.

All classes of wholesale and other dealer loan receivables portfolio segment are placed on nonaccrual status when full payment of principal or interest is in doubt, or when principal or interest is 90 days or more contractually past due, whichever occurs first. Collateral dependent loans are placed on nonaccrual status if collateral is insufficient to cover principal and interest. Interest accrued but not collected at the date a receivable is placed on nonaccrual status is reversed against interest income. In addition, the amortization of net deferred fees is suspended.

**Table of Contents****TOYOTA MOTOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Interest income on nonaccrual receivables is recognized only to the extent it is received in cash. Accounts are restored to accrual status only when interest and principal payments are brought current and future payments are reasonably assured. Receivable balances are written-off against the allowance for credit losses when it is probable that a loss has been realized. Retail receivables class and finance lease receivables class are not placed generally on nonaccrual status when principal or interest is 90 days or more past due. However, these receivables are generally written-off against the allowance for credit losses when payments due are no longer expected to be received or the account is 120 days contractually past due, whichever occurs first.

As of March 31, 2011 and 2012, finance receivables on nonaccrual status were as follows:

	Yen in millions		U.S. dollars
	March 31,		in millions
	2011	2012	March 31, 2012
Retail	¥ 2,633	¥ 2,822	\$ 34
Finance leases	1,136	958	12
Wholesale	6,722	5,485	67
Real estate	14,437	11,736	143
Working capital	272	37	0
	¥ 25,200	¥ 21,038	\$ 256

As of March 31, 2011 and 2012, finance receivables past due over 90 days and still accruing were as follows:

	Yen in millions		U.S. dollars
	March 31,		in millions
	2011	2012	March 31, 2012
Retail	¥ 23,734	¥ 24,263	\$ 295
Finance leases	4,484	7,674	94
	¥ 28,218	¥ 31,937	\$ 389

**Allowance for credit losses -**

Allowance for credit losses is established to cover probable losses on finance receivables and vehicles and equipment on operating leases, resulting from the inability of customers to make required payments. Provision for credit losses is included in selling, general and administrative expenses.

The allowance for credit losses is based on a systematic, ongoing review and evaluation performed as part of the credit-risk evaluation process, historical loss experience, the size and composition of the portfolios, current economic events and conditions, the estimated fair value and adequacy of collateral and other pertinent factors. Vehicles and equipment on operating leases are not within the scope of accounting guidance governing the disclosure of portfolio segments.

***Retail receivables portfolio segment -***

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Toyota calculates allowance for credit losses to cover probable losses on retail receivables by applying reserve rates to such receivables. Reserve rates are calculated mainly by historical loss experience, current economic events and conditions and other pertinent factors.

F-14

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**Table of Contents**

**TOYOTA MOTOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Finance lease receivables portfolio segment -***

Toyota calculates allowance for credit losses to cover probable losses on finance lease receivables by applying reserve rates to such receivables. Reserve rates are calculated mainly by historical loss experience, current economic events and conditions and other pertinent factors such as used car markets.

***Wholesale and other dealer loan receivables portfolio segment -***

Toyota calculates allowance for credit losses to cover probable losses on wholesale and other dealer loan receivables by applying reserve rates to such receivables. Reserve rates are calculated mainly by financial conditions of the dealers, terms of collateral setting, current economic events and conditions and other pertinent factors.

Toyota establishes specific reserves to cover the estimated losses on individually impaired receivables within the wholesale and other dealer loan receivables portfolio segment. Specific reserves on impaired receivables are determined by the present value of expected future cash flows or the fair value of collateral when it is probable that such receivables will be unable to be fully collected. The fair value of the underlying collateral is used if the receivable is collateral-dependent. The receivable is determined collateral-dependent if the repayment of the loan is expected to be provided by the underlying collateral. For the receivables in which the fair value of the underlying collateral was in excess of the outstanding balance, no allowance was provided.

Troubled debt restructurings in the retail receivables and finance lease receivables portfolio segments are specifically identified as impaired and aggregated with their respective portfolio segments when determining the allowance for credit losses. Impaired loans in the retail receivables and finance lease receivables portfolio segments are insignificant for individual evaluation and Toyota has determined that allowance for credit losses for each of the retail receivables and finance lease receivables portfolio segments would not be materially different if they had been individually evaluated for impairment.

Specific reserves on impaired receivables within the wholesale and other dealer loan receivables portfolio segment are recorded by an increase to the allowance for credit losses based on the related measurement of impairment. Related collateral, if recoverable, is repossessed and sold and the account balance is written-off.

