Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Overview

The business segments of Toyota include automotive operations, financial services operations and all other operations. Automotive operations are Toyota's most significant business segment, accounting for 89% of Toyota's total revenues before the elimination of intersegment revenues for fiscal 2012. Toyota's primary markets based on vehicle unit sales for fiscal 2012 were: Japan (28%), North America (25%), Europe (11%) and Asia (18%). Japan's economy suffered from the effects of the Great East Japan Earthquake and its aftermath (collectively, the "Great East Japan Earthquake"). As a result, in Japan and other regions, Toyota experienced negative impacts on its production in the first half of fiscal year 2012. See "Information on the Company — Business Overview —" for more detailed information of the Great East Japan Earthquake in Toyota's annual report on Form 20-F.

■□ Automotive Market Environment

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

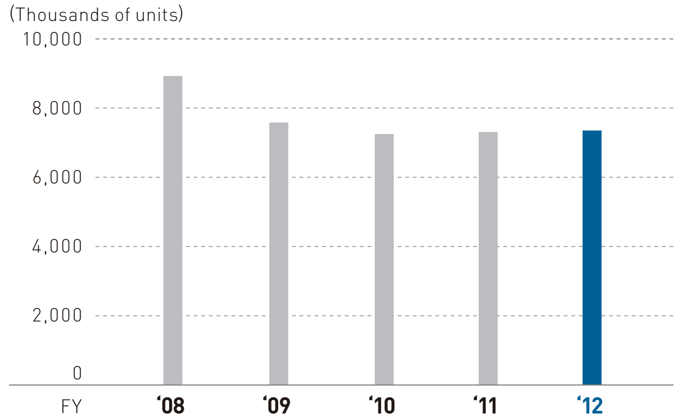
During fiscal 2012, automotive markets developed steadily in the U.S. and emerging countries such as Asia. However, many Japanese manufacturers, including Toyota, were forced to adjust or stop productions due to shortages of parts supplies caused by the Great East Japan Earthquake and by the flood in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

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

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

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

Consolidated Vehicle Sales



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

Toyota's share of total vehicle unit sales in each market is influenced by the quality, safety, reliability, price, design, performance, economy and utility of Toyota's vehicles compared with

Management's Discussion and Analysis of Financial Condition and Results of Operations

those offered by other manufacturers. The timely introduction of new or redesigned vehicles is also an important factor in satisfying customer needs. Toyota's ability to satisfy changing customer preferences can affect its revenues and earnings significantly.

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

- vehicle unit sales volumes,
- the mix of vehicle models and options sold,
- the level of parts and service sales,
- the levels of price discounts and other sales incentives and marketing costs,
- the cost of customer warranty claims and other customer satisfaction actions,
- the cost of research and development and other fixed costs,
- the prices of raw materials,
- the ability to control costs,
- the efficient use of production capacity,
- the adverse effect on production due to the reliance on various suppliers for the provision of supplies,
- the adverse effect on market, sales and productions of natural calamities and interruptions of social infrastructure, and
- changes in the value of the Japanese yen and other currencies in which Toyota conducts business.

Changes in laws, regulations, policies and other governmental actions can also materially impact the profitability of Toyota's automotive operations. These laws, regulations and policies include those attributed to environmental matters, vehicle safety, fuel economy and emissions that can add significantly to the cost of vehicles. The European Union has enforced a directive that requires manufacturers to be financially responsible for taking back end-of-life vehicles and to take measures to ensure that adequate used vehicle disposal facilities are established and those hazardous materials and recyclable parts are removed from vehicles prior to scrapping. See "Legislation Regarding End-of-Life Vehicles", "Information on the Company — Business Overview — Governmental Regulation, Environmental and Safety Standards" in Toyota's annual report on Form 20-F and note 23 to the consolidated financial statements for a more detailed discussion of these laws, regulations and policies.

