TOYOTA MOTOR CORP/
Form 20-F
June 24, 2015
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As filed with the Securities and Exchange Commission on June 24, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended: March 31, 2015

OR

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

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

TOYOTA JIDOSHA KABUSHIKI KAISHA

(Exact Name of Registrant as Specified in its Charter)

TOYOTA MOTOR CORPORATION

(Translation of Registrant s Name into English)

Japan

(Jurisdiction of Incorporation or Organization)

1 Toyota-cho, Toyota City

Aichi Prefecture 471-8571

Japan

+81 565 28-2121

(Address of Principal Executive Offices)

Hiroaki Shimizu

Telephone number: +81 565 28-2121

Facsimile number: +81 565 23-5800

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

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

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

Title of Each Class:	Name of Each Exchange on Which Registered:
American Depositary Shares*	The New York Stock Exchange
Common Stock**	

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

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

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

None

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

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report:
3,146,813,631 Shares of Common Stock (including 82,545,759 Shares of Common Stock in the form of American Depositary Shares) as of March 31, 2015

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

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

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

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

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

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

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

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

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

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

In parts of this annual report, amounts reported in Japanese yen have been translated into U.S. dollars for the convenience of readers. Unless otherwise noted, the rate used for this translation was ¥120.17 = $1.00. This was the approximate exchange rate in Japan on March 31, 2015.

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

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

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

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

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

(i) changes in economic conditions, market demand, and the competitive environment affecting the automotive markets in Japan, North America, Europe, Asia and other markets in which Toyota operates;

(ii) fluctuations in currency exchange rates, particularly with respect to the value of the Japanese yen, the U.S. dollar, the euro, the Australian dollar, the Russian ruble, the Canadian dollar and the British pound, and interest rates fluctuations;

(iii) changes in funding environment in financial markets and increased competition in the financial services industry;

(iv) Toyota s ability to market and distribute effectively;

(v) Toyota s ability to realize production efficiencies and to implement capital expenditures at the levels and times planned by management;

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

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

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

(ix) any damage to Toyota s brand image;

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

(xi) increases in prices of raw materials;

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

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

(xiv) the impact of natural calamities including the negative effect on Toyota s vehicle production and sales.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3.A SELECTED FINANCIAL DATA

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

U.S. GAAP Selected Financial Data

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

	Year Ended March 31,				
	2011	2012	2013	2014	2015
	(Yen in millions, except share and per share data)				
Consolidated Statement of Income Data:					
Automotive:					
Revenues	17,337,320	16,994,546	20,419,100	23,781,404	25,062,129
Operating income	85,973	21,683	944,704	1,938,778	2,325,310
Financial Services:					
Revenues	1,192,205	1,100,324	1,170,670	1,421,047	1,661,149
Operating income	358,280	306,438	315,820	294,891	361,833
All Other:					
Revenues	972,252	1,048,915	1,066,461	1,151,280	1,255,791
Operating income	35,242	42,062	53,616	64,270	65,650
Elimination of intersegment:					
Revenues	(508,089)	(560,132)	(592,039)	(661,820)	(744,548)
Operating income	(11,216)	(14,556)	6,748	(5,827)	(2,229)
Total Company:					
Revenues	18,993,688	18,583,653	22,064,192	25,691,911	27,234,521
Operating income	468,279	355,627	1,320,888	2,292,112	2,750,564
Income before income taxes and equity in earnings of affiliated companies	563,290	432,873	1,403,649	2,441,080	2,892,828
Net income attributable to Toyota Motor Corporation	408,183	283,559	962,163	1,823,119	2,173,338
Net income attributable to Toyota Motor Corporation per share (yen):					
Basic	130.17	90.21	303.82	575.30	688.02
Diluted	130.16	90.20	303.78	574.92	687.66
Shares used in computing net income attributable to Toyota Motor Corporation per share, basic (in thousands)	3,135,881	3,143,470	3,166,909	3,168,989	3,158,851
Shares used in computing net income attributable to Toyota Motor Corporation per share, diluted (in thousands)	3,135,915	3,143,470	3,167,155	3,170,911	3,160,429

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	Year Ended March 31,				
	2011	2012	2013	2014	2015
	(Yen in millions, except per share and numbers of vehicles sold data)				
Consolidated Balance Sheet Data (end of period):					
Total Assets:	29,818,166	30,650,965	35,483,317	41,437,473	47,729,830
Short-term debt, including current portion of long-term debt	5,951,836	5,963,269	6,793,956	7,780,483	8,963,492
Long-term debt, less current portion	6,449,220	6,042,277	7,337,824	8,546,910	10,014,395
Toyota Motor Corporation shareholders equity	10,332,371	10,550,261	12,148,035	14,469,148	16,788,131
Common stock	397,050	397,050	397,050	397,050	397,050
Other Data:					
Dividends per share (yen)	50.0	50.0	90.0	165.0	200.0
Number of vehicles sold					
Japan	1,913,117	2,070,799	2,278,796	2,365,410	2,153,694
North America	2,031,249	1,872,423	2,468,804	2,529,398	2,715,173
Europe	795,534	797,993	799,085	844,003	859,038
Asia	1,255,016	1,326,829	1,683,578	1,608,355	1,488,922
Other*	1,313,123	1,283,885	1,640,401	1,768,867	1,755,037
Worldwide total	7,308,039	7,351,929	8,870,664	9,116,033	8,971,864