Any shortfall between proceeds received and the carrying cost of repossessed collateral is charged to the allowance. Recoveries are reversed from the allowance for credit losses.

***Allowance for residual value losses -***

Toyota is exposed to risk of loss on the disposition of off-lease vehicles to the extent that sales proceeds are not sufficient to cover the carrying value of the leased asset at lease termination. Toyota maintains an allowance to cover probable estimated losses related to unguaranteed residual values on its owned portfolio. The allowance is evaluated considering projected vehicle return rates and projected loss severity. Factors considered in the determination of projected return rates and loss severity include historical and market information on used vehicle sales, trends in lease returns and new car markets, and general economic conditions. Management evaluates the foregoing factors, develops several potential loss scenarios, and reviews allowance levels to determine whether reserves are considered adequate to cover the probable range of losses.

The allowance for residual value losses is maintained in amounts considered by Toyota to be appropriate in relation to the estimated losses on its owned portfolio. Upon disposal of the assets, the allowance for residual losses is adjusted for the difference between the net book value and the proceeds from sale.



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**Table of Contents**

**TOYOTA MOTOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Inventories -**

Inventories are valued at cost, not in excess of market, cost being determined on the average-cost basis, except for the cost of finished products carried by certain subsidiary companies which is determined on the specific identification basis or last-in, first-out ( LIFO ) basis. Inventories valued on the LIFO basis totaled ¥151,183 million and ¥220,582 million (\$2,684 million) at March 31, 2011 and 2012, respectively. Had the first-in, first-out basis been used for those companies using the LIFO basis, inventories would have been ¥57,943 million and ¥56,799 million (\$691 million) higher than reported at March 31, 2011 and 2012, respectively.

**Property, plant and equipment -**

Property, plant and equipment are stated at cost. Major renewals and improvements are capitalized; minor replacements, maintenance and repairs are charged to current operations. Depreciation of property, plant and equipment is mainly computed on the declining-balance method for the parent company and Japanese subsidiaries and on the straight-line method for foreign subsidiary companies at rates based on estimated useful lives of the respective assets according to general class, type of construction and use. The estimated useful lives range from 2 to 65 years for buildings and from 2 to 20 years for machinery and equipment.

Vehicles and equipment on operating leases to third parties are originated by dealers and acquired by certain consolidated subsidiaries. Such subsidiaries are also the lessors of certain property that they acquire directly. Vehicles and equipment on operating leases are depreciated primarily on a straight-line method over the lease term, generally from 2 to 5 years, to the estimated residual value. Incremental direct costs incurred in connection with the acquisition of operating lease contracts are capitalized and amortized on a straight-line method over the lease term.

**Long-lived assets -**

Toyota reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset group exceeds the estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the carrying value of the asset group over its fair value. Fair value is determined mainly using a discounted cash flow valuation method.

**Goodwill and intangible assets -**

Goodwill is not material to Toyota's consolidated balance sheets.

Intangible assets consist mainly of software. Intangible assets with a definite life are amortized on a straight-line basis with estimated useful lives mainly of 5 years. Intangible assets with an indefinite life are tested for impairment whenever events or circumstances indicate that a carrying amount of an asset (asset group) may not be recoverable.

An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted cash flows used in determining the fair value of the asset. The amount of the impairment loss to be recorded is generally determined by the difference between the fair value of the asset using a discounted cash flow valuation method and the current book value.

**Table of Contents**

**TOYOTA MOTOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Employee benefit obligations -**

Toyota has both defined benefit and defined contribution plans for employees' retirement benefits. Retirement benefit obligations are measured by actuarial calculations in accordance with U.S.GAAP. The funded status of the defined benefit postretirement plans is recognized on the consolidated balance sheets as prepaid pension and severance costs or accrued pension and severance costs, and the funded status change is recognized in the year in which it occurs through other comprehensive income.

**Environmental matters -**

Environmental expenditures relating to current operations are expensed or capitalized as appropriate. Expenditures relating to existing conditions caused by past operations, which do not contribute to current or future revenues, are expensed. Liabilities for remediation costs are recorded when they are probable and reasonably estimable, generally no later than the completion of feasibility studies or Toyota's commitment to a plan of action. The cost of each environmental liability is estimated by using current technology available and various engineering, financial and legal specialists within Toyota based on current law. Such liabilities do not reflect any offset for possible recoveries from insurance companies and are not discounted. There were no material changes in these liabilities for all periods presented.