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

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

■□ Financial Services Operations

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

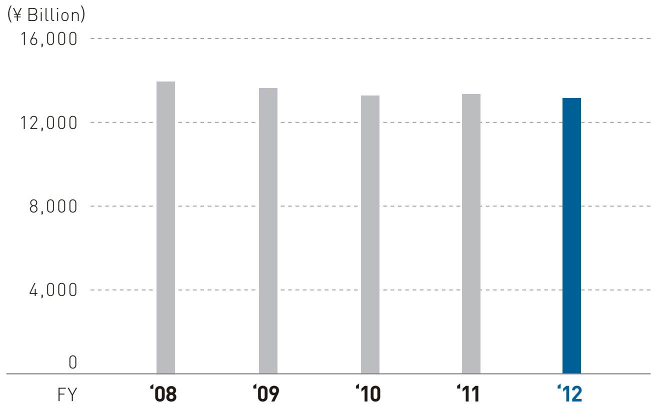
Toyota's financial services operations mainly include loans and leasing programs for customers and dealers. Toyota believes that its ability to provide financing to its customers is an important value added service. Therefore, Toyota has expanded its network of finance subsidiaries in order to offer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

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

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

Management's Discussion and Analysis of Financial Condition and Results of Operations

Total Assets by Financial Services Operations



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

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

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

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

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

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

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

■□ Other Business Operations

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

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

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Currency Fluctuations

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

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

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

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

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

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

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

Segmentation

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

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

Management's Discussion and Analysis of Financial Condition and Results of 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,		
	2010	2011	**2012**
Japan	¥7,314,813	¥6,966,929	**¥7,293,804**
North America	5,583,228	5,327,809	**4,644,348**
Europe	2,082,671	1,920,416	**1,917,408**
Asia	2,431,648	3,138,112	**3,116,849**
Other*	1,538,613	1,640,422	**1,611,244**

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

Revenues by Market
FY2012

Japan	**39.2%**
North America	**25.0%**
Europe	**10.3%**
Asia	**16.8%**
All Other Markets	**8.7%**

Results of Operations — Fiscal 2012 Compared with Fiscal 2011

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

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

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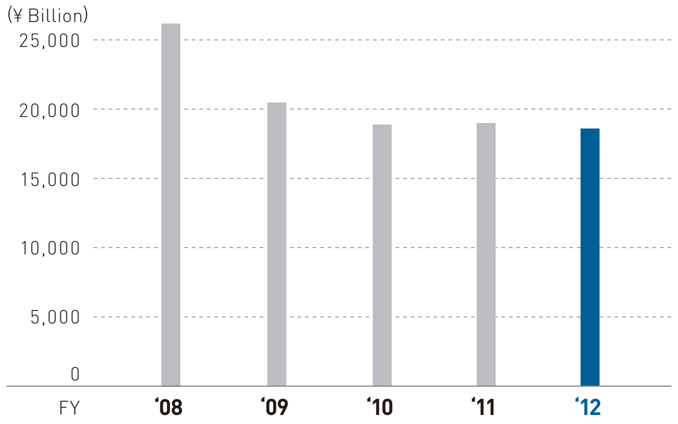
Net Revenues

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

Net Revenues



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

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

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

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

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

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

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

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

Japan

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

* including number of exported vehicle unit sales

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

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

North America

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

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

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

Europe

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

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

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

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Asia

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

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

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

Other

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

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

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

Operating Costs and Expenses

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

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

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

The increase in miscellaneous costs and others was due mainly to a ¥100.0 billion increase in labor costs, a ¥50.0 billion increase in research and development expenses and the ¥104.9 billion increase in other various costs, partially offset by the ¥120.0 billion impact of decrease in product quality related expenses and others. This cost decreased because costs related to recalls and other safety measures occurred at a high level during the prior fiscal year. See note 14 to the consolidated financial statements.

