

TOYOTA MOTOR CORP/  
Form 20-F/A  
March 18, 2011

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 20-F/A

(Amendment No. 2)

(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, 2010

OR

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

For the transition period from

to

OR

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

Commission file number: 1-14948

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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)

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1 Toyota-cho, Toyota City  
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Japan

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(Address of Principal Executive Offices)

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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

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: 3,135,995,860 Shares of Common Stock (including 79,850,690 Shares of Common Stock in the form of American Depositary Shares) as of March 31, 2010

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

EXPLANATORY NOTE

This Amendment No. 2 to Form 20-F (the “Form 20-F/A”) amends the annual report on Form 20-F of Toyota Motor Corporation (“Toyota”) for the fiscal year ended March 31, 2010, originally filed with the U.S. Securities and Exchange Commission (“SEC”) on June 25, 2010 (the “Form 20-F”). This Form 20-F/A is being filed in response to a comment letter received from the staff of the SEC dated January 21, 2011 (the “SEC Comment Letter”) and relates to matters discussed in comment letters received from the staff of the SEC dated September 10, 2010 and November 22, 2010 and Toyota’s response letters dated October 15, 2010, December 17, 2010 and March 15, 2011. We expect that these comment letters and response letters will be released in due course on the SEC’s Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system at [www.sec.gov](http://www.sec.gov) under the Central Index Key (CIK) 0001094517 for Toyota.

“Operating and Financial Review and Prospects — Operating Results — Results of Operations — Fiscal 2010 Compared with Fiscal 2009 — Operating Costs and Expenses” in the Form 20-F is amended by this Form 20-F/A to reflect additional information requested in the SEC Comment Letter. No other changes have been made to the Form 20-F. The Form 20-F, as amended by this Form 20-F/A, speaks as of the original filing date of the Form 20-F, is not intended to reflect events that may have occurred subsequent to the original filing date of the Form 20-F, and is not intended to update in any way the disclosures made in the Form 20-F.

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## 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 2010. Toyota's primary markets based on vehicle unit sales for fiscal 2010 were: Japan (30%), North America (29%), Europe (12%) and Asia (14%). During fiscal 2010, as a result of announcements of recalls and other safety measures for several models of vehicles in several countries, the number of recalls and other safety measures increased. These recalls and other safety measures have impacted the financial results of the automotive and financial services operations and led to a number of claims, lawsuits and government investigations. As a result of the foregoing, the fiscal 2010 operating results of the automotive operations were principally affected by factors including but not limited to the accrued costs related to the recalls and other safety measures announced in fiscal 2010, a temporary decrease in sales mainly in North America and additional costs resulting from a change in the estimation model of expenses related to future recalls and other safety measures. In fiscal 2010, Toyota has employed an estimation model for recalls and other safety measures which takes into account Toyota's historical experience and individual occurrences of recalls and other safety measures to accrue recall costs at the time of vehicle sale. In addition, as a result of the above, the fiscal 2010 operating results of the financial services operations were principally affected by the evaluation for credit losses and residual value losses at March 31, 2010. Not all of the impacts described above are financially significant or are able to be precisely measured. Toyota has included in the following discussion and analysis, where relevant, significant impacts of these items.

## 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 and operate vehicles. These factors can cause consumer demand to vary substantially in different geographic markets and for different types of automobiles.

The automotive industry generally experienced difficult market conditions during fiscal 2010 due to changes in market demand resulting from a shift in consumer preference towards small and low-price vehicles, despite the continuous growth in China, India and other emerging countries and the effects of government stimulus packages in developed countries.

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,		
	2008	2009	2010
Japan	2,188	1,945	2,163
North America	2,958	2,212	2,098
Europe	1,284	1,062	858
Asia	956	905	979
Other*	1,527	1,443	1,139

Overseas total	6,725	5,622	5,074
Total	8,913	7,567	7,237

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

During fiscal 2009, Toyota’s consolidated vehicle unit sales in Japan decreased due to weak market conditions as compared to the prior fiscal year. During fiscal 2010, sales in Japan increased as compared to the prior fiscal year reflecting frequent introduction of new products and sales efforts of domestic dealers on the sales of new products. In fiscal 2010, Toyota and Lexus brands’ market share excluding mini-vehicles was 48.2%, and Toyota’s market share (including Daihatsu and Hino brands) including mini-vehicles was 44.3%, and both market shares represented record highs. Overseas vehicle unit sales decreased during fiscal 2009 and 2010, each compared to the prior fiscal year. During fiscal 2009, overseas vehicle unit sales decreased, particularly in North America and Europe, where the contraction of automotive markets was especially pronounced. During fiscal 2010, total overseas vehicle unit sales decreased, particularly in Europe, despite an increase in Asia.

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, and
- changes in the value of the Japanese yen and other currencies in which Toyota does 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 and 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. Please 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. Toyota is currently 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 settlement agreement is pending the approval of the federal district court, and immediately upon approval the plaintiffs will, in accordance with the terms of the settlement agreement, withdraw all pending actions against Toyota in the federal district court as well as all state courts and all related actions will be closed. From time-to-time, Toyota issues vehicle recalls and takes other safety measures including safety campaigns in 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 vehicles 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 worldwide automobile financial services industry has become highly competitive due to the contraction of 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.

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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.

Toyota reasonably estimated and recorded allowance for credit losses and residual value losses. This estimation includes the unfavorable impact of the recalls and other safety measures announced in fiscal 2010.

Toyota's financial assets decreased during fiscal 2010 primarily due to the impact of fluctuations in foreign currency translation rates.

The following table provides information regarding Toyota's finance receivables and operating leases as of March 31, 2009 and 2010.

	Yen in millions	
	March 31,	
	2009	2010
<b>Finance Receivables</b>		
Retail	¥6,655,404	¥6,810,144
Finance leases	1,108,408	1,232,508
Wholesale and other dealer loans	2,322,721	2,403,239
	10,086,533	10,445,891
Deferred origination costs	104,521	109,747
Unearned income	(405,171 )	(482,983 )
Allowance for credit losses		
Retail	(157,359 )	(148,503 )
Finance leases	(7,776 )	(36,917 )
Wholesale and other dealer loans	(73,797 )	(47,059 )
	(238,932 )	(232,479 )
<b>Total finance receivables, net</b>	<b>9,546,951</b>	<b>9,840,176</b>
Less – Current portion	(3,891,406 )	(4,209,496 )
<b>Noncurrent finance receivables, net</b>	<b>¥5,655,545</b>	<b>¥5,630,680</b>
<b>Operating Leases</b>		
Vehicles	¥2,729,713	¥2,516,948
Equipment	107,168	96,300
	2,836,881	2,613,248
Less – Accumulated depreciation	(795,767 )	(791,169 )
<b>Vehicles and equipment on operating leases, net</b>	<b>¥2,041,114</b>	<b>¥1,822,079</b>

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 the Critical Accounting Estimates section regarding "Allowance for Doubtful Accounts and Credit Losses" and note 11 to the consolidated financial statements regarding the allowance for doubtful accounts and credit losses.

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 the Critical Accounting Estimates section regarding “Investment in Operating Leases” and note 2 to the consolidated financial statements regarding the allowance for residual value losses.

Toyota primarily 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 to specific assets or liabilities on Toyota’s consolidated balance sheet and accordingly, unrealized gains or losses related to derivatives that are not designated are recognized currently in operations. See discussion in the Critical Accounting Estimates section regarding “Derivatives and Other Contracts at Fair Value”, further discussion in the Market Risk Disclosures section and note 20 to the consolidated financial statements.

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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 2009 and 2010, mainly as a result of lower interest rates.

Toyota launched its credit card business in Japan at the beginning of fiscal 2002. As of March 31, 2009, Toyota had 7.1 million cardholders, an increase of 0.5 million cardholders compared with March 31, 2008. As of March 31, 2010, Toyota had 7.7 million cardholders, an increase of 0.6 million cardholders compared with March 31, 2009. The credit card receivables at March 31, 2009 decreased by ¥1.1 billion from March 31, 2008 to ¥224.6 billion. The credit card receivables at March 31, 2010 increased by ¥30.8 billion from March 31, 2009 to ¥255.4 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, GAZOO and other.

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 principally 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 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.

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 2008 and 2009, Toyota produced 64.1% and 64.5% of Toyota's non-domestic sales outside Japan, respectively. In North America, 57.4% and 60.0% of vehicles sold in calendar 2008 and 2009 respectively were produced locally. In Europe, 60.9% and 57.0% of vehicles sold in calendar 2008 and 2009 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 regarding the extent of Toyota's use of derivative financial instruments to hedge foreign currency

exchange rate risks.

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 2009 and 2010, the Japanese yen was on average and at the end of the fiscal year stronger against the U.S. dollar and the euro in comparison to the prior fiscal year. See further discussion in the Market Risk Disclosures section regarding "Foreign Currency Exchange Rate Risk".

During fiscal 2009 and 2010, the average exchange rate of the Japanese yen strengthened against the major currencies including the U.S. dollar and the euro compared to the average exchange rate of the prior fiscal year. The operating results excluding the impact of currency fluctuations described in the "Results of Operations — Fiscal 2010 Compared with Fiscal 2009" and the "Results of Operations — Fiscal 2009 Compared with Fiscal 2008," 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 2009 and 2010, 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.

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## 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 units of sale, units of production, 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		
	Year ended March 31,		
	2008	2009	2010
Japan	¥8,418,620	¥7,471,916	¥7,314,813
North America	9,248,950	6,097,676	5,583,228
Europe	3,802,814	2,889,753	2,082,671
Asia	2,790,987	2,450,412	2,431,648
Other*	2,027,869	1,619,813	1,538,613

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

## Results of Operations — Fiscal 2010 Compared with Fiscal 2009

	Yen in millions		2010 v. 2009 Change	
	Year ended March 31, 2009	2010	Amount	Percentage
Net revenues:				
Japan	¥12,186,737	¥11,220,303	¥(966,434 )	(7.9 )%
North America	6,222,914	5,670,526	(552,388 )	(8.9 )
Europe	3,013,128	2,147,049	(866,079 )	(28.7 )
Asia	2,719,329	2,655,327	(64,002 )	(2.4 )
Other*	1,882,900	1,673,861	(209,039 )	(11.1 )
Intersegment elimination/unallocated amount	(5,495,438 )	(4,416,093 )	1,079,345	—
Total	20,529,570	18,950,973	(1,578,597)	(7.7 )
Operating income (loss):				
Japan	(237,531 )	(225,242 )	12,289	—
North America	(390,192 )	85,490	475,682	—
Europe	(143,233 )	(32,955 )	110,278	—
Asia	176,060	203,527	27,467	15.6
Other*	87,648	115,574	27,926	31.9
Intersegment elimination/unallocated amount	46,237	1,122	(45,115 )	(97.6 )

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Total	(461,011 )	147,516	608,527	—
Operating margin	(2.2 )%	0.8 %	3.0 %	
Income (loss) before income taxes and equity in earnings of affiliated companies	(560,381 )	291,468	851,849	—
Net margin from Income (loss) before income taxes and equity in earnings of affiliated companies	(2.7 )%	1.5 %	4.2 %	
Equity in earnings of affiliated companies	42,724	45,408	2,684	6.3
Net income (loss) attributable to Toyota Motor Corporation	(436,937 )	209,456	646,393	—
Net margin attributable to Toyota Motor Corporation	(2.1 )%	1.1 %	3.2 %	

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

## Net Revenues

Toyota had net revenues for fiscal 2010 of ¥18,950.9 billion, a decrease of ¥1,578.6 billion, or 7.7%, compared with the prior year. This decrease principally reflects the unfavorable impact of fluctuations in foreign currency translation rates of ¥986.9 billion, the impact of decreased vehicle unit sales and changes in sales mix of approximately ¥570.0 billion, partially offset by the increased parts sales of ¥34.9 billion during fiscal 2010. Eliminating the difference in the Japanese yen value used for translation purposes, net revenues would have been approximately ¥19,937.8 billion during fiscal 2010, a 2.9% decrease compared with the prior year. The automotive market expanded by 10.0% in Japan compared to the prior fiscal year due to the government stimulus packages. However, other automotive markets contracted significantly such as 22.0% in North America and 13.7% in Europe compared to the prior calendar year due to the continuous market downturn. Affected by this downturn, Toyota's vehicle unit sales decreased to 7,237 thousand vehicles, or by 4.4%, compared to the prior fiscal year.