**Income taxes -**

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

**Derivative financial instruments -**

Toyota employs derivative financial instruments, including forward foreign currency exchange contracts, foreign currency options, interest rate swaps, interest rate currency swap agreements and interest rate options to manage its exposure to fluctuations in interest rates and foreign currency exchange rates. Toyota does not use derivatives for speculation or trading purposes. Changes in the fair value of derivatives are recorded each period in current earnings or through other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction. The ineffective portion of all hedges is recognized currently in operations.

**Net income attributable to Toyota Motor Corporation per share -**

Basic net income attributable to Toyota Motor Corporation per common share is calculated by dividing net income attributable to Toyota Motor Corporation by the weighted-average number of shares outstanding during the reported period. The calculation of diluted net income attributable to Toyota Motor Corporation per common share is similar to the calculation of basic net income attributable to Toyota Motor Corporation per share, except that the weighted-average number of shares outstanding includes the additional dilution from the assumed exercise of dilutive stock options.

**Stock-based compensation -**

Toyota measures compensation expense for its stock-based compensation plan based on the grant-date fair value of the award, and accounts for the award.

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**Table of Contents**

**TOYOTA MOTOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Other comprehensive income -**

Other comprehensive income refers to revenues, expenses, gains and losses that, under U.S.GAAP are included in comprehensive income, but are excluded from net income as these amounts are recorded directly as an adjustment to shareholders' equity. Toyota's other comprehensive income is primarily comprised of unrealized gains/losses on marketable securities designated as available-for-sale, foreign currency translation adjustments and adjustments attributed to pension liabilities or minimum pension liabilities associated with Toyota's defined benefit pension plans.

**Accounting changes -**

In October 2009, FASB issued updated guidance of accounting for and disclosure of revenue recognition with multiple deliverables. This guidance allows the use of estimated selling price for determining the selling price of deliverables, eliminates the residual method of allocation and expands the disclosures related to a vendor's multiple-deliverable revenue arrangements. Toyota adopted this guidance for revenue arrangements entered into or materially modified in the fiscal year begun on or after June 15, 2010. The adoption of this guidance did not have a material impact on Toyota's consolidated financial statements.

In April 2011, FASB issued updated guidance to clarify the accounting for and disclosures about troubled debt restructurings by creditors. This guidance provides the criteria as to whether a loan modification constitutes a troubled debt restructuring and requires additional disclosures about troubled debt restructurings. Toyota adopted this guidance from the fiscal year ended March 31, 2012. The adoption of this guidance did not have a material impact on Toyota's consolidated financial statements. For a further discussion of additional disclosures by adoption of this guidance, please see note 7 to Toyota's consolidated financial statements.

In May 2011, FASB issued updated guidance on fair value measurement and disclosure requirements. This guidance is the amendment to achieve common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards. Consequently, this guidance changes some fair value measurement principles and enhances the disclosure requirements. Toyota adopted this guidance from the fiscal year ended March 31, 2012. The adoption of this guidance did not have a material impact on Toyota's consolidated financial statements. For a further discussion of additional disclosures by adoption of this guidance, please see notes 21 and 26 to Toyota's consolidated financial statements.

**Recent pronouncements to be adopted in future periods -**

In June 2011, FASB issued updated guidance of presentation of comprehensive income. This guidance requires to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance is effective for fiscal year, and interim period within the fiscal year, beginning after December 15, 2011. Management does not expect this guidance to have a material impact on Toyota's consolidated financial statements.

In December 2011, FASB issued updated guidance of disclosures about offsetting assets and liabilities. This guidance requires additional disclosures about gross and net information for assets and liabilities including financial instruments eligible for offset in the balance sheets. This guidance is effective for fiscal year beginning on or after January 1, 2013, and for interim period within the fiscal year. Management does not expect this guidance to have a material impact on Toyota's consolidated financial statements.

**Table of Contents**

**TOYOTA MOTOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Reclassifications -**

Certain prior year amounts have been reclassified to conform to the presentations as of and for the year ended March 31, 2012.

**3. U.S. dollar amounts:**

U.S. dollar amounts presented in the consolidated financial statements and related notes are included solely for the convenience of the reader and are unaudited. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into, U.S. dollars. For this purpose, the rate of ¥82.19 = U.S. \$1, the approximate current exchange rate at March 31, 2012, was used for the translation of the accompanying consolidated financial amounts of Toyota as of and for the year ended March 31, 2012.