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

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

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

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

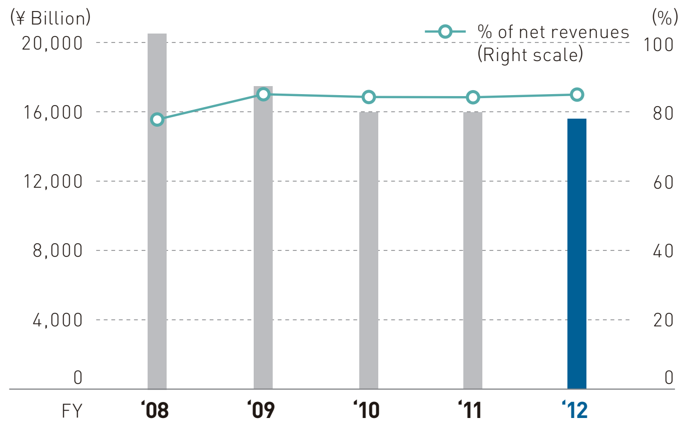
Cost Reduction Efforts

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

Cost of Products Sold

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

Cost of Products Sold



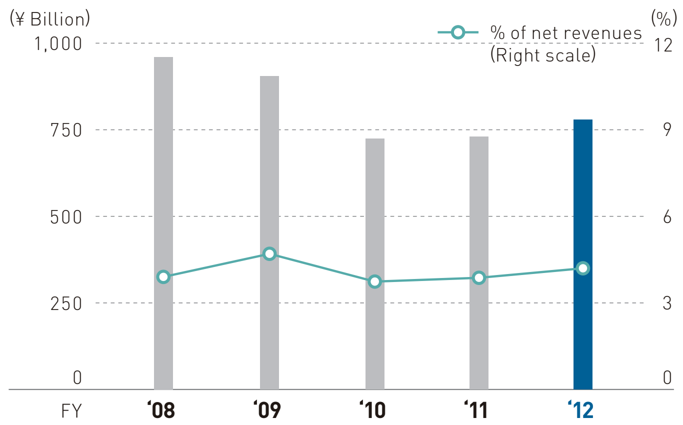
Cost of Financing Operations

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

Selling, General and Administrative Expenses

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

R&D Expenses



Operating Income

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

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

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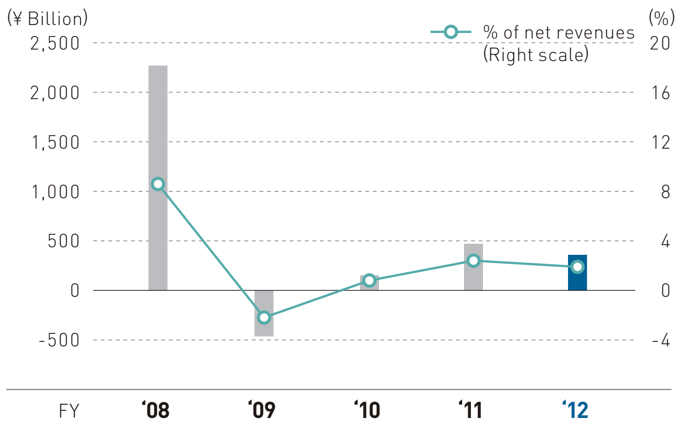
billion impact of cost reduction efforts, partially offset by the ¥10.0 billion decrease in operating income in the financial services operations.

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

Operating Income (Loss)



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

Japan

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

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

North America

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

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

Europe

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

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

Asia

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

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

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Other Income and Expenses

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

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

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

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

Income Taxes

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

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

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

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

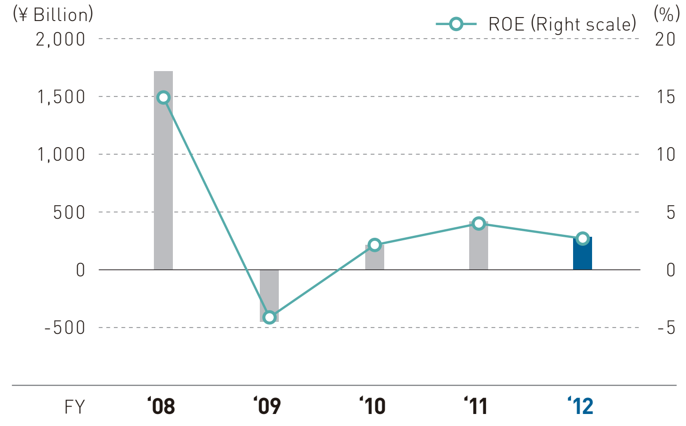
Net Income attributable to Toyota Motor Corporation

