

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

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

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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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 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.

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.

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
Finance Receivables		
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)
Total finance receivables, net	9,546,951	9,840,176
Less – Current portion	(3,891,406)	(4,209,496)
Noncurrent finance receivables, net	¥5,655,545	¥5,630,680
Operating Leases		
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)
Vehicles and equipment on operating leases, net	¥2,041,114	¥1,822,079

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.

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.

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			
	Year ended March 31, 2009	2010	2010 v. 2009 Change 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	%

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

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)%

	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.

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

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

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

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

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.

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,

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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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.

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.

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)

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.

	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

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

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.

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.

- 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.

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

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

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.

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

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*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.