**4. Supplemental cash flow information:**

Cash payments for income taxes were ¥(207,278) million, ¥211,487 million and ¥282,440 million (\$3,436 million) for the years ended March 31, 2010, 2011 and 2012, respectively. Interest payments during the years ended March 31, 2010, 2011 and 2012 were ¥445,049 million, ¥382,903 million and ¥365,109 million (\$4,442 million), respectively.

Capital lease obligations of ¥3,400 million, ¥10,478 million and ¥5,847 million (\$71 million) were incurred for the years ended March 31, 2010, 2011 and 2012, respectively.

**5. Acquisitions and dispositions:**

During the years ended March 31, 2010, 2011 and 2012, Toyota made several acquisitions and dispositions, however the assets and liabilities acquired or transferred were not material.

**Table of Contents****TOYOTA MOTOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. Marketable securities and other securities investments:**

Marketable securities and other securities investments include government bonds and common stocks for which the aggregate cost, gross unrealized gains and losses and fair value are as follows:

	Cost	Yen in millions March 31, 2011		Fair value
		Gross unrealized gains	Gross unrealized losses	
<b>Available-for-sale</b>				
Government bonds	¥ 3,174,236	¥ 21,712	¥ 68,778	¥ 3,127,170
Common stocks	670,405	336,598	46,774	960,229
Other	561,387	15,940	376	576,951
<b>Total</b>	<b>¥ 4,406,028</b>	<b>¥ 374,250</b>	<b>¥ 115,928</b>	<b>¥ 4,664,350</b>

**Securities not practicable to determine fair value**

Common stocks	¥ 109,203			
Other	23,069			
<b>Total</b>	<b>¥ 132,272</b>			

	Cost	Yen in millions March 31, 2012		Fair value
		Gross unrealized gains	Gross unrealized losses	
<b>Available-for-sale</b>				
Government bonds	¥ 3,580,574	¥ 72,485	¥ 51,147	¥ 3,601,912
Common stocks	605,889	444,073	15,643	1,034,319
Other	475,109	21,846	11	496,944
<b>Total</b>	<b>¥ 4,661,572</b>	<b>¥ 538,404</b>	<b>¥ 66,801</b>	<b>¥ 5,133,175</b>

**Securities not practicable to determine fair value**

Common stocks	¥ 79,420			
Other	22,047			
<b>Total</b>	<b>¥ 101,467</b>			

	Cost	U.S. dollars in millions March 31, 2012		Fair value
		Gross unrealized gains	Gross unrealized losses	

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<b>Available-for-sale</b>								
Government bonds	\$	43,564	\$	882	\$	622	\$	43,824
Common stocks		7,372		5,403		191		12,584
Other		5,781		266		0		6,047
<b>Total</b>	<b>\$</b>	<b>56,717</b>	<b>\$</b>	<b>6,551</b>	<b>\$</b>	<b>813</b>	<b>\$</b>	<b>62,455</b>
<b>Securities not practicable to determine fair value</b>								
Common stocks	\$	967						
Other		268						
<b>Total</b>	<b>\$</b>	<b>1,235</b>						

F-20

**Table of Contents**

**TOYOTA MOTOR CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The amount of unrealized gains and losses that were originally reported for 2011 were corrected. There was no effect on the disclosed carrying values or market values and the information included in the table above reflects the adjustments made.

Government bonds include 77% of Japanese government bonds, and 23% of U.S. and European government bonds as of March 31, 2011, and 60% of Japanese government bonds, and 40% of U.S., European and other government bonds as of March 31, 2012. Listed stocks on the Japanese stock markets represent 86% and 83% of common stocks which are included in available-for-sale as of March 31, 2011 and 2012, respectively. Other includes primarily commercial paper.

Unrealized losses continuing over a 12 month period or more in the aggregate were not material at March 31, 2011 and 2012.

As of March 31, 2011 and 2012, maturities of government bonds and other included in available-for-sale are mainly from 1 to 10 years.

Proceeds from sales of available-for-sale securities were ¥77,025 million, ¥189,037 million and ¥162,160 million (\$1,973 million) for the years ended March 31, 2010, 2011 and 2012, respectively. On those sales, gross realized gains were ¥3,186 million, ¥8,974 million and ¥4,822 million (\$59 million) and gross realized losses were ¥7 million, ¥87 million and ¥15 million (\$0 million), respectively.

During the years ended March 31, 2010, 2011 and 2012, Toyota recognized impairment losses on available-for-sale securities of ¥2,486 million, ¥7,915 million and ¥53,831 million (\$655 million), respectively, which are included in Other income (loss), net in the accompanying consolidated statements of income.