Toyota's net revenues by product category in each business with external customer is as follows:

	Yen in millions		2010 v. 2009 Change	
	Year ended March 31, 2009	2010	Amount	Percentage
Vehicles	¥15,635,490	¥14,309,595	¥(1,325,895)	(8.5)%
Parts and components for overseas production	298,176	355,273	57,097	19.1
Parts and components for after service	1,575,316	1,543,941	(31,375)	(2.0)
Other	1,041,519	978,499	(63,020)	(6.1)
Total Automotive	18,550,501	17,187,308	(1,363,193)	(7.3)
All Other	623,219	537,421	(85,798)	(13.8)
Total sales of products	19,173,720	17,724,729	(1,448,991)	(7.6)
Financial services	1,355,850	1,226,244	(129,606)	(9.6)
Total	¥20,529,570	¥18,950,973	¥(1,578,597)	(7.7)%

Toyota's net revenues include net revenues from sales of products, consisting of net revenues from automotive operations and all other operations, that decreased by 7.6% during fiscal 2010 compared with the prior fiscal year to ¥17,724.7 billion, and net revenues from financial services operations that decreased by 9.6% during fiscal 2010 compared with the prior fiscal year to ¥1,226.2 billion. Eliminating the difference in the Japanese yen value used for translation purposes, net revenues from sales of products would have been ¥18,618.7 billion, a 2.9% decrease during fiscal 2010 compared with the prior fiscal year. The decrease in net revenues from sales of products is due primarily to a decrease in vehicle unit sales which resulted from the generally difficult market conditions in the automotive industry as a whole in fiscal 2010. Eliminating the difference in the Japanese yen value used for translation purposes, net revenues from financial services operations would have been approximately ¥1,319.1 billion, a 2.7% decrease during fiscal 2010 compared with the prior fiscal year. The decrease in net revenues from financial services operations resulted primarily from unfavorable impact of fluctuations in foreign currency translation rates and decrease in rental income from vehicles and equipment on operating leases.

Number of financing contracts by geographic region (at the end of the fiscal year 2009 and 2010) is as follows:

	Number of financing contracts in thousands		2010 v. 2009 Change	
	Year ended March 31, 2009	2010	Amount	Percentage
Japan	1,660	1,684	24	1.4%
North America	4,403	4,488	85	1.9
Europe	748	774	26	3.5

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Asia	387	428	41	10.6	
Other*	440	476	36	8.2	
Total	7,638	7,850	212	2.8	%

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

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Geographically, net revenues (before the elimination of intersegment revenues) for fiscal 2010 decreased by 7.9% in Japan, 8.9% in North America, 28.7% in Europe, 2.4% in Asia and 11.1% in Other compared with the prior fiscal year. Eliminating the difference in the Japanese yen value used for translation purposes, net revenues in fiscal 2010 would have decreased by 7.9% in Japan, 1.2% in North America, 20.1% in Europe, 7.3% in Other and would have increased by 5.5% in Asia 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		2010 v. 2009 Change		
	Year ended March 31, 2009	2010	Amount	Percentage	
Toyota's consolidated vehicle unit sales	1,945	2,163	218	11.2	%

	Yen in millions		2010 v. 2009 Change		
	Year ended March 31, 2009	2010	Amount	Percentage	
Net revenues:					
Sales of products	¥12,067,494	¥11,095,044	¥(972,450 )	(8.1	)%
Financial services	119,243	125,259	6,016	5.0	
Total	¥12,186,737	¥11,220,303	¥(966,434 )	(7.9	)%

Supported by the government stimulus packages including the eco-car tax reduction and subsidy, Toyota's domestic vehicle unit sales showed growth as compared to the prior fiscal year mainly within the environmentally-friendly and new vehicle markets, such as Prius and SAI. However, net revenues in Japan decreased reflecting the decrease in the number of exported vehicles for the overseas markets.

#### North America

	Thousands of units		2010 v. 2009 Change		
	Year ended March 31, 2009	2010	Amount	Percentage	
Toyota's consolidated vehicle unit sales	2,212	2,098	(114 )	(5.2	)%

	Yen in millions		2010 v. 2009 Change		
	Year ended March 31, 2009	2010	Amount	Percentage	
Net revenues:					
Sales of products	¥5,226,426	¥4,782,379	¥(444,047 )	(8.5	)%
Financial services	996,488	888,147	(108,341 )	(10.9	)
Total	¥6,222,914	¥5,670,526	¥(552,388 )	(8.9	)%



The market is recovering gradually from the downturn stemming from the financial crisis since the fall of 2008 and Toyota's vehicle unit sales in the second half of fiscal 2010 increased year-on-year primarily due to the sales of new Sienna. However, net revenues in North America decreased primarily as a result of the substantial decline in vehicle unit sales caused by the downturn in the market during the first half of fiscal 2010, fluctuations in foreign currency translation rates and the effects of the recalls and other safety measures.

## Europe

	Thousands of units		2010 v. 2009 Change	
	Year ended March 31, 2009	2010	Amount	Percentage
Toyota's consolidated vehicle unit sales	1,062	858	(204 )	(19.2 )%
	Yen in millions		2010 v. 2009 Change	
	Year ended March 31, 2009	2010	Amount	Percentage
Net revenues:				
Sales of products	¥2,911,234	¥2,065,768	¥(845,466 )	(29.0 )%
Financial services	101,894	81,281	(20,613 )	(20.2 )
Total	¥3,013,128	¥2,147,049	¥(866,079 )	(28.7 )%

Although Toyota's vehicle unit sales in some European countries increased compared with the prior fiscal year benefiting from various government stimulus packages, net revenues in Europe overall decreased primarily due to the decrease in vehicle unit sales which resulted from the downturn in the market and fluctuations in foreign currency translation rates.

## Asia

	Thousands of units		2010 v. 2009 Change	
	Year ended March 31, 2009	2010	Amount	Percentage
Toyota's consolidated vehicle unit sales	905	979	74	8.3 %
	Yen in millions		2010 v. 2009 Change	
	Year ended March 31, 2009	2010	Amount	Percentage
Net revenues:				
Sales of products	¥2,676,939	¥2,612,595	¥(64,344 )	(2.4 )%
Financial services	42,390	42,732	342	0.8
Total	¥2,719,329	¥2,655,327	¥(64,002 )	(2.4 )%

Although Toyota's vehicle unit sales increased, particularly in Thailand and Indonesia, compared with the prior fiscal year due primarily to various government stimulus packages, net revenues in Asia decreased due primarily to the unfavorable impact of fluctuations in foreign currency translation rates. Eliminating the difference in the Japanese yen value used for translation purposes of ¥212.9 billion, net revenues would have increased by ¥148.6 billion.

## Other

Thousands of units

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	Year ended March 31,		2010 v. 2009 Change	
	2009	2010	Amount	Percentage
Toyota's consolidated vehicle unit sales	1,443	1,139	(304 )	(21.1 )%

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	Yen in millions		2010 v. 2009 Change	
	Year ended March 31, 2009	2010	Amount	Percentage
Net revenues:				
Sales of products	¥1,779,089	¥1,571,846	¥(207,243 )	(11.6 )%
Financial services	103,811	102,015	(1,796 )	(1.7 )
Total	¥1,882,900	¥1,673,861	¥(209,039 )	(11.1 )%

Net revenues in Other decreased due to the decrease in Toyota's vehicle unit sales compared to the prior fiscal year as a result of a downturn in the markets in Central and South America, Oceania, Africa, and all other regions.

#### Operating Costs and Expenses

	Yen in millions		2010 v. 2009 Change	
	Year ended March 31, 2009	2010	Amount	Percentage
Operating costs and expenses				
Cost of products sold	¥17,468,416	¥15,971,496	¥(1,496,920)	(8.6 )%
Cost of financing operations	987,384	712,301	(275,083 )	(27.9 )
Selling, general and administrative	2,534,781	2,119,660	(415,121 )	(16.4 )
Total	¥20,990,581	¥18,803,457	¥(2,187,124)	(10.4 )%

	Yen in millions	2010 v. 2009 Change
Changes in operating costs and expenses:		
Effect of decrease in vehicle unit sales and changes in sales mix	¥	(110,000 )
Effect of fluctuation in foreign currency translation rates		(963,300 )
Effect of increase in parts sales		11,200
Effect of decrease in research and development expenses		(178,700 )
Effect of cost reduction efforts, decrease in fixed costs and other efforts		(946,324 )
Total	¥	(2,187,124 )

Operating costs and expenses decreased by ¥2,187.1 billion, or 10.4%, to ¥18,803.4 billion during fiscal 2010 compared with the prior fiscal year. This decrease resulted primarily from the ¥963.3 billion impact of fluctuations in foreign currency translation rates, the ¥946.3 billion of cost reduction efforts, decrease in fixed costs and other efforts, the ¥178.7 billion decrease in research and development expenses, and the approximate ¥110.0 billion impact on costs of products attributable to the decrease in vehicle unit sales and the changes in sales mix, partially offset by the ¥11.2 billion impact on increase in parts sales.