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

Other Comprehensive Income and Loss

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

Net Income (Loss) and ROE



Segment Information

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

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

Automotive Operations Segment

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

Operating income from the automotive operations decreased by ¥64.3 billion during

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

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

Financial Services Operations Segment

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

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

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

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

All Other Operations Segment

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

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

Results of Operations — Fiscal 2011 Compared with Fiscal 2010

Yen in millions

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

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

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Net Revenues

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

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

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

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

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

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

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

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

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

Japan

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

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

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

North America

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

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

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

Europe

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

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

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

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Asia

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

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

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

Other

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

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

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

Operating Costs and Expenses

	Yen in millions			
	Year ended March 31,		2011 vs. 2010 Change	
	2010	2011	Amount	Percentage
Operating costs and expenses				
Cost of products sold	¥15,971,496	**¥15,985,783**	¥ 14,287	+0.1%
Cost of financing operations	712,301	**629,543**	(82,758)	−11.6%
Selling, general and administrative	2,119,660	**1,910,083**	(209,577)	−9.9%
Total	¥18,803,457	**¥18,525,409**	¥(278,048)	−1.5%

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

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

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

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

In July 2010, Toyota announced in Japan and other regions the voluntary safety recall of certain models of Toyota and Lexus brands'

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vehicles in relation to abnormal engine noise or idling due to engine valve springs that contained some foreign materials. The affected vehicle models included Crown, GS350/450h/460, IS350, and LS460/600h/600hL, 275 thousand vehicles were included in this recall.

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

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

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

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

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

	Yen in millions		
	Year ended March 31,		
	2010	2011	**2012**
Balance at the beginning of year	¥ —	¥ 56,600	**¥ 18,000**
Accrual	89,000	13,100	**(1,500)**
Amounts paid	(32,400)	(51,700)	**(14,600)**
Balance at the end of year	¥ 56,600	¥ 18,000	**¥ 1,900**

Cost Reduction Efforts

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

Cost of Products Sold

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

Cost of Financing Operations

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

Cost of financing operations decreased by ¥82.8 billion, or 11.6%, to ¥629.5 billion during fiscal 2011 compared with the prior fiscal year. The decrease resulted from the ¥64.7 billion favorable impact of fluctuations in foreign currency translation rates, the ¥30.0 billion decrease in the provision for residual value losses and the ¥6.4 billion recognition of valuation gains on interest rate swaps stated at fair value. The decrease in the provision for residual value losses is attributable to prices in the used vehicles markets remaining at an unprecedented high level particularly in the United States.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by ¥209.5 billion, or 9.9%, to ¥1,910.1 billion during fiscal 2011 compared with the prior

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fiscal year. This decrease reflects the ¥115.5 billion favorable impact of fluctuations in foreign currency translation rates and the ¥83.9 billion decrease for the financial services operations. This decrease for the financial services operations includes the ¥100.0 billion decrease in the provision for credit losses and net charge-offs, which is attributable to the prices of used vehicles remaining at an unprecedented high level mainly in the United States and the prices of used Toyota and Lexus brands' vehicles also remaining at a high level, partially offset by the ¥15.0 billion increase in provision for credit losses and charge-offs in relation to the Great East Japan Earthquake.

Operating Income

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

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

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

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

Japan

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

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

North America

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

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

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Europe

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

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

Asia

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

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

■□ Other Income and Expenses

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

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

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

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

■□ Income Taxes

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

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

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

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

■□ Net Income attributable to Toyota Motor Corporation

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

■□ Other Comprehensive Income and Loss

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

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

Automotive Operations Segment

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

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

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

Financial Services Operations Segment

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

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

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

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

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

All Other Operations Segment

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

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

Outlook

While Toyota is subject to downside global economic risks due to the European sovereign debt crisis, oil price increase, and other factors, Toyota expects the world economy will continue to see gradual recovery in fiscal 2013. Although competition in the automotive market has