In the ordinary course of business, Toyota maintains long-term investment securities, included in Marketable securities and other securities investments and issued by a number of non-public companies which are recorded at cost, as their fair values were not readily determinable. Management employs a systematic methodology to assess the recoverability of such investments by reviewing the financial viability of the underlying companies and the prevailing market conditions in which these companies operate to determine if Toyota's investment in each individual company is impaired and whether the impairment is other-than-temporary. Toyota periodically performs this impairment test for significant investments recorded at cost. If the impairment is determined to be other-than-temporary, the carrying value of the investment is written-down by the impaired amount and the losses are recognized currently in operations.

**Table of Contents****TOYOTA MOTOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7. Finance receivables:**

Finance receivables consist of the following:

	Yen in millions		U.S. dollars
	March 31,		in millions
	2011	2012	March 31, 2012
Retail	¥ 7,128,453	¥ 7,248,793	\$ 88,195
Finance leases	1,123,188	955,430	11,625
Wholesale and other dealer loans	1,990,557	2,033,954	24,747
	10,242,198	10,238,177	124,567
Deferred origination costs	104,391	105,533	1,284
Unearned income	(496,235)	(494,123)	(6,012)
Allowance for credit losses			
Retail	(92,199)	(77,353)	(941)
Finance leases	(36,024)	(30,637)	(373)
Wholesale and other dealer loans	(28,580)	(24,238)	(295)
Total allowance for credit losses	(156,803)	(132,228)	(1,609)
Total finance receivables, net	9,693,551	9,717,359	118,230
Less - Current portion	(4,136,805)	(4,114,897)	(50,065)
Noncurrent finance receivables, net	¥ 5,556,746	¥ 5,602,462	\$ 68,165

Finance receivables were geographically distributed as follows: in North America 59.0%, in Japan 12.7%, in Europe 10.4%, in Asia 5.8% and in Other 12.1% as of March 31, 2011, and in North America 58.1%, in Japan 12.0%, in Europe 10.3%, in Asia 7.1% and in Other 12.5% as of March 31, 2012.

The contractual maturities of retail receivables, the future minimum lease payments on finance leases and wholesale and other dealer loans at March 31, 2012 are summarized as follows:

Years ending March 31,	Yen in millions			U.S. dollars in millions		
	Retail	Finance leases	Wholesale and other dealer loans	Retail	Finance leases	Wholesale and other dealer loans
2013	¥ 2,528,895	¥ 276,630	¥ 1,490,687	\$ 30,769	\$ 3,366	\$ 18,137
2014	1,774,195	182,404	209,151	21,586	2,219	2,545
2015	1,380,910	117,854	78,369	16,802	1,434	953
2016	881,267	80,239	71,637	10,722	976	872
2017	427,490	19,546	98,111	5,201	238	1,194
Thereafter	256,036	11,969	85,999	3,115	146	1,046



¥ 7,248,793	¥ 688,642	¥ 2,033,954	\$ 88,195	\$ 8,379	\$ 24,747
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F-22

**Table of Contents****TOYOTA MOTOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Finance leases consist of the following:

	Yen in millions March 31,		U.S. dollars in millions March 31,
	2011	2012	2012
Minimum lease payments	¥ 804,871	¥ 688,642	\$ 8,379
Estimated unguaranteed residual values	318,317	266,788	3,246
	1,123,188	955,430	11,625
Deferred origination costs	5,406	3,722	45
Less - Unearned income	(104,419)	(90,887)	(1,106)
Less - Allowance for credit losses	(36,024)	(30,637)	(373)
Finance leases, net	¥ 988,151	¥ 837,628	\$ 10,191

Toyota is exposed to credit risk on Toyota's finance receivables. Credit risk is the risk of loss arising from the failure of customers or dealers to meet the terms of their contracts with Toyota or otherwise fail to perform as agreed. Toyota estimates allowance for credit losses by variety of credit-risk evaluation process to cover probable and estimable losses above.