The ¥946.3 billion in cost reduction efforts, decrease in fixed costs and other efforts includes a net cost increase related to recalls and other safety measures of ¥97.0 billion from fiscal 2009 to fiscal 2010. This net increase in costs related to recalls and other safety measures is primarily the result of a ¥105.7 billion increase in costs resulting from a change in the estimation model used to record Toyota's liability for recalls and other safety measures in fiscal 2010, an ¥89.0 billion increase resulting from the total estimated costs of the four recalls and other safety measures in fiscal 2010 as described below, and a ¥32.3 billion increase in costs related to other recalls and safety measures in fiscal 2010, offset by a decrease of approximately ¥130 billion related to customer satisfaction measures with respect to certain Tacoma pick-up trucks in North America recorded in fiscal 2009 also described below. Out of the ¥32.3 billion increase in costs related to other recalls and safety measures from fiscal 2009 to fiscal 2010, approximately ¥21.0 billion is mainly attributable to an accrual of additional costs in fiscal 2010 related to the Tacoma pick-up trucks

customer satisfaction measures reflecting an update to the repair ratio, based on fiscal year 2010 repair experience, and the remaining is the result of an increased number of small-scale recalls and other safety measures.

The following is a description of the four recalls and other safety measures referenced above.

In fiscal 2010, Toyota experienced a significant increase in the number of vehicles subject to recalls and other safety measures. There were over 14 million vehicles worldwide subject to recalls and other safety measures in fiscal 2010, the majority of which occurred in the third and fourth quarters of fiscal 2010 relating to the following four recalls and other safety measures.

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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. The vehicle models involved were the Camry, Avalon, Prius, Tacoma, Tundra, ES 350, IS 250/350, Highlander, Corolla, Venza and Matrix. As of the end of December 2010, approximately 64% of the approximately 6 million vehicles included in the campaign were remedied to address the potential for issues. 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. The vehicle models involved were the Tundra, Sequoia, Avalon, Camry, Corolla, Matrix, RAV4 and Highlander. As of the end of December 2010, approximately 87% of the approximately 2.5 million vehicles subject to this recall were remedied to address sticking and slow-to-return accelerator pedals. Also in January 2010, Toyota announced a recall in Europe and China for certain models of Toyota vehicles related to sticking and slow-to-return accelerator pedals. The vehicle models involved in Europe were the Yaris, Verso, Corolla, Auris, Aygo, RAV4, iQ and Avensis. In China, the recall was limited to the RAV4. As of the end of December 2010, approximately 88% of the approximately 1.7 million vehicles subject to this recall in Europe, and approximately 99% of the approximately 75 thousand vehicles subject to this recall in China, were remedied to address sticking and slow-to-return accelerator pedals. In February 2010, we announced a worldwide recall related to the software program that controls the antilock braking system (ABS) in the Prius, HS 250h, Prius PHV and SAI. As of the end of December 2010, approximately 94% of the approximately 430 thousand units subject to this recall received program updates. As of the end of December 2010, a total of approximately 10.7 million remedies were announced on vehicles subject to the above four recalls and other safety measures. Total estimated costs associated with the above four recalls and other safety measures amounted to ¥89.0 billion for fiscal 2010. Of this amount, actual payments incurred for fiscal 2010 amounted to ¥32.4 billion yen. Specific types of costs involved include costs for parts, labor and costs related to loaner vehicles.

The net changes in the accrual for the four recalls and other safety measures described above consist of the following:

	Yen in billions Year ended March 31, 2010
Balance and beginning of year	¥ —
Accrual	89.0
Amounts paid	(32.4 )
Balance at end of year	¥ 56.6

The following is a description of the customer satisfaction measures related to certain Tacoma pick-up trucks in North America referred to above.

In fiscal 2009, Toyota accrued the cost of the customer satisfaction measures related to Tacoma pick-up trucks in North America in order to address the possibility of rust developing on the frame of a portion of older model Tacoma pick-up trucks manufactured in North America during 1995-2004, by rendering repair services for a portion of the vehicles and providing warranty extensions of up to 15 years to owners of approximately 820 thousand units, a portion of which may include vehicle buyback. Accordingly, the cost of approximately ¥130 billion was recorded in operating costs and expenses in fiscal 2009. The repair ratio for these customer satisfaction measures to date has been relatively low due primarily to the low rate of incidence of rust on the frames of these vehicles which may occur when exposed to severe environmental conditions including accumulation of road salts. This low repair ratio was assumed in the calculation of the accrual.

The net changes in the accrual for the customer satisfaction measures related to Tacoma pick-up trucks in North America described above consist of the following:

	Yen in billions	
	Year ended March 31, 2009	Year ended March 31, 2010
Balance at beginning of year	¥—	¥57.5
Accrual	130.0	21.0
Amounts paid	(72.5 )	(28.4 )
Balance at end of year	¥57.5	¥50.1

#### Cost Reduction Efforts

During fiscal 2010, continued cost reduction efforts reduced operating costs and expenses by approximately ¥520.0 billion. The cost reduction efforts include decreases in the prices of steel, precious metals, non-ferrous alloys including aluminum, plastic parts and other production materials and parts. In fiscal 2010, the decline in raw materials prices and, continued cost reduction efforts, by

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working closely with suppliers, contributed to the improvement in earnings. These cost reduction efforts related to ongoing value engineering and value analysis activities, the use of common parts that result 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 ¥1,496.9 billion, or 8.6%, to ¥15,971.5 billion during fiscal 2010 compared with the prior fiscal year. The decrease in cost of products sold for automotive operations is primarily attributed to the decrease in fixed costs including the decrease in research and development expenses, the cost reduction efforts, the decrease in vehicle unit sales and the changes in sales mix, and the impact of fluctuations in foreign currency translation rates partially offset by increases in parts sales. The decrease in fixed costs was due mainly to a decline in labor costs and research and development expenses as a result of profit improvement initiatives. The decrease in vehicle unit sales and the changes in sales mix were due to factors such as the substantial contraction of the automotive market caused by the financial crisis since the fall of 2008. The decrease in research and development expenses is attributable to reduced development costs realized as a result of Toyota's more focused investment decisions for the future such as in environmental technologies, and effective management over research and development expenses spending.

#### Cost of Financing Operations

	Yen in millions 2010 v. 2009 Change	
Changes in cost of financing operations:		
Effect of fluctuation in foreign currency translation rates	¥	(83,500 )
Effect of changes in funding costs		(70,000 )
Effect of increase in valuation gains on interest rate swaps stated at fair value		(64,500 )
Effect of decrease in provision for residual value losses		(50,000 )
Other		(7,083 )
Total	¥	(275,083 )

Cost of financing operations decreased by ¥275.1 billion, or 27.9%, to ¥712.3 billion during fiscal 2010 compared with the prior year. The decrease resulted primarily from the ¥83.5 billion impact of fluctuations in foreign currency translation rates, the ¥70.0 billion favorable impact of changes in funding costs, the ¥64.5 billion recognition of valuation gains on interest rate swaps stated at fair value, and the ¥50.0 billion decrease in provision for residual value losses. The favorable impact of changes in funding costs is attributable to a decline in market interest rates. The decrease in provision for residual value losses is primarily attributable to the recovery of the used vehicles markets particularly in the United States and other effects, partially offset by the impact from the recalls and other safety measures.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by ¥415.1 billion, or 16.4%, to ¥2,119.6 billion during fiscal 2010 compared with the prior fiscal year. This decrease mainly reflects the ¥173.8 billion decrease for the financial services operations and the ¥84.9 billion decrease of marketing expense. The decrease in the financial services operations is primarily due to the ¥140.0 billion decrease in provision for credit losses and net charge-offs, which is attributable to the rise in the ratio of credit losses as a result of the economic downturn mainly in the United States in the prior fiscal year, partially offset by the impact from the recalls and other safety measures. The decrease in marketing expense is attributable to reduced marketing costs realized as a result of the profit improvement initiatives.

## Operating Income and Loss

	Yen in millions 2010 v. 2009 Change	
Changes in operating income and loss:		
Effect of decrease in vehicle unit sales and changes in sales mix and other operational factors	¥	(370,000 )
Effect of increase in parts sales		23,700
Effect of fluctuation in foreign currency translation rates		(23,600 )
Effect of decrease in research and development expenses		178,700
Effect of cost reduction efforts, decrease in fixed costs and other efforts		799,727
Total	¥	608,527

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Toyota's operating income increased by ¥608.5 billion to an operating income of ¥147.5 billion during fiscal 2010 compared with the prior year. This operating income was favorably impacted by the effects of a ¥799.7 billion cost reduction efforts, decrease in fixed costs and other efforts, the ¥178.7 billion decrease in research and development expenses, and the ¥23.7 billion increase in parts sales, partially offset by the ¥380.0 billion decrease in vehicle unit sales and the changes in sales mix. The cost reduction efforts, decrease in fixed costs and other efforts are partially offset by the ¥105.7 billion increase in costs resulting from a change in the estimation model of expenses related to future recalls and other safety measures.

During fiscal 2010, operating income (before the elimination of intersegment profits), increased by ¥475.6 billion in North America, increased by ¥27.5 billion, or 15.6%, in Asia, and increased by ¥27.9 billion, or 31.9% in Other compared with the prior fiscal year. During fiscal 2010, operating loss (before the elimination of intersegment profits) decreased by ¥12.3 billion in Japan and decreased by ¥110.3 billion in Europe compared with the prior fiscal year.

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

#### Japan

	Yen in millions 2010 v. 2009 Change	
Changes in operating income and loss:		
Effect of decrease in production volume and vehicle unit sales in the export markets and other operational factors	¥	(325,000 )
Effect of cost reduction efforts, decrease in fixed costs and other efforts		337,289
Total	¥	12,289

The decrease in operating losses in Japan was mainly due to the cost reduction efforts, decrease in fixed costs and other efforts in the automotive operations segment, partially offset by the ¥330.0 billion impact of decreases in both production volume and vehicle unit sales in the export markets. The decreases in both production volume and vehicle unit sales in the export markets are attributable to the difficult market conditions particularly in North America and Europe.

#### North America

	Yen in millions 2010 v. 2009 Change	
Changes in operating income and loss:		
Effect of decrease in production volume and vehicle unit sales and other operational factors	¥	(30,000 )
Effect of fluctuation in foreign currency translation rates		(4,100 )
Effect of cost reduction efforts, decrease in fixed costs and other efforts		509,782
Total	¥	475,682

The increase in operating income in North America was due mainly to the ¥200.0 billion decreases in the provision for credit losses, net charge-offs and provision for residual value losses of sales finance subsidiaries in the United States, which are included in "Effect of cost reduction efforts, decrease in fixed costs and other efforts", partially offset by the ¥40.0 billion impact of decreases in both production volume and vehicle unit sales and the ¥4.1 billion impact of the fluctuations in foreign currency translation rates. The decreases in both production volume and vehicle unit sales in North America are attributable to the substantial decline in vehicle unit sales of commercial vehicles and passenger vehicles due to the downturn in the market in the first half of fiscal year 2010.