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

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

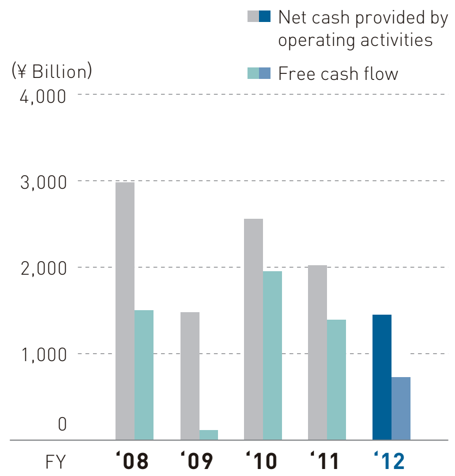
The foregoing statements are forward-looking statements based upon Toyota's management's assumptions and beliefs regarding exchange rates, market demand for Toyota's products, economic conditions and others. See "Cautionary Statement Concerning Forward-Looking Statements". Toyota's actual results of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

Liquidity And Capital Resources

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

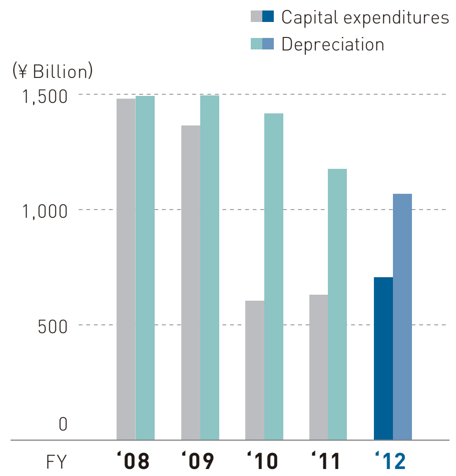
In fiscal 2013, Toyota expects to sufficiently fund its capital expenditures and research and development activities through cash and cash equivalents on hand, and cash generated by operations. Toyota will use its funds for the development of environment technologies, maintenance and replacement of manufacturing

Net Cash Provided by Operating Activities and Free Cash Flow*



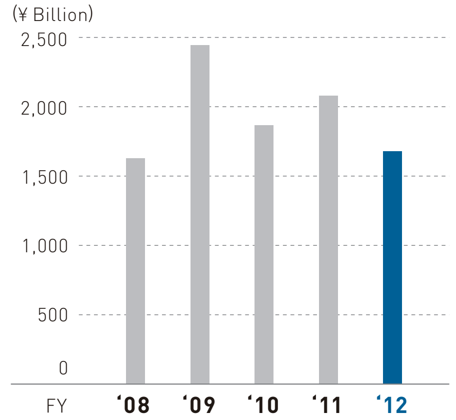
* (Net cash provided by operating activities)-(Capital expenditures for property, plant and equipment, excluding vehicles and equipment on operating leases)

Capital Expenditures for Property, Plant and Equipment* and Depreciation



* Excluding vehicles and equipment on operating leases

Cash and Cash Equivalents at End of Year



facilities, and the introduction of new products. See "Information on the Company — Business Overview — Capital Expenditures and Divestitures" in Toyota's annual report on Form 20-F for information regarding Toyota's material capital expenditures and divestitures for fiscal 2010, 2011 and 2012, and information concerning Toyota's principal capital expenditures and divestitures currently in progress.

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

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

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

Net cash used in investing activities was

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

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

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

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

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

Based on current available information, Toyota does not expect environmental matters to have a material impact on its financial position, results of operations, liquidity or cash flows during fiscal 2013. However, uncertainty exists with respect to Toyota's obligations under current and future environment regulations as described in "Information on the Company — Business Overview — Governmental Regulation, Environmental and Safety Standards" in Toyota's annual report on Form 20-F.