The table below shows the amount of the finance receivables segregated into aging categories based on the number of days outstanding as of March 31, 2011 and 2012:

	Yen in millions March 31, 2011				Working capital
	Retail	Finance leases	Wholesale	Real estate	
Current	¥ 7,017,171	¥ 1,111,453	¥ 897,971	¥ 494,700	¥ 593,516
31-60 days past due	72,082	5,968	2,260	404	44
61-90 days past due	15,466	1,283	355	34	0
Over 90 days past due	23,734	4,484	74	621	578
Total	¥ 7,128,453	¥ 1,123,188	¥ 900,660	¥ 495,759	¥ 594,138

	Yen in millions March 31, 2012				Working capital
	Retail	Finance leases	Wholesale	Real estate	
Current	¥ 7,146,365	¥ 939,345	¥ 923,642	¥ 535,296	¥ 574,671
31-60 days past due	64,314	5,766	3		70
61-90 days past due	13,851	2,645			
Over 90 days past due	24,263	7,674	53	98	121
Total	¥ 7,248,793	¥ 955,430	¥ 923,698	¥ 535,394	¥ 574,862

**U.S. dollars in millions**  
**March 31, 2012**

	<b>Retail</b>	<b>Finance leases</b>	<b>Wholesale</b>	<b>Real estate</b>	<b>Working capital</b>
Current	\$ 86,949	\$ 11,429	\$ 11,238	\$ 6,513	\$ 6,992
31-60 days past due	782	70	0		1
61-90 days past due	169	32			
Over 90 days past due	295	94	1	1	1
<b>Total</b>	<b>\$ 88,195</b>	<b>\$ 11,625</b>	<b>\$ 11,239</b>	<b>\$ 6,514</b>	<b>\$ 6,994</b>

F-23

**Table of Contents****TOYOTA MOTOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The tables below show the recorded investment for each credit quality of the finance receivable within the wholesale and other dealer loan receivables portfolio segment in the United States and other regions as of March 31, 2011 and 2012:

*United States*

The wholesale and other dealer loan receivables portfolio segment is primarily segregated into credit qualities below based on internal risk assessments by dealers.

Performing: Account not classified as either Credit Watch, At Risk or Default

Credit Watch: Account designated for elevated attention

At Risk: Account where there is a probability that default exists based on qualitative and quantitative factors

Default: Account is not currently meeting contractual obligations or we have temporarily waived certain contractual requirements

	Yen in millions March 31, 2011			
	Wholesale	Real estate	Working capital	Total
Performing	¥ 504,960	¥ 283,450	¥ 90,545	¥ 878,955
Credit Watch	58,106	41,967	12,198	112,271
At Risk	6,494	12,344	1,066	19,904
Default	803	931	655	2,389
<b>Total</b>	<b>¥ 570,363</b>	<b>¥ 338,692</b>	<b>¥ 104,464</b>	<b>¥ 1,013,519</b>

	Yen in millions March 31, 2012			
	Wholesale	Real estate	Working capital	Total
Performing	¥ 513,632	¥ 307,867	¥ 116,871	¥ 938,370
Credit Watch	55,513	38,382	5,014	98,909
At Risk	6,394	12,157	618	19,169
Default	466	30	423	919
<b>Total</b>	<b>¥ 576,005</b>	<b>¥ 358,436</b>	<b>¥ 122,926</b>	<b>¥ 1,057,367</b>

	U.S. dollars in millions March 31, 2012			
	Wholesale	Real estate	Working capital	Total
Performing	\$ 6,249	\$ 3,746	\$ 1,422	\$ 11,417
Credit Watch	676	467	61	1,204
At Risk	78	148	7	233
Default	6	0	5	11
<b>Total</b>	<b>\$ 7,009</b>	<b>\$ 4,361</b>	<b>\$ 1,495</b>	<b>\$ 12,865</b>



**Table of Contents****TOYOTA MOTOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Other regions*

Credit qualities of the wholesale and other dealer loan receivables portfolio segment in other regions are also monitored based on internal risk assessments by dealers on a consistent basis as in the United States. These accounts classified as *Credit Watch* or *At Risk* were not significant in other regions, and consequently the tables below summarize information for two categories, *Performing* and *Default*.

	Yen in millions March 31, 2011			
	Wholesale	Real estate	Working capital	Total
Performing	¥ 315,744	¥ 151,020	¥ 485,974	¥ 952,738
Default	14,553	6,047	3,700	24,300
<b>Total</b>	<b>¥ 330,297</b>	<b>¥ 157,067</b>	<b>¥ 489,674</b>	<b>¥ 977,038</b>

	Yen in millions March 31, 2012			
	Wholesale	Real estate	Working capital	Total
Performing	¥ 330,264	¥ 170,886	¥ 451,505	¥ 952,655
Default	17,429	6,072	431	23,932
<b>Total</b>	<b>¥ 347,693</b>	<b>¥ 176,958</b>	<b>¥ 451,936</b>	<b>¥ 976,587</b>