Europe

	Yen in millions 2010 v. 2009 Change	
Changes in operating income and loss:		
Effect of decrease in production volume and vehicle unit sales and other operational factors	¥	(60,000 )
Effect of fluctuation in foreign currency translation rates		4,900
Effect of cost reduction efforts, decrease in fixed costs and other efforts		165,378
Total	¥	110,278

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The decrease in operating loss in Europe was mainly due to the ¥155.3 billion impact of cost reduction efforts, decrease in fixed costs and other efforts in the automotive operations segment and the ¥4.9 billion impact of fluctuations in foreign currency translation rates, partially offset by the ¥60.0 billion reduction of both production volume and vehicle unit sales. The decreases in both production volume and vehicle unit sales in Europe was attributable to the decline in vehicle unit sales in the overall European market compared to the prior fiscal year despite sales growth in some of the countries that benefited from government stimulus packages.

#### Asia

	Yen in millions 2010 v. 2009 Change	
Changes in operating income and loss:		
Effect of increase in production volume and vehicle unit sales and other operational factors	¥	20,000
Effect of fluctuation in foreign currency translation rates		(16,200 )
Effect of cost reduction efforts, decrease in fixed costs and other efforts		23,667
Total	¥	27,467

The increase in operating income in Asia was mainly due to the ¥20.0 billion impact of increase in production volume and vehicle unit sales and the ¥18.6 billion impact of cost reduction efforts, decrease in fixed costs and other efforts in the automotive operations segment, partially offset by the ¥16.2 billion impact of fluctuation in foreign currency translation rates. The increase in production volume and vehicle unit sales in Asia was primarily attributable to the recovery of Asian automotive markets, particularly in Thailand and Indonesia, benefiting from the government stimulus packages.

#### Other Income and Expenses

Interest and dividend income decreased by ¥60.2 billion, or 43.5%, to ¥78.2 billion during fiscal 2010 compared with the prior fiscal year mainly due to a decrease in interest income reflecting decreases in market interest rates.

Interest expense decreased by ¥13.5 billion, or 28.7%, to ¥33.4 billion during fiscal 2010 compared with the prior fiscal year.

Foreign exchange gains, net increased by ¥70.0 billion to ¥68.2 billion during fiscal 2010 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 increased by ¥220.0 billion to ¥30.9 billion during fiscal 2010 compared with the prior fiscal year. This increase was mainly due to the recognition of impairment losses on available-for sale securities in the prior fiscal year.

#### Income Taxes

The provision for income taxes increased by ¥149.1 billion to ¥92.6 billion during fiscal 2010 compared with the prior year primarily due to the increase in income before income taxes. The effective tax rate was 31.8%, which was lower than the statutory tax rate in Japan. This was primarily due to the increase in income before income taxes of overseas subsidiaries whose statutory tax rates were lower than the statutory tax rate in Japan.

Net Income and Loss attributable to the Noncontrolling Interest and Equity in Earnings of Affiliated Companies

Net income attributable to the noncontrolling interest increased by ¥59.0 billion to ¥34.8 billion during fiscal 2010 compared with the prior year. This increase was mainly due to an increase in net income attributable to the shareholders of consolidated subsidiaries.

Equity in earnings of affiliated companies during fiscal 2010 increased by ¥2.7 billion, or 6.3%, to ¥45.4 billion compared with the prior fiscal year. This increase was due to an increase in net income attributable to the shareholders of affiliated companies.

#### Net Income and Loss attributable to Toyota Motor Corporation

Net income attributable to Toyota Motor Corporation increased by ¥646.4 billion to ¥209.4 billion during fiscal 2010 compared with the prior fiscal year.

#### Other Comprehensive Income and Loss

Other comprehensive income increased by ¥1,127.4 billion to ¥260.9 billion for fiscal 2010 compared with the prior fiscal year. This increase resulted primarily from unrealized holding gains on securities in fiscal 2010 of ¥176.4 billion compared with losses of

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¥293.1 billion in the prior fiscal year, and from favorable foreign currency translation adjustments of ¥9.8 billion in fiscal 2010 compared with losses of ¥381.3 billion in the prior fiscal year. The increase in unrealized holding gains on securities was mainly due to the recognition of impairment losses on available-for sale securities in the prior fiscal year.

### 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		2010 v. 2009 Change	
	Year ended March 31, 2009	2010	Amount	Percentage
<b>Automotive:</b>				
Net revenues	¥18,564,723	¥17,197,428	¥(1,367,295)	(7.4)%
Operating income (loss)	(394,876)	(86,370)	308,506	—
<b>Financial Services:</b>				
Net revenues	1,377,548	1,245,407	(132,141)	(9.6)
Operating income (loss)	(71,947)	246,927	318,874	—
<b>All Other:</b>				
Net revenues	1,184,947	947,615	(237,332)	(20.0)
Operating income (loss)	9,913	(8,860)	(18,773)	—
<b>Intersegment elimination/unallocated amount:</b>				
Net revenues	(597,648)	(439,477)	158,171	—
Operating income (loss)	(4,101)	(4,181)	(80)	—

### 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 2010 by ¥1,367.3 billion, or 7.4%, compared with the prior year to ¥17,197.4 billion. The decrease was primarily due to fluctuations in foreign currency translation rates of ¥886.5 billion and decreased vehicle unit sales and the changes in sales mix of approximately ¥570.0 billion, partially offset by increased parts sales of ¥34.9 billion.

Operating loss from the automotive operations decreased by ¥308.5 billion during fiscal 2010 compared with the prior year to an operating loss of ¥86.3 billion. This decrease in operating loss was primarily due to cost reduction efforts, decrease in fixed costs of ¥990.0 billion, and increase in parts sales, partially offset by a ¥380.0 billion decrease in vehicle unit sales and changes in sales mix.

The decrease in vehicle unit sales and changes in sales mix was due primarily to a decrease in vehicle unit sales which resulted from the generally difficult market conditions in the automotive industry during fiscal 2010. The decrease in fixed costs was due mainly to the decline in labor costs and research and development expenses as a result of profit improvement initiatives, partially offset by ¥105.7 billion increase in costs resulting from a change in the estimation model of expenses related to future recalls and other safety measures.

### Financial Services Operations Segment

Net revenues for the financial services operations decreased during fiscal 2010 by ¥132.1 billion, or 9.6%, compared to the prior year to ¥1,245.4 billion. This decrease was primarily due to the unfavorable impact of fluctuations in

foreign currency translation rates of ¥93.3 billion. Eliminating the difference in the Japanese yen value used for translation purposes, net revenues for its financial services operations would have been approximately ¥1,338.7 billion during fiscal 2010, a 2.8% decrease compared with the prior fiscal year. The decrease in net revenues eliminating the difference in the Japanese yen value used for translation purposes resulted primarily from a decrease in rental income from vehicles and equipment on operating leases.

Operating income from financial services operations increased by ¥318.9 billion to ¥246.9 billion during fiscal 2010 compared with the prior year. This increase was primarily due to the ¥140.0 billion decrease in provision for credit losses, net charge-offs, the ¥64.5 billion of the recognition of valuation gains on interest rate swaps stated at fair value, and the ¥50.0 billion decrease in provision for residual value losses.

The decrease in provision for credit losses, net charge-offs is primarily attributable to the increase in provision for credit losses and net charge-offs in the United States primarily due to the rise in the ratio of credit losses as a result of the economic downturn in the prior fiscal year, partially offset by the impact from the recalls and other safety measures. The decrease in provision for residual value losses is primarily attributable to the recovery in the used vehicle market, partially offset by the impact from the recalls and other safety measures.

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

	Year ended March 31,			
	2009		2010	
Net charge-offs as a percentage of average gross earning assets:				
Finance receivables	1.54	%	1.15	%
Operating lease	0.86		0.63	
Total	1.37	%	1.03	%

#### All Other Operations Segment

Net revenues for Toyota's other operations segment decreased by ¥237.3 billion, or 20.0%, to ¥947.6 billion during fiscal 2010 compared with the prior year.

Operating income from Toyota's other operations segment decreased by ¥18.8 billion, to operating loss of ¥8.9 billion during fiscal 2010 compared with the prior year.

#### Results of Operations — Fiscal 2009 Compared with Fiscal 2008

	Yen in millions		2009 v. 2008 Change	
	Year ended March 31, 2008	2009	Amount	Percentage
Net revenues:				
Japan	¥15,315,812	¥12,186,737	¥(3,129,075)	(20.4)%
North America	9,423,258	6,222,914	(3,200,344)	(34.0)
Europe	3,993,434	3,013,128	(980,306)	(24.5)
Asia	3,120,826	2,719,329	(401,497)	(12.9)
Other*	2,294,137	1,882,900	(411,237)	(17.9)
Intersegment elimination/unallocated amount	(7,858,227)	(5,495,438)	2,362,789	—
Total	26,289,240	20,529,570	(5,759,670)	(21.9)
Operating income (loss):				
Japan	1,440,286	(237,531)	(1,677,817)	—
North America	305,352	(390,192)	(695,544)	—
Europe	141,571	(143,233)	(284,804)	—
Asia	256,356	176,060	(80,296)	(31.3)
Other*	143,978	87,648	(56,330)	(39.1)
Intersegment elimination/unallocated amount	(17,168)	46,237	63,405	—
Total	2,270,375	(461,011)	(2,731,386)	—
Operating margin	8.6%	(2.2)%	(10.8)%	—
Income (loss) before income taxes, minority interest and equity in earnings of affiliated companies	2,437,222	(560,381)	(2,997,603)	—
Net margin from Income (loss) before income taxes, minority interest and equity in earnings of affiliated companies	9.3%	(2.7)%	(12.0)%	
Equity in earnings of affiliated companies	270,114	42,724	(227,390)	(84.2)
Net income (loss)	1,717,879	(436,937)	(2,154,816)	—
Net margin	6.5%	(2.1)%	(8.6)%	

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

## Net Revenues

Toyota had net revenues for fiscal 2009 of ¥20,529.5 billion, a decrease of ¥5,759.7 billion, or 21.9%, compared with the prior year. This decrease principally reflects the impact of decreased vehicle unit sales and changes in sales mix of ¥3,400.0 billion, the unfavorable impact of fluctuations in foreign currency translation rates of ¥2,031.2 billion, and decreased parts sales of ¥128.6 billion during fiscal 2009. Eliminating the difference in the Japanese yen value used for translation purposes, net revenues would have been approximately ¥22,560.7 billion during fiscal 2009, a 14.2% decrease compared with the prior fiscal year. As a result of the downturn in the global economy stemming from the financial crisis since the fall of 2008, the automotive market contracted by 15.6% in Japan compared to the prior fiscal year, and by 15.8 % in North America and 8.2% in Europe compared to the prior calendar year,

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respectively. Affected by this downturn, Toyota's vehicle unit sales decreased to 7,567 thousand vehicles, or by 15.1%, compared to the prior fiscal year. The decrease in net revenues was also due to the effect of foreign currency exchange rate fluctuations and changes in the market demand resulting from a shift in consumer preference towards small vehicles and low-price vehicles.