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

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

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

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

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

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

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

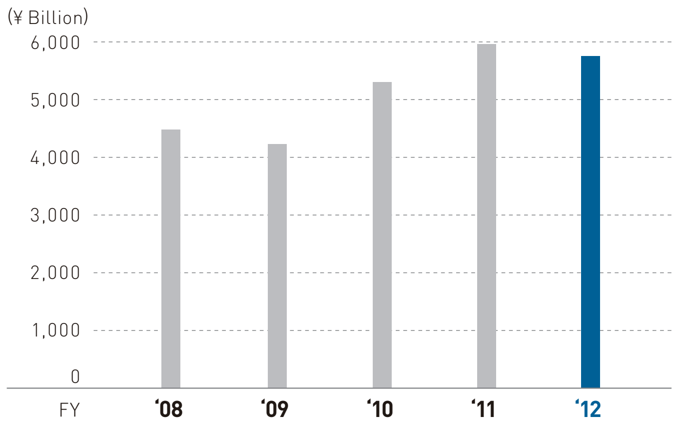
Accounts and notes payable increased during fiscal 2012 by ¥739.5 billion, or 49.2%. This increase was due to an increase in production volume in fiscal 2012.

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

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

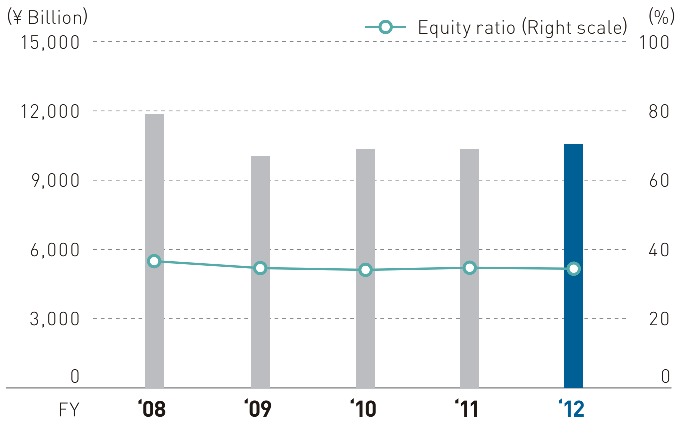
Toyota's total borrowings decreased during fiscal 2012 by ¥395.5 billion, or 3.2%. Toyota's short-term borrowings consist of loans with a weighted-average interest rate of 1.93% and commercial paper with a weighted-average interest rate of 0.72%. Short-term borrowings increased during fiscal 2012 by ¥271.6 billion, or 8.5%, to ¥3,450.6 billion. Toyota's long-term debt consists of unsecured and secured loans, medium-term notes, unsecured notes and

Liquid Assets*



* Cash and cash equivalents, time deposits, marketable debt securities and investment in monetary trust funds

Shareholders' Equity and Equity Ratio



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

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

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

	S&P	Moody's	R&I
Short-term borrowing	A–1+	P–1	—
Long-term debt	AA–	Aa3	AA+

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

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

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

Off-Balance Sheet Arrangements

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

Lending Commitments

Credit Facilities with Credit Card Holders

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

Credit Facilities with Dealers

Toyota's financial services operations maintain credit facilities with dealers. These credit facilities may be used for business acquisitions, facilities refurbishment, real estate purchases, and working capital requirements. These loans are typically collateralized with liens on real estate, vehicle inventory, and/or other dealership assets, as appropriate. Toyota obtains a personal guarantee from the dealer or corporate guarantee from the dealership when deemed prudent. Although the loans are typically collateralized or guaranteed, the value of the underlying

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collateral or guarantees may not be sufficient to cover Toyota's exposure under such agreements. Toyota prices the credit facilities according to the risks assumed in entering into the credit facility. Toyota's financial services operations also provide financing to various multi-franchise dealer organizations, referred to as dealer groups, often as part of a lending consortium, for wholesale inventory financing, business acquisitions, facilities refurbishment, real estate purchases, and working capital requirements. Toyota's outstanding credit facilities with dealers totaled ¥1,615.7 billion as of March 31, 2012.

Guarantees

Toyota enters into certain guarantee contracts with its dealers to guarantee customers' payments of their installment payables that arise from installment contracts between customers and Toyota dealers, as and when requested by Toyota dealers. Guarantee periods are set to match the maturity of installment payments, and as of March 31, 2012, ranged from one month to 35 years. However, they are generally shorter than the useful lives of products sold. Toyota is required to execute its guarantee primarily when customers are unable to make required payments.