	U.S. dollars in millions March 31, 2012			
	Wholesale	Real estate	Working capital	Total
Performing	\$ 4,018	\$ 2,079	\$ 5,494	\$ 11,591
Default	212	74	5	291
<b>Total</b>	<b>\$ 4,230</b>	<b>\$ 2,153</b>	<b>\$ 5,499</b>	<b>\$ 11,882</b>

**Table of Contents****TOYOTA MOTOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The tables below summarize information about impaired finance receivables:

	Recorded investment March 31,		Yen in millions Unpaid principal balance March 31,		Individually evaluated allowance March 31,	
	2011	2012	2011	2012	2011	2012
<b>Impaired account balances individually evaluated for impairment with an allowance:</b>						
Wholesale	¥ 7,192	¥ 8,105	¥ 7,192	¥ 8,105	¥ 896	¥ 2,716
Real estate	18,173	16,429	18,173	16,429	6,553	4,252
Working capital	4,841	995	4,841	995	3,436	573
<b>Total</b>	<b>¥ 30,206</b>	<b>¥ 25,529</b>	<b>¥ 30,206</b>	<b>¥ 25,529</b>	<b>¥ 10,885</b>	<b>¥ 7,541</b>
<b>Impaired account balances individually evaluated for impairment without an allowance:</b>						
Wholesale	¥ 12,745	¥ 14,015	¥ 12,745	¥ 14,015		
Real estate		15		15		
Working capital	272	38	272	38		
<b>Total</b>	<b>¥ 13,017</b>	<b>¥ 14,068</b>	<b>¥ 13,017</b>	<b>¥ 14,068</b>		
<b>Impaired account balances aggregated and evaluated for impairment:</b>						
Retail	¥ 48,376	¥ 42,438	¥ 47,640	¥ 41,790		
Finance leases	433	325	378	180		
<b>Total</b>	<b>¥ 48,809</b>	<b>¥ 42,763</b>	<b>¥ 48,018</b>	<b>¥ 41,970</b>		
<b>Total impaired account balances:</b>						
Retail	¥ 48,376	¥ 42,438	¥ 47,640	¥ 41,790		
Finance leases	433	325	378	180		
Wholesale	19,937	22,120	19,937	22,120		
Real estate	18,173	16,444	18,173	16,444		
Working capital	5,113	1,033	5,113	1,033		
<b>Total</b>	<b>¥ 92,032</b>	<b>¥ 82,360</b>	<b>¥ 91,241</b>	<b>¥ 81,567</b>		

	Yen in millions			
	Average impaired finance receivables For the years ended March 31,		Interest income recognized For the years ended March 31,	
	2011	2012	2011	2012
<b>Total impaired account balances:</b>				
Retail	¥ 48,898	¥ 44,362	¥ 4,373	¥ 3,700
Finance leases	480	279	30	7
Wholesale	16,231	18,734	171	79
Real estate	19,545	16,137	514	395
Working capital	4,979	2,592	86	79

Total	¥ 90,133	¥ 82,104	¥ 5,174	¥ 4,260
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F-26



**Table of Contents****TOYOTA MOTOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	U.S. dollars in millions March 31, 2012		
	Recorded investment	Unpaid principal balance	Individually evaluated allowance
<b>Impaired account balances individually evaluated for impairment with an allowance:</b>			
Wholesale	\$ 99	\$ 99	\$ 33
Real estate	200	200	52
Working capital	12	12	7
<b>Total</b>	<b>\$ 311</b>	<b>\$ 311</b>	<b>\$ 92</b>
<b>Impaired account balances individually evaluated for impairment without an allowance:</b>			
Wholesale	\$ 170	\$ 170	
Real estate	0	0	
Working capital	1	1	
<b>Total</b>	<b>\$ 171</b>	<b>\$ 171</b>	
<b>Impaired account balances aggregated and evaluated for impairment:</b>			
Retail	\$ 516	\$ 508	
Finance leases	4	2	
<b>Total</b>	<b>\$ 520</b>	<b>\$ 510</b>	
<b>Total impaired account balances:</b>			
Retail	\$ 516	\$ 508	
Finance leases	4	2	
Wholesale	269	269	
Real estate	200	200	
Working capital	13	13	
<b>Total</b>	<b>\$ 1,002</b>	<b>\$ 992</b>	

	U.S. dollars in millions For the year ended March 31, 2012	
	Average impaired finance receivables	Interest income recognized
<b>Total impaired account balances:</b>		
Retail	\$ 540	\$ 45
Finance leases	3	0
Wholesale	228	1
Real estate	196	5
Working capital	32	1
<b>Total</b>	<b>\$ 999</b>	<b>\$ 52</b>

The amount of finance receivables modified as a troubled debt restructuring for the year ended March 31, 2012 was not significant for all classes of finance receivables. Finance receivables modified as troubled debt restructurings for the year ended March 31, 2012 and for which there was a

payment default were not significant for all classes of such receivables.