Toyota's net revenues by product category in each business to external customer is as follows:

	Yen in millions		2009 v. 2008 Change	
	Year ended March 31, 2008	2009	Amount	Percentage
Vehicles	¥20,723,588	¥15,635,490	¥(5,088,098)	(24.6)%
Parts and components for overseas production	342,244	298,176	(44,068)	(12.9)
Parts and components for after service	1,785,684	1,575,316	(210,368)	(11.8)
Other	1,308,738	1,041,519	(267,219)	(20.4)
Total Automotive	24,160,254	18,550,501	(5,609,753)	(23.2)
All Other	660,256	623,219	(37,037)	(5.6)
Total sales of products	24,820,510	19,173,720	(5,646,790)	(22.8)
Financial services	1,468,730	1,355,850	(112,880)	(7.7)
Total	¥26,289,240	¥20,529,570	¥(5,759,670)	(21.9)%

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 22.8% during fiscal 2009 compared with the prior fiscal year to ¥19,173.7 billion, and net revenues from financial services operations, which decreased by 7.7% during fiscal 2009 compared with the prior fiscal year to ¥1,355.8 billion. Eliminating the difference in the Japanese yen value used for translation purposes, net revenues from sales of products would have been approximately ¥21,011.3 billion, a 15.3% decrease during fiscal 2009 compared with the prior fiscal year. The decrease in net revenues from sales of products is primarily attributable to a substantial contraction of the automotive market caused by a rapid deterioration of the world economy following the financial crisis since the fall of 2008, as well as changes in market demand resulting from a shift in consumer preference towards small vehicles and low-price vehicles. Eliminating the difference in the Japanese yen value used for translation purposes, net revenues from financial services operations would have been approximately ¥1,549.4 billion, a 5.5% increase during fiscal 2009 compared with the prior year. The increase in net revenues from financial services operations is primarily attributable to the increase in volume of financings as a result of an increase in market share primarily of the finance subsidiary in North America.

Number of financing contracts by geographic region (at the end of the fiscal year 2008 and 2009) is as follows:

	Number of financing contracts in thousands		2009 v. 2008 Change	
	Year ended March 31, 2008	2009	Amount	Percentage
Japan	1,614	1,660	46	2.9%
North America	4,241	4,403	162	3.8
Europe	709	748	39	5.5
Asia	357	387	30	8.4
Other*	413	440	27	6.5
Total	7,334	7,638	304	4.1%

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



Geographically, net revenues (before the elimination of intersegment revenues) for fiscal 2009 decreased by 20.4% in Japan, 34.0% in North America, 24.5% in Europe, 12.9% in Asia and 17.9% in Other compared with the prior fiscal year. Eliminating the difference in the Japanese yen value used for translation purposes, net revenues in fiscal 2009 would have decreased by 20.4% in Japan, 25.0% in North America, 14.1% in Europe, 1.1% in Other and 0.5% in Asia 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		2009 v. 2008 Change	
	Year ended March 31, 2008	2009	Amount	Percentage
Toyota's consolidated vehicle unit sales	2,188	1,945	(243 )	(11.1 )%
	Yen in millions		2009 v. 2008 Change	
	Year ended March 31, 2008	2009	Amount	Percentage
Net revenues:				
Sales of products	¥15,183,262	¥12,067,494	¥(3,115,768)	(20.5 )%
Financial services	132,550	119,243	(13,307 )	(10.0 )
Total	¥15,315,812	¥12,186,737	¥(3,129,075)	(20.4 )%

Although Toyota enjoyed strong sales of new car models such as the Alphard and the Vellfire amid the downturn in the real economy and increased domestic competition, net revenues in Japan decreased primarily due to lower vehicle unit sales compared to the prior fiscal year as a result of difficult market conditions. Net revenues in Japan decreased also due to shift in consumer preference towards compact and subcompact cars influenced by decreased consumer spending and heightened environmental awareness.

#### North America

	Thousands of units		2009 v. 2008 Change	
	Year ended March 31, 2008	2009	Amount	Percentage
Toyota's consolidated vehicle unit sales	2,958	2,212	(746 )	(25.2 )%
	Yen in millions		2009 v. 2008 Change	
	Year ended March 31, 2008	2009	Amount	Percentage
Net revenues:				
Sales of products	¥8,339,887	¥5,226,426	¥(3,113,461)	(37.3 )%
Financial services	1,083,371	996,488	(86,883 )	(8.0 )
Total	¥9,423,258	¥6,222,914	¥(3,200,344)	(34.0 )%

Net revenues in North America decreased primarily due to the substantial decrease in vehicle unit sales as a result of the downturn in the market stemming from the financial crisis since the fall of 2008. In particular, the decline in vehicle unit sales is attributable to the decline in vehicle unit sales of commercial vehicles as a result of the surge in prices of crude oil in the first half of fiscal 2009, a shift in consumer preference towards small vehicles and

fuel-efficient vehicles, and a rapid decline in vehicle unit sales of passenger vehicles as a result of the financial crisis in the second half of fiscal 2009. Although net revenues from financing operations decreased, net revenues from financing operations increased by ¥54.3 billion excluding the ¥141.1 billion impact of fluctuation in foreign currency exchange rate, which is attributable to the increase in the volume of financings as a result of an increase in market share primarily of the finance subsidiary in North America.

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## Europe

	Thousands of units		2009 v. 2008 Change	
	Year ended March 31, 2008	2009	Amount	Percentage
Toyota's consolidated vehicle unit sales	1,284	1,062	(222 )	(17.3 )%
	Yen in millions		2009 v. 2008 Change	
	Year ended March 31, 2008	2009	Amount	Percentage
Net revenues:				
Sales of products	¥3,878,677	¥2,911,234	¥(967,443 )	(24.9 )%
Financial services	114,757	101,894	(12,863 )	(11.2 )
Total	¥3,993,434	¥3,013,128	¥(980,306 )	(24.5 )%

Although Toyota enjoyed strong sales of compact cars and environmentally-friendly cars such as the Aygo and the Prius, net revenues in Europe decreased due to lower vehicle unit sales compared to the prior fiscal year. The decrease in net revenues was also due to the fiscal year falling between periods of full model changes.

## Asia

	Thousands of units		2009 v. 2008 Change	
	Year ended March 31, 2008	2009	Amount	Percentage
Toyota's consolidated vehicle unit sales	956	905	(51 )	(5.4 )%
	Yen in millions		2009 v. 2008 Change	
	Year ended March 31, 2008	2009	Amount	Percentage
Net revenues:				
Sales of products	¥3,082,832	¥2,676,939	¥(405,893 )	(13.2 )%
Financial services	37,994	42,390	4,396	11.6
Total	¥3,120,826	¥2,719,329	¥(401,497 )	(12.9 )%

Although the sales of models such as the Avanza and the Innova increased, net revenues in Asia decreased due to a decrease in vehicle unit sales compared to the prior fiscal year as a result of the deterioration of the world economy stemming from the subprime mortgage crisis in the fall of 2008.

## Other

	Thousands of units		2009 v. 2008 Change	
	Year ended March 31, 2008	2009	Amount	Percentage
Toyota's consolidated vehicle unit sales	1,527	1,443	(84 )	(5.5 )%
	Yen in millions		2009 v. 2008 Change	
	Year ended March 31, 2008	2009	Amount	Percentage
Net revenues:				

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Sales of products	¥2,186,817	¥1,779,089	¥(407,728 )	(18.6 )%
Financial services	107,320	103,811	(3,509 )	(3.3 )
Total	¥2,294,137	¥1,882,900	¥(411,237 )	(17.9 )%

Net revenues in Other decreased due to the decrease in vehicle unit sales compared to the prior fiscal year as a result of a downturn in the markets.

## Operating Costs and Expenses

	Yen in millions		2009 v. 2008 Change	
	Year ended March 31, 2008	2009	Amount	Percentage
Operating costs and expenses				
Cost of products sold	¥20,452,338	¥17,468,416	¥(2,983,922)	(14.6)%
Cost of financing operations	1,068,015	987,384	(80,631)	(7.5)
Selling, general and administrative expenses	2,498,512	2,534,781	36,269	1.5
Total	¥24,018,865	¥20,990,581	¥(3,028,284)	(12.6)%

	Yen in millions
	2009 v. 2008 Change
Changes in operating costs and expenses:	
Effect of decrease in vehicle unit sales and changes in sales mix	¥ (2,100,000)
Effect of fluctuation in foreign currency translation rates	(2,062,100)
Effect of decrease in parts sales	(64,400)
Effect of decrease in research and development expenses	(54,800)
Effect of increase in cost reduction, expenses and other effects	1,253,016
Total	¥ (3,028,284)

Operating costs and expenses decreased by ¥3,028.3 billion, or 12.6%, to ¥20,990.5 billion during fiscal 2009 compared with the prior fiscal year. This decrease resulted primarily from the approximate ¥2,100 billion impact on costs of products attributable to the decrease in vehicle unit sales and the changes in sales mix, the ¥2,062.1 billion impact of fluctuations in foreign currency translation rates, ¥64.4 billion decreased costs corresponding to the decrease in parts sales, and the ¥54.8 billion decrease in research and development expenses, partially offset by the ¥1,253.0 billion increase in cost reduction, expenses and other effects.

## Cost Reduction Efforts

Cost reduction efforts were offset by increases in the prices of steel, precious metals, non-ferrous alloys including aluminum, plastic parts and other production materials and parts. Although the prices of raw materials such as steel remained high through fiscal 2009 as a result of market conditions, cost reduction efforts, by working closely with suppliers, absorbed the impact of the market price increase. These cost reduction efforts related to ongoing value engineering and value analysis activities, the use of common parts that result 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 ¥2,984.0 billion, or 14.6%, to ¥17,468.4 billion during fiscal 2009 compared with the prior fiscal year. The decrease in cost of products sold for automotive operations is primarily attributed to the decrease in vehicle unit sales and the changes in sales mix, the impact of fluctuations in foreign currency translation rates, the impact of the decrease in parts sales, and the decrease in research and development expenses, partially offset by increases in expenses. The impact of decrease in vehicle unit sales and the changes in sales mix reflected such factors as the substantial contraction of the automotive market caused by a rapid deterioration of the world economy following the financial crisis since the fall of 2008, as well as changes in the market structure resulting from a shift in consumer preference towards small vehicles and low-price vehicles. The decrease in research and development expenses is attributable to reduced development costs realized as a result of efforts to improve earnings by improving

development efficiency. This decrease in research and development expenses was achieved while maintaining a focus on the development of environmentally conscious technologies including hybrid and fuel-cell technology, and the developments in advanced technologies relating to collision safety and vehicle stability controls to further build up competitive strength in the future. The increase in expenses is attributable to the inefficiency from decreased operational activity, increase in inventory reserve for the lower of cost or market, and the incurrence of product-quality related expenses in the first half of fiscal 2009.