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

Contractual Obligations and Commitments

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

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

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

* "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 ¥104,943 million to its pension plans in fiscal 2013.

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

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

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

Critical Accounting Estimates

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

Product Warranties and Recalls and Other Safety Measures

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

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Toyota's accrued estimated warranty costs, it would negatively affect future operating results of the automotive operations.

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

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

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

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

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

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

Allowance for Doubtful Accounts and Credit Losses

Natures of estimates and assumptions

Retail receivables and finance lease receivables consist of retail installment sales contracts secured by passenger cars and commercial vehicles. Collectability risks include consumer and dealer insolvencies and insufficient collateral values (less costs to sell) to realize the full carrying values of these receivables. As a matter of policy, Toyota maintains an allowance for doubtful accounts and credit losses representing management's estimate of the amount of asset impairment in the portfolios of finance, trade and other receivables. Toyota determines the allowance for doubtful accounts and credit losses based on a systematic, ongoing review and evaluation performed as part of the credit-risk evaluation process, historical loss experience, the size and composition of the portfolios, current economic events and conditions, the estimated fair value and adequacy of collateral, and other pertinent factors. This evaluation is inherently judgmental and requires material estimates, including the amounts and timing of future cash flows expected to be received, which may be susceptible to significant change. Although management considers the allowance for doubtful accounts and credit losses to be adequate based on information currently available, additional provisions may be necessary due to (i) changes in management estimates and assumptions about asset impairments, (ii) information that indicates changes in expected future cash flows, or (iii) changes in economic and other events and conditions. To the extent that sales incentives remain an integral part of sales promotion with the effect of reducing new vehicle prices, resale prices of used vehicles and, correspondingly, the collateral value of Toyota's retail receivables and finance lease receivables could experience further downward pressure. If these factors require a significant increase in Toyota's allowance for doubtful accounts and credit losses, it could negatively affect future operating results of the financial services operations. The level of credit losses, which has a greater impact on Toyota's results of operations, is influenced by two factors: frequency of occurrence and expected severity of loss. For evaluation purposes, exposures to credit losses are segmented into the two primary categories of "consumer" and "dealer". Toyota's "consumer" category consists of smaller balances that are homogenous retail receivables and finance lease receivables. The "dealer" category consists of wholesale and other dealer loan receivables. The overall allowance for credit losses is evaluated at least quarterly, considering a variety of assumptions and factors to determine whether reserves are considered adequate to cover probable losses.

Sensitivity analysis

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

	Yen in millions Effect on the allowance for credit losses as of March 31, 2012
10 percent change in frequency of occurrence or expected severity of loss	¥4,110

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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 losses on its residual values.

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

To the extent that sales incentives remain an integral part of sales promotion, resale prices of used vehicles and, correspondingly, the fair value of Toyota's leased vehicles could be subject to downward pressure. The extent of the impact this will have on the end of term residual value depends on the significance of the incentive programs and whether they are sustained over a number of periods. This in turn can impact the projection of future used vehicle values, adversely impacting the expected residual value of the current operating lease portfolio and increasing the provision for residual value losses. However, various other factors impact used vehicle values and the projection of future residual values, including the supply of and demand for used vehicles, interest rates, inflation, the actual or perceived quality, safety and reliability of vehicles, the general economic outlook, new vehicle pricing, projected vehicle return rates and projected loss severity, which may offset this effect. Such factors are highly likely to adversely affect the results of operations for financial services due to significant charges reducing the estimated residual value.

Sensitivity analysis

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

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

Impairment of Long-Lived Assets

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

Pension Costs and Obligations

Natures of estimates and assumptions

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

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

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assets of 3.9% are the results of assumptions used for the various pension plans in calculating Toyota's consolidated pension costs for fiscal 2012. Also, a weighted-average discount rate of 2.6% is the result of assumption used for the various pension plans in calculating Toyota's consolidated pension obligations for fiscal 2012.