F-27

**Table of Contents****TOYOTA MOTOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****8. Other receivables:**

Other receivables relate to arrangements with certain component manufacturers whereby Toyota procures inventory for these component manufactures and is reimbursed for the related purchases.

**9. Inventories:**

Inventories consist of the following:

	Yen in millions March 31,		U.S. dollars in millions March 31,
	2011	2012	2012
Finished goods	¥ 715,272	¥ 981,612	\$ 11,943
Raw materials	299,755	347,878	4,233
Work in process	218,335	221,036	2,689
Supplies and other	70,880	71,756	873
<b>Total</b>	<b>¥ 1,304,242</b>	<b>¥ 1,622,282</b>	<b>\$ 19,738</b>

**10. Vehicles and equipment on operating leases:**

Vehicles and equipment on operating leases consist of the following:

	Yen in millions March 31,		U.S. dollars in millions March 31,
	2011	2012	2012
Vehicles	¥ 2,404,032	¥ 2,487,721	\$ 30,268
Equipment	87,914	87,632	1,066
	2,491,946	2,575,353	31,334
Less - Accumulated depreciation	(651,443)	(667,406)	(8,120)
Less - Allowance for credit losses	(10,812)	(8,135)	(99)
<b>Vehicles and equipment on operating leases, net</b>	<b>¥ 1,829,691</b>	<b>¥ 1,899,812</b>	<b>\$ 23,115</b>

Rental income from vehicles and equipment on operating leases was ¥496,729 million, ¥475,472 million and ¥451,361 million (\$5,492 million) for the years ended March 31, 2010, 2011 and 2012, respectively. Future minimum rentals from vehicles and equipment on operating leases are due in installments as follows:

Years ending March 31,	Yen in millions	U.S. dollars in millions
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2013	¥	375,082	\$	4,564
2014		227,597		2,769
2015		105,031		1,278
2016		30,358		369
2017		9,878		120
Thereafter		4,812		59
<b>Total minimum future rentals</b>	<b>¥</b>	<b>752,758</b>	<b>\$</b>	<b>9,159</b>

The future minimum rentals as shown above should not be considered indicative of future cash collections.

**Table of Contents****TOYOTA MOTOR CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. Allowance for doubtful accounts and credit losses:**

An analysis of activity within the allowance for doubtful accounts relating to trade accounts and notes receivable for the years ended March 31, 2010, 2011 and 2012 is as follows:

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended
	2010	2011	2012	March 31, 2012
Allowance for doubtful accounts at beginning of year	¥ 48,006	¥ 46,706	¥ 44,047	\$ 536
Provision for doubtful accounts, net of reversal	1,905	1,806	5,843	71
Write-offs	(1,357)	(2,690)	(699)	(9)
Other	(1,848)	(1,775)	(5,094)	(62)
Allowance for doubtful accounts at end of year	¥ 46,706	¥ 44,047	¥ 44,097	\$ 536

The other amount includes the impact of consolidation and deconsolidation of certain entities due to changes in ownership interest and currency translation adjustments for the years ended March 31, 2010, 2011 and 2012.

A portion of the allowance for doubtful accounts balance at March 31, 2011 and 2012 totaling ¥32,191 million and ¥31,093 million (\$378 million), respectively, is attributed to certain non-current receivable balances which are reported as other assets in the consolidated balance sheets.

An analysis of the allowance for credit losses relating to finance receivables and vehicles and equipment on operating leases for the years ended March 31, 2010, 2011 and 2012 is as follows:

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended
	2010	2011	2012	March 31, 2012
Allowance for credit losses at beginning of year	¥ 238,932	¥ 232,479	¥ 167,615	\$ 2,039
Provision for credit losses, net of reversal	98,870	2,334	3,780	46
Charge-offs	(118,333)	(86,115)	(51,578)	(627)
Recoveries	16,137	18,268	16,415	200
Other	(3,127)	649	4,131	50
Allowance for credit losses at end of year	¥ 232,479	¥ 167,615	¥ 140,363	\$ 1,708