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## Cost of Financing Operations

	Yen in millions 2009 v. 2008 Change
Changes in cost of financing operations:	
Effect of fluctuation in foreign currency translation rates	¥ (206,400 )
Effect of increase in provision for residual value losses	70,000
Effect of increase in valuation losses on interest rate swaps stated at fair value	12,200
Other	43,569
Total	¥ (80,631 )

Cost of financing operations decreased by ¥80.6 billion, or 7.5%, to ¥987.4 billion during fiscal 2009 compared with the prior fiscal year. The decrease resulted primarily from the ¥206.4 billion impact of fluctuations in foreign currency translation rates, partially offset by the ¥70.0 billion increase in provision for residual value losses and the ¥12.2 billion increase in valuation losses on interest rate swaps stated at fair value. The increase in provision for residual value losses is primarily attributable to the increase in provision for residual value losses of operating lease vehicles resulting from the decrease in the prices of used vehicles, particularly of large vehicles with low fuel economy due to the economic downturn. The increase in valuation losses on interest rate swaps stated at fair value is attributable to the valuation losses on floating to fixed interest rate swaps that are not designated as hedges due to the decline in market interest rates.

## Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by ¥36.2 billion, or 1.5%, to ¥2,534.7 billion during fiscal 2009 compared with the prior fiscal year. This increase mainly reflects the ¥119.4 billion increase for the financial services operations, partially offset by the ¥95.2 billion decrease of marketing expense which is attributable to reduced marketing costs realized as a result of efforts to improve earnings. The increase in the financial services operations is primarily due to the ¥170.0 billion increase in provision for credit losses and net charge-offs, which is attributable to the rise in the ratio of credit losses as a result of the economic downturn mainly in the United States.

## Operating Income and Loss

	Yen in millions 2009 v. 2008 Change
Changes in operating income and loss:	
Effect of decrease in vehicle unit sales and changes in sales mix and other operational factors	¥ (1,480,000 )
Effect of decrease in parts sales	(17,300 )
Effect of fluctuation in foreign currency translation rates	30,900
Effect of decrease in research and development expenses	54,800
Effect of increase in cost reduction, expenses and other effects	(1,319,786 )
Total	¥ (2,731,386 )

Toyota's operating income decreased by ¥2,731.3 billion to an operating loss of ¥461.0 billion during fiscal 2009 compared with the prior fiscal year. This decrease was unfavorably affected by the ¥1,300.0 billion decrease in vehicle unit sales and the changes in sales mix, the ¥1,319.7 billion increase in cost reduction, expenses and other effects, and the ¥17.3 billion decrease in parts sales, partially offset by the ¥54.8 billion decrease in research and development expenses.

During fiscal 2009, operating income (before the elimination of intersegment profits) for significant geographic regions decreased by ¥1,677.8 billion in Japan, decreased by ¥695.5 billion in North America, decreased by ¥284.8 billion in Europe, decreased by ¥80.3 billion, or 31.3%, in Asia, and decreased by ¥56.3 billion, or 39.1% in Other compared with the prior fiscal year.

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

#### Japan

	Yen in millions 2009 v. 2008 Change
Changes in operating income and loss:	
Effect of decrease in production volume and vehicle unit sales in the export markets and other operational factors	¥ (730,000 )
Effect of increase in cost reduction, expenses and other effects	(947,817 )
Total	¥ (1,677,817 )

The decrease in Japan was mainly due to the ¥700.0 billion impact of decreases in both production volume and vehicle unit sales in the export markets, partially offset by the decrease in research and development expenses. The decreases in both production volume and vehicle unit sales in the export markets are attributable to the difficult market conditions caused by the downturn in the real economy.

#### North America

	Yen in millions 2009 v. 2008 Change
Changes in operating income and loss:	
Effect of decrease in production volume and vehicle unit sales and other operational factors	¥ (580,000 )
Effect of fluctuation in foreign currency translation rates	52,700
Effect of increase in cost reduction, expenses and other effects	(168,244 )
Total	¥ (695,544 )

The decrease in North America was mainly due to the ¥400.0 billion impact of decreases in both production volume and vehicle unit sales, the increases in the provision for credit losses, net charge-offs and provision for residual value losses in sales finance subsidiaries in the United States, which are included in “Effect of increase in cost reduction, expenses and other effects”, partially offset by the ¥52.7 billion impact of the fluctuations in foreign currency translation rates. The decreases in both production volume and vehicle unit sales in North America are attributable to the rapid decline in vehicle unit sales of commercial vehicles and passenger vehicles due to the downturn in the market stemming from the financial crisis in the fall of 2008.

#### Europe

	Yen in millions 2009 v. 2008 Change
Changes in operating income and loss:	
Effect of decrease in production volume and vehicle unit sales and other operational factors	¥ (190,000 )
Effect of fluctuation in foreign currency translation rates	18,100
Effect of increase in cost reduction, expenses and other effects	(112,904 )
Total	¥ (284,804 )

The decrease in Europe was mainly due to the ¥180.0 billion impact of decreases in both production volume and vehicle unit sales, partially offset by the ¥18.1 billion impact of fluctuations in foreign currency translation rates. The decreases in both production volume and vehicle unit sales in Europe was attributable to the significant decline in

vehicle unit sales in western Europe compared to the prior fiscal year as a result of the rapid market contraction due to the financial crisis in the fall of 2008. The decreases are also attributable to the fiscal year falling between periods of full model changes.

Asia

	Yen in millions	
	2009 v. 2008 Change	
Changes in operating income and loss:		
Effect of decrease in production volume and vehicle unit sales and other operational factors	¥	—
Effect of fluctuation in foreign currency translation rates		(24,400 )
Effect of increase in cost reduction, expenses and other effects		(55,896 )
Total	¥	(80,296 )

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The decrease in Asia was mainly due to the ¥24.4 billion impact of the fluctuations in foreign currency translation rates. The decrease in production volume and vehicle unit sales in Asia was primarily attributable to the sales decline in the market compared to the prior fiscal year following the financial crisis in the majority of Asian countries including Thailand.

#### Other

The decrease in Other was primarily due to the decrease in vehicle unit sales.

#### Other Income and Expenses

Interest and dividend income decreased by ¥27.3 billion, or 16.4%, to ¥138.4 billion during fiscal 2009 compared with the prior fiscal year mainly due to a decrease in interest income from marketable securities.

Interest expense increased by ¥0.8 billion, or 1.7%, to ¥46.9 billion during fiscal 2009 compared with the prior fiscal year.

Foreign exchange gains, net decreased by ¥11.0 billion to a loss of ¥1.8 billion during fiscal 2009 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 income, net decreased by ¥227.2 billion to a loss of ¥189.1 billion during fiscal 2009 compared with the prior fiscal year. This decrease was mainly due to the recognition of impairment losses on available-for sale securities.

#### Income Taxes

The provision for income taxes decreased by ¥968.0 billion to a tax benefit of ¥56.5 billion during fiscal 2009 compared with the prior fiscal year primarily due to the decrease in income before income taxes. The effective tax rate was 10.1%, which was lower than its statutory tax rate in Japan primarily due to a recognition of valuation allowance for deferred tax assets at domestic and overseas subsidiaries.

#### Net Income and Loss attributable to the Noncontrolling Interest and Equity in Earnings of Affiliated Companies

Net income and loss attributable to the noncontrolling interest decreased by ¥102.2 billion to a loss of ¥24.2 billion during fiscal 2009 compared with the prior fiscal year. This decrease was mainly due to a decrease in net income attributable to the shareholders of consolidated subsidiaries.

Equity in earnings of affiliated companies during fiscal 2009 decreased by ¥227.4 billion, or 84.2%, to ¥42.7 billion compared with the prior fiscal year. This decrease was due to a decrease in net income attributable to the shareholders of affiliated companies.

#### Net Income and Loss attributable to Toyota Motor Corporation

Net income attributable to Toyota Motor Corporation decreased by ¥2,154.8 billion to a loss of ¥437.0 billion during fiscal 2009 compared with the prior fiscal year.

#### Other Comprehensive Income and Loss

Other comprehensive losses decreased by ¥76.0 billion to losses of ¥866.5 billion for fiscal 2009 compared with the prior fiscal year. This decrease in losses resulted primarily from favorable foreign currency translation adjustments in fiscal 2009 to losses of ¥381.3 billion compared with losses of ¥461.1 billion in the prior fiscal year, and a decrease in unrealized holding losses on securities in fiscal 2009 to ¥293.1 billion compared with ¥347.8 billion in the prior fiscal year. The decrease in unrealized holding losses on securities was mainly due to the recognition of impairment losses on available-for sale securities.

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## 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		2009 v. 2008 Change	
	Year ended March 31, 2008	2009	Amount	Percentage
<b>Automotive:</b>				
Net revenues	¥24,177,306	¥18,564,723	¥(5,612,583)	(23.2)%
Operating income (loss)	2,171,905	(394,876)	(2,566,781)	—
<b>Financial Services:</b>				
Net revenues	1,498,354	1,377,548	(120,806)	(8.1)
Operating income (loss)	86,494	(71,947)	(158,441)	—
<b>All Other:</b>				
Net revenues	1,346,955	1,184,947	(162,008)	(12.0)
Operating income (loss)	33,080	9,913	(23,167)	(70.0)
<b>Intersegment elimination/unallocated amount:</b>				
Net revenues	(733,375)	(597,648)	135,727	—
Operating income (loss)	(21,104)	(4,101)	17,003	—

## 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 2009 by ¥5,612.6 billion, or 23.2%, compared with the prior fiscal year to ¥18,564.7 billion. The decrease was primarily due to decreased vehicle unit sales and the changes in sales mix of approximately ¥3,400.0 billion, fluctuations in foreign currency translation rates of ¥1,833.8 billion and decreased parts sales during fiscal 2009.

Operating income from the automotive operations decreased by ¥2,566.7 billion during fiscal 2009 compared with the prior year to an operating loss of ¥394.8 billion. This decrease was primarily due to the decrease in vehicle unit sales and changes in sales mix of ¥1,300.0 billion, the increase in expenses of ¥491.3 billion, and the decrease in parts sales, partially offset by the decrease in research and development expenses.

The decrease in vehicle unit sales and changes in sales mix reflected such factors as a substantial contraction of the automotive market caused by a rapid deterioration of the world economy following the financial crisis since the fall of 2008, as well as changes in the market structure resulting from a shift in consumer preference towards small vehicles and low-price vehicles. The increase in expenses is attributable to the inefficiency from decreased operational activity, increase in inventory reserve for the lower of cost or market, and the incurrence of product-quality related expenses in the first half of fiscal 2009.