Sensitivity analysis

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

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

Derivatives and Other Contracts at Fair Value

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

Marketable Securities and Investments in Affiliated Companies

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

Deferred Tax Assets

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

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

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

Quantitative and Qualitative Disclosures about Market Risk

Toyota is exposed to market risk from changes in foreign currency exchange rates, interest rates, certain commodity and equity security prices. In order to manage the risk arising from changes in foreign currency exchange rates and interest rates, Toyota enters into a variety of derivative financial instruments.

A description of Toyota's accounting policies for derivative instruments is included in note 2 to the consolidated financial statements and further disclosure is provided in notes 20 and 21 to the consolidated financial statements.

Toyota monitors and manages these financial exposures as an integral part of its overall risk

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management program, which recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effects on Toyota's operating results.

The financial instruments included in the market risk analysis consist of all of Toyota's cash and cash equivalents, marketable securities, finance receivables, securities investments, long-term and short-term debt and all derivative financial instruments. Toyota's portfolio of derivative financial instruments consists of forward foreign currency exchange contracts, foreign currency options, interest rate swaps, interest rate currency swap agreements and interest rate options. Anticipated transactions denominated in foreign currencies that are covered by Toyota's derivative hedging are not included in the market risk analysis. Although operating leases are not required to be included, Toyota has included these instruments in determining interest rate risk.

Foreign Currency Exchange Rate Risk

Toyota has foreign currency exposures related to buying, selling and financing in currencies other than the local currencies in which it operates. Toyota is exposed to foreign currency risk related to future earnings or assets and liabilities that are exposed due to operating cash flows and various financial instruments that are denominated in foreign currencies. Toyota's most significant foreign currency exposures relate to the U.S. dollar and the euro.

Toyota uses a value-at-risk analysis ("VAR") to evaluate its exposure to changes in foreign currency exchange rates. The VAR of the combined foreign exchange position represents a potential loss in pre-tax earnings that was estimated to be ¥107.6 billion and ¥87.9 billion at March 31, 2011 and 2012, respectively. Based on Toyota's overall currency exposure (including derivative positions), the risk during fiscal 2012 to pre-tax cash flow from currency movements was on average ¥87.9 billion, with a high of ¥95.6 billion and a low of ¥82.5 billion.

The VAR was estimated by using a Monte Carlo Simulation Method and assumed 95% confidence level on the realization date and a 10-day holding period.

Interest Rate Risk

Toyota is subject to market risk from exposures to changes in interest rates based on its financing, investing and cash management activities. Toyota enters into various financial instrument transactions to maintain the desired level of exposure to the risk of interest rate fluctuations and to minimize interest expense. The potential decrease in fair value resulting from a hypothetical 100 basis point upward shift in interest rates would be approximately ¥139.6 billion as of March 31, 2011 and ¥144.2 billion as of March 31, 2012.

There are certain shortcomings inherent to the sensitivity analyses presented. The model assumes that interest rate changes are instantaneous parallel shifts in the yield curve. However, in reality, changes are rarely instantaneous. Although certain assets and liabilities may have similar maturities or periods to repricing, they may not react correspondingly to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate with changes in market interest rates, while interest rates on other types of assets may lag behind changes in market rates. Finance receivables are less susceptible to prepayments when interest rates change and, as a result, Toyota's model does not address prepayment risk for automotive related finance receivables. However, in the event of a change in interest rates, actual loan prepayments may deviate significantly from the assumptions used in the model.

Commodity Price Risk

Commodity price risk is the possibility of higher or lower costs due to changes in the prices of commodities, such as non-ferrous alloys (e.g., aluminum), precious metals (e.g., palladium, platinum and rhodium) and ferrous alloys, which Toyota uses in the production of motor vehicles. Toyota does not use derivative instruments to hedge the price risk associated with the purchase of those commodities and controls its commodity price risk by holding minimum stock levels.

Equity Price Risk

Toyota holds investments in various available-for-sale equity securities that are subject to price risk. The fair value of available-for-sale equity securities was ¥960.2 billion as of March 31, 2011 and ¥1,034.3 billion as of March 31, 2012. The potential change in the fair value of these investments, assuming a 10% change in prices, would be approximately ¥96.0 billion as of March 31, 2011 and ¥103.4 billion as of March 31, 2012.