## Financial Services Operations Segment

Net revenues for the financial services operations decreased during fiscal 2009 by ¥120.8 billion, or 8.1%, compared to the prior fiscal year to ¥1,377.5 billion. This decrease was primarily due to the unfavorable impact of fluctuations in foreign currency translation rates of ¥195.0 billion, which was partially offset by a higher volume of financing of ¥95.0 billion. Eliminating the difference in the Japanese yen value used for translation purposes, net revenues for its financial services operations would have been approximately ¥1,572.5 billion during fiscal 2009, a 5.0% increase compared with the prior fiscal year. The increase in net revenues from financial services operations, eliminating the

difference in the Japanese yen value used for translation purposes, is primarily attributable to the increase in volume of financings as a result of an increase in market share primarily of the finance subsidiary in North America.

Operating income from financial services operations decreased by ¥158.5 billion to an operating loss of ¥72.0 billion during fiscal 2009 compared with the prior fiscal year. This decrease was primarily due to the ¥170.0 billion increase in provision for credit losses, net charge-offs and the ¥70.0 billion increase in provision for residual value losses, and the ¥12.2 billion increase in valuation losses on interest rate swaps stated at fair value in sales finance subsidiaries primarily in the United States.

The increase in provision for credit losses, net charge-offs is primarily attributable to the increase in provision for credit losses and net charge-offs in the United States due to the rise in the ratio of credit losses as a result of the economic downturn.

The increase in provision for residual value losses is primarily attributable to the decrease in the prices of used vehicles, particularly of large vehicles with low fuel economy, as a result of the economic downturn. The increase in valuation losses on interest

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rate swaps stated at fair value is attributable to the valuation losses on floating to fixed interest rate swaps that are not designated as hedges due to the decline in market interest rates.

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

	Year ended March 31,			
	2008		2009	
Net charge-offs as a percentage of average gross earning assets:				
Finance receivables	1.08	%	1.54	%
Operating lease	0.40		0.86	
Total	0.91	%	1.37	%

#### All Other Operations Segment

Net revenues for Toyota's other operations segment decreased by ¥162.0 billion, or 12.0%, to ¥1,184.9 billion during fiscal 2009 compared with the prior fiscal year.

Operating income from Toyota's other operations segment decreased by ¥23.1 billion, or 70.0%, to ¥9.9 billion during fiscal 2009 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.

#### 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 2009, the Financial Accounting Standards Board ("FASB") issued updated guidance of accounting for and disclosure of transfers and servicing. This guidance eliminates the concept of a qualifying special-purpose entity,

changes the requirements for derecognizing financial assets, and requires additional disclosures about transfers of financial assets. This guidance is effective for fiscal year beginning after November 15, 2009, and for interim period within the fiscal year. Management is evaluating the impact of adopting this guidance on Toyota's consolidated financial statements.

In June 2009, FASB issued updated guidance of accounting for and disclosure of consolidation. This guidance changes how a company determines when a variable interest entity should be consolidated. This guidance is effective for fiscal year beginning after November 15, 2009, and for interim period within the fiscal year. Management is evaluating the impact of adopting this guidance on Toyota's consolidated financial statements.

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## 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 Warranty

Toyota generally warrants its products against certain manufacturing and other defects. 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 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.

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 this fiscal year, amounts were accrued based on individual occurrences of recalls and other safety measures. During the fourth quarter of this consolidated fiscal year, 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 most recent 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. Consequently, actual costs of recalls and other safety measures may differ from the estimated amounts.

### Allowance for Doubtful Accounts and Credit Losses

#### Natures of estimates and assumptions

Sales financing 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, 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 sales financing and finance lease receivables could experience further downward pressure. If these factors require a significant increase in 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 primarily by two factors: frequency of occurrence and severity of loss. For evaluation purposes, exposures to credit loss are segmented into the two primary categories of "consumer" and "dealer". Toyota's consumer portfolio consists of smaller balances that are homogenous retail finance receivables and lease earning assets. The dealer portfolio consists of wholesale and other dealer financing 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.

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## Sensitivity analysis

The level of credit losses, which could significantly impact Toyota's results of operations, is influenced primarily by two factors: frequency of occurrence and 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 expected severity of loss, which Toyota believes is one of the key critical estimates for determining the allowance for credit losses, assuming all other assumptions are held consistent. The table below represents the impact on the allowance for credit losses in Toyota's financial services operations as any change impacts most significantly on the financial services operations.

	Yen in millions Effect on the allowance for credit losses as of March 31, 2010
10 percent increase in expected severity of loss	¥ 14,421

## Investment in Operating Leases

## 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 its residual values. In addition, 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 fair value of Toyota's leased vehicles could be subject to downward pressure. If resale prices of used vehicles decline, future operating results of the financial services operations are likely to be adversely affected by incremental charges to reduce estimated residual values. Throughout the life of the lease, management performs periodic evaluations of estimated end-of-term market 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 market value of a lease is less than its carrying value at lease end.

## Sensitivity analysis

The following table illustrates the effect of an assumed change in the vehicle return rate, which Toyota believes is one of 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 as those changes have a significant impact on financing operations.

Yen in millions  
Effect on the residual value losses  
over the remaining terms

	of the operating leases on and after April 1, 2010
1 percent increase in vehicle return rate	¥ 2,047

#### 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

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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 3.6% are the results of assumptions used for the various pension plans in calculating Toyota's consolidated pension costs for fiscal 2010. Also, a weighted-average discount rate of 2.8% is the result of assumption used for the various pension plans in calculating Toyota's consolidated pension obligations for fiscal 2010.

#### Sensitivity analysis

The following table illustrates the effects of assumed changes in weighted-average discount rate 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,	Effect on PBO
	2011	as of March 31, 2010
Discount rates		
0.5% decrease	¥(10,057 )	¥ 127,971
0.5% increase	9,603	(118,378 )
Expected rate of return on plan assets		
0.5% decrease	¥(5,895 )	
0.5% increase	5,895	

#### 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 is complex and continues to evolve. In addition, there are significant judgments and estimates involved in the estimating of 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

Toyota estimates whether future taxable income is sufficient at a particular tax-paying component and records valuation allowances to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized in the future periods. Actual taxable income may differ from the estimated amounts due to various assumptions used to estimate future taxable income. If additional valuation allowance is recorded due to lower actual taxable income than estimated amounts it would negatively affect future operating results.

#### Outlook

While Toyota expects that an economic recovery trend in China will prevail across the Asian markets and developed countries will see a gradual economic recovery in fiscal 2011, Toyota also believes there is a risk of a downturn in the world economy during fiscal 2011 resulting from credit contraction in financial markets, unemployment, increases in raw material prices, and other factors.

Toyota expects the automotive market to expand over the medium- to long-term particularly in resource-rich and emerging countries. Currently, the global competition in the automotive market has intensified, as shown in the fierce competition in the small

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and low-price vehicles markets, and the advancement of new technologies and introduction of new products in response to growing environmental awareness. For purposes of this outlook discussion, Toyota is assuming an average exchange rate of ¥90 to the U.S. dollar and ¥125 to the euro. With the foregoing external factors in mind, Toyota expects that net revenues for fiscal 2011 will increase compared with fiscal 2010 as a result of an increase in vehicle unit sales. With respect to operating income, factors increasing operating income include cost reduction efforts, a decrease in depreciation and other efforts to decrease expenses. Toyota does not expect a significant increase in expenses related to recalls and other safety measures, compared with fiscal 2010. On the other hand, factors decreasing operating income include the assumed exchange rate of a stronger Japanese yen against the U.S. dollar in fiscal 2011 compared to the prior fiscal year as well as increases in selling expenses and incentives caused by strengthened sales promotion activities; which offset the factors increasing operating income. As a result, Toyota expects that operating income will increase in fiscal 2011 compared with fiscal 2010. Also, Toyota expects income before income taxes and equity in earnings of affiliated companies and net income attributable to Toyota Motor Corporation will increase in fiscal 2011. 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. Please 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. Please 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 primarily through cash generated by operations. In fiscal 2010, as in the prior fiscal year, Toyota funded cash partially through additional loans and issuance of notes, considering the future business climate as well as to ensure a sound financial base.

In fiscal 2011, Toyota expects to sufficiently fund its capital expenditures and research and development activities primarily 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 2008, 2009 and 2010, 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.

Net cash provided by operating activities was ¥2,558.5 billion for fiscal 2010, compared with ¥1,476.9 billion for the prior fiscal year. The increase in net cash provided by operating activities resulted primarily from a decrease in cash payment to suppliers attributable to the decrease in cost of products sold in the automotive operations, and cash payments for income taxes, partially offset by a decrease in cash collection received from sale of products due to a decrease in net revenue for the automotive operations.

Net cash used in investing activities was ¥2,850.1 billion for fiscal 2010, compared with ¥1,230.2 billion for the prior fiscal year. The increase in net cash used in investing activities resulted primarily from an increase in purchases of

marketable securities and security investments.

Net cash provided or used by financing activities was a ¥277.9 billion decrease for fiscal 2010, compared with ¥698.8 billion increase for the prior fiscal year. The decrease in net cash provided by financing activities resulted primarily from a decrease of short-term borrowings, partially offset by a decrease in dividends paid.

Total capital expenditures for property, plant and equipment, excluding vehicles and equipment on operating leases, were ¥604.5 billion during fiscal 2010, a decrease of 55.7% over the ¥1,364.5 billion in total capital expenditures during the prior fiscal year. The decrease in capital expenditures resulted primarily from a decrease of investments in Japan and North America.

Total expenditures for vehicles and equipment on operating leases were ¥833.0 billion during fiscal 2010, a decrease of 13.3% over the ¥960.3 billion in expenditures from the prior fiscal year. The decrease in expenditures for vehicles and equipment on operating leases resulted primarily from 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 ¥740.0 billion during fiscal 2011. Toyota's expected investments include ¥440.0 billion in Japan, ¥120.0 billion in North America, ¥40.0 billion in Europe, ¥90.0 billion in Asia and ¥50.0 billion in Other.

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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 2011. However, there exists uncertainty with respect to Toyota's obligations under current and future environment regulations as described in "Information on the Company — Business Overview — Governmental Regulations, Environmental and Safety Standards".

Cash and cash equivalents were ¥1,865.7 billion as of March 31, 2010. Most of Toyota's cash and cash equivalents are held in Japanese yen and in U.S. dollars. In addition, time deposits were ¥392.7 billion and marketable securities were ¥1,793.1 billion as of March 31, 2010.

Liquid assets, which Toyota defines as cash and cash equivalents, time deposits, marketable debt securities and its investment in monetary trust funds, increased during fiscal 2010 by ¥1,069.1 billion, or 25.3%, to ¥5,298.2 billion.

Trade accounts and notes receivable, net increased during fiscal 2010 by ¥493.5 billion, or 35.4%, to ¥1,886.2 billion. This increase was primarily due to the increase in the volume of sales in the second half of fiscal 2010.

Inventories decreased during fiscal 2010 by ¥37.0 billion, or 2.5%, to ¥1,422.3 billion.

Total finance receivables, net increased during fiscal 2010 by ¥293.2 billion, or 3.1%, to ¥9,840.1 billion. The increase in finance receivables, net is mainly due to increase in retail receivables, partially offset by fluctuations in foreign currency translation rates. As of March 31, 2010, finance receivables were geographically distributed as follows: in North America 61.9%, in Japan 12.8%, in Europe 10.3%, in Asia 4.7% and in Other 10.3%. Although Toyota maintains programs to sell finance receivables through qualifying special purpose entities, no sales of finance receivables were made during fiscal 2010.

Marketable securities and other securities investments, including those included in current assets, increased during fiscal 2010 by ¥1,451.2 billion, or 55.9%, primarily reflecting purchase of marketable securities and security investments, and an increase in the fair values of these securities and investments.

Property, plant and equipment decreased during fiscal 2010 by ¥690.7 billion, or 9.3%, primarily reflecting the impacts of depreciation changes during the year and fluctuations in foreign currency translation rates, partially offset by the capital expenditures.

Accounts and notes payable increased during fiscal 2010 by ¥657.0 billion, or 50.6%. This increase was primarily due to the increase in the volume of transactions in the second half of fiscal 2010.

Accrued expenses increased during fiscal 2010 by ¥195.2 billion, or 12.7%, reflecting the increase in expenses related to the recalls and other safety measures.

Income taxes payable increased during fiscal 2010 by ¥102.0 billion, or 199.0%, primarily as a result of an increase in income before income taxes.

Toyota's total borrowings decreased during fiscal 2010 by ¥105.2 billion, or 0.8%. Toyota's short-term borrowings consist of loans with a weighted-average interest rate of 1.55% and commercial paper with a weighted-average interest rate of 0.44%. Short-term borrowings decreased during fiscal 2010 by ¥338.0 billion, or 9.3%, to ¥3,279.6 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 29.25%, and maturity dates ranging from 2010 to 2047. The current portion of long-term debt decreased during fiscal 2010 by ¥481.2 billion, or 17.8%, to ¥2,218.3 billion and the non-current portion increased by ¥714.0 billion, or 11.3%, to ¥7,015.4 billion. The decrease in total borrowings primarily resulted from decrease in medium-term notes and short-term borrowings, partially offset

by increase in long-term borrowings. As of March 31, 2010, approximately 36% of long-term debt was denominated in Japanese yen, 21% in U.S. dollars, 13% in euros and 30% in other currencies. Toyota hedges fixed rate exposure by entering into interest rate swaps. There are no material seasonal variations in Toyota's borrowings requirements.

As of March 31, 2010, Toyota's total interest bearing debt was 120.8% of Toyota Motor Corporation shareholders' equity, compared to 125.4% as of March 31, 2009.

Toyota's long-term debt is rated "AA" by Standard & Poor's Ratings Group, "Aa2" by Moody's Investors Services and "AAA" by Rating and Investment Information, Inc., as of May 31, 2010. 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.

Toyota's unfunded pension liabilities decreased during fiscal 2010 by ¥106.1 billion, or 16.2%, to ¥547.6 billion. The unfunded pension liabilities relate primarily to the parent company and its overseas subsidiaries. The unfunded amounts will be funded through future cash contributions by Toyota or in some cases will be funded on the retirement date of each covered employee. The unfunded pension liabilities decreased in fiscal 2010 compared to the prior year primarily due to an increase in the fair value of plan assets. See note 19 to the consolidated financial statements for further discussion.

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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 financing operations efficiently even if earnings experience 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's research and development activities focus on the environment, vehicle safety, information technology and product development.

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. 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 PHVs with lithium ion batteries to fleet vehicle users 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. Furthermore, Toyota is also working on the development of alternative fuels for vehicles fueled by compressed natural gas and liquid petroleum gas, as well as for flexible fuel vehicles that run on bioethanol and gasoline which are recently drawing a lot of attention. Toyota has also been conducting a wide range of research and study on alternative fuel such as biofuel, including cellulose ethanol and hydrogenized bio-diesel, and utilizing it in developing alternative-fuel vehicles.
- 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 shredder residue.

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 frontal crash-prevention support systems, 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 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 safety system in its automobiles. This advanced system consists of pre-collision sensors that use millimeter wave radar to detect a possible collision, seat belts that tighten their hold on passengers when a collision is determined to be inevitable and a brake assist system that utilizes power-assisted braking to minimize the speed on impact. In February 2004, Toyota introduced the pre-collision safety system for the first time in the United States by equipping the LS430 with the above features and suspension control features that control nose dives when applying the brakes.

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In September 2006, at the time of introduction of LS460 in Japan, Toyota established the world's first enhanced pre-collision safety 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 safety 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 safety system", which detects possible head-on and front-side collisions such as at intersections, for the Crown Majesta.

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 computers for production design and evaluation.

In September 2002, Toyota and Nissan Motor Co., Ltd. ("Nissan") entered into an agreement setting forth the basic terms of technical cooperation and other long-term projects involving hybrid systems. Pursuant to this agreement, Toyota has provided parts and components of the Camry Hybrid's hybrid system to Nissan's Altima Hybrid since 2006. In March 2004, Toyota and Ford Motor Company announced that they have entered into licensing agreements for patents related to hybrid systems and emissions purification. Pursuant to the agreements, Toyota will license, to Ford Motor Company, patents related to hybrid system control technology. In March 2010, Toyota and Mazda Motor Corporation announced that the companies entered into a license agreement regarding the supply of hybrid system technology.

Toyota's research and development expenditures were approximately ¥725 billion in fiscal 2010, ¥904 billion in fiscal 2009 and ¥959 billion in fiscal 2008, respectively. Worldwide, approximately 37,000 employees are involved in Toyota's research and development activities.

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 qualifying special purpose entities for its financial services operations. See note 7 to the consolidated financial statements regarding the impact of the securitization

program on the consolidated financial statements.

#### Lending Commitments

##### Credit Facilities with Credit Card Holders

Toyota's financial services operation issues 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 this facility 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 ¥130.3 billion as of March 31, 2010.

##### Credit Facilities with Dealers

Toyota's financial services operation maintains 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

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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 operation also provides 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 ¥1,586.8 billion as of March 31, 2010.

#### 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 March 31, 2010, 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, 2010 is ¥1,604.8 billion. Liabilities for these guarantees of ¥5.9 billion have been provided as of March 31, 2010. 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, 2010:

	Yen in millions				
	Total	Payments Due by Period			
		Less than 1 year	1 to 3 years	3 to 5 years	5 years and after
Contractual Obligations:					
Short-term borrowings (note 13)					
Loans	¥804,066	¥804,066	¥—	¥—	¥—
Commercial paper	2,475,607	2,475,607	—	—	—
Long-term debt* (note 13)	9,191,490	2,194,235	4,232,077	1,464,523	1,300,655
Capital lease obligations (note 13)	42,243	24,089	4,224	2,415	11,515
Non-cancelable operating lease obligations (note 22)	51,953	9,900	14,629	9,302	18,122
Commitments for the purchase of property, plant and other assets (note 23)	74,529	37,026	20,879	1,622	15,002
<b>Total</b>	<b>¥12,639,888</b>	<b>¥5,544,923</b>	<b>¥4,271,809</b>	<b>¥1,477,862</b>	<b>¥1,345,294</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.

Toyota expects to contribute ¥111,112 million to its pension plans in fiscal 2011.

	Yen in millions				
	Total Amounts Committed	Amount of Less than 1 year	Commitment 1 to 3 years	Expiration 3 to 5 years	Per Period 5 years and after
Commercial Commitments (note 23):					
Maximum potential exposure to guarantees given in the ordinary course of business	¥1,604,893	¥460,460	¥729,509	¥311,760	¥103,164
Total Commercial Commitments	¥1,604,893	¥460,460	¥729,509	¥311,760	¥103,164

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## 5.G SAFE HARBOR

All information that is not historical in nature disclosed under “Item 5. 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.

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ITEM 19. EXHIBITS

Index to Exhibits

- 1.1 Amended and Restated Articles of Incorporation of the Registrant (English translation) (incorporated by reference to Exhibit 1.1 to Toyota's Annual Report on Form 20-F for the fiscal year ended March 31, 2009 filed with the SEC on June 24, 2009 (file no. 001-14948))
- 1.2 Amended and Restated Regulations of the Board of Directors of the Registrant (English translation) (incorporated by reference to Exhibit 1.2 to Toyota's Annual Report on Form 20-F for the fiscal year ended March 31, 2008 filed with the SEC on June 25, 2008 (file no. 001-14948))
- 1.3 Amended and Restated Regulations of the Board of Corporate Auditors of the Registrant (English translation) (incorporated by reference to Exhibit 3.3 to Toyota's Registration Statement on Form F-3 filed with the SEC on November 7, 2006 (file no. 333-138469))
- 2.1 Amended and Restated Share Handling Regulations of the Registrant (English translation) (incorporated by reference to Exhibit 2.1 to Toyota's Annual Report on Form 20-F for the fiscal year ended March 31, 2009 filed with the SEC on June 24, 2009 (file no. 001-14948))
- 2.2 Form of Deposit Agreement among the Registrant, The Bank of New York (predecessor of The Bank of New York Mellon), as depositary, and the owners and beneficial owners from time to time of American Depositary Receipts, including the form of American Depositary Receipt (incorporated by reference to Exhibit 1 to Toyota's Registration Statement on Form F-6, filed with the SEC on November 7, 2006 (file no. 333-138477))
- 2.3 Form of ADR (included in Exhibit 2.2)
- \*8.1 List of Principal Subsidiaries (See "Organizational Structure" in "Item 4. Information on the Company")
- 11.1 Code of Ethics of the Registrant applicable to its directors and managing officers, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions (English translation) (incorporated by reference to Exhibit 11.1 to Toyota's Annual Report on Form 20-F for the fiscal year ended March 31, 2006 filed with the SEC on June 26, 2006 (file no. 001-14948))
- 12.1 Certifications of the Registrant's Chairman of the Board and Executive Vice President, Member of the Board pursuant to Section 302 of the Sarbanes-Oxley Act
- 13.1 Certifications of the Registrant's Chairman of the Board and Executive Vice President, Member of the Board pursuant to Section 906 of the Sarbanes-Oxley Act
- \*15.1 Consent of Independent Registered Public Accounting Firm
- \*101.INS XBRL Instance Document
- \*101.SCH XBRL Taxonomy Extension Schema

\*101.CAL XBRL Taxonomy Extension Calculation Linkbase

\*101.DEF XBRL Taxonomy Extension Definition Linkbase

\*101.LAB XBRL Taxonomy Extension Label Linkbase

\*101.PRE XBRL Taxonomy Extension Presentation Linkbase

\* Previously filed.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this amendment to the annual report on its behalf.

TOYOTA MOTOR CORPORATION

By: /s/ Takuo Sasaki  
Name: Takuo Sasaki  
Title: Managing Officer

Date: March 18, 2011

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