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

Dividend Information

Toyota normally pays dividends twice per year, including an interim dividend and a year-end dividend. Although Toyota s articles of incorporation provide that retained earnings can be distributed as dividends pursuant to the resolution of its board of directors, Toyota s board of directors recommends the payment of a year-end dividend to holders of common shares and registered pledgees of common shares of record as of March 31, the record date, in each year. Year-end dividends are usually paid to shareholders immediately following approval of the dividend at the general shareholders meeting, normally around the middle of June of each year.

At the 111th Ordinary General Shareholders Meeting held in June 2015, Toyota s shareholders approved amendments to Toyota s articles of incorporation permitting the issuance of Model AA Class Shares in the future. The articles of incorporation now provide that in the event that Toyota pays a year-end dividend to holders of common shares, it will pay a year-end dividend to any holders of Model AA Class Shares or registered pledgees of Model AA Class Shares of record as of the record date for the year-end dividend, in the amount payable on the Model AA Class Shares pursuant to their terms (AA Dividends), in preference to holders of common shares or registered pledgees of common shares.

In addition to these year-end dividends, Toyota may pay an interim dividend in the form of cash distributions from its distributable surplus to holders of common shares and pledgees of common shares of record as of September 30, the record date, in each year by resolution of its board of directors. Toyota normally pays the interim dividend in late November. The articles of incorporation now provide that in the event that Toyota pays such interim dividends, Toyota will pay an amount equivalent to one-half of the AA Dividends (AA Interim Dividends) as an interim dividend to any holders of Model AA Class Shares or registered pledgees of Model AA Class Shares of record as of the record date for the interim dividend, in preference to holders of common shares or registered pledgees of common shares.

If the amount of the dividends from surplus paid to holders of Model AA Class Shares or registered pledgees of Model AA Class Shares is less than the prescribed amount of AA Dividends in any fiscal year, the amount of the shortfall will be carried forward to and accumulate in the following fiscal year and thereafter. Dividends from surplus will be paid to holders of Model AA Class Shares or registered pledgees of Model AA Class Shares in preference to the payment of interim and year-end dividends until such payment reaches the amount of the accumulated unpaid dividends on the Model AA Class Shares.

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For a further discussion of Model AA Class Shares, please see Additional Information Memorandum and Articles of Association.

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

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

	Cash Dividends per Common Share	
Period Ended	**Yen**	**U.S. dollars**
September 30, 2010	20.0	0.24
March 31, 2011	30.0	0.36
September 30, 2011	20.0	0.25
March 31, 2012	30.0	0.36
September 30, 2012	30.0	0.38
March 31, 2013	60.0	0.63
September 30, 2013	65.0	0.66
March 31, 2014	100.0	0.97
September 30, 2014	75.0	0.68
March 31, 2015	125.0	1.04

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

Toyota deems the benefit of its shareholders as one of its priority management policies, and it continues to work to improve its corporate structure to realize sustainable growth in order to enhance its corporate value. Toyota will strive to continue to pay stable dividends aiming at a consolidated dividend payout ratio of 30% while giving due consideration to factors such as business results for each term, investment plans and its cash reserves. In order to successfully compete in this highly competitive industry, Toyota plans to utilize its internal funds for the early commercialization of next-generation environment and safety technologies, giving priority to customer safety and reliability. Considering these factors, an annual dividend of ¥200 per common share was paid for fiscal 2015, consisting of a year-end dividend of ¥125 per common share and an interim dividend of ¥75 per common share.

In fiscal 2015, Toyota repurchased 55,521,900 shares of its common stock at a total cost of ¥359.9 billion, excluding shares constituting less than one unit that were purchased by Toyota upon request. Since Toyota began repurchasing common shares in fiscal 1997, the cumulative number of common shares repurchased as of the end of March 2015 was 792.5 million shares at a total cost of ¥3,228.7 billion. The following table shows the approximate number of common shares repurchased and the approximate cost of repurchase of those shares for each of the periods indicated:

	Year Ended March 31,				
	2011	**2012**	**2013**	**2014**	**2015**
Number of shares repurchased	0	0	0	0	55,521,900
Amount paid	0	0	0	0	359,994

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

Exchange Rates

In parts of this annual report, yen amounts have been translated into U.S. dollars for the convenience of investors. Unless otherwise noted, the rate used for the translations was ¥120.17 = $1.00. This was the approximate exchange rate in Japan on March 31, 2015.

The following table sets forth information regarding the noon buying rates for Japanese yen in New York City as announced for customs purposes by the Federal Reserve Bank of New York expressed in Japanese yen per $1.00 during the periods shown. At the end of May 2015, the noon buying rate was ¥123.98 = $1.00. The average exchange rate for the periods shown is the average of the month-end rates during the period.

Fiscal Year Ended or Ending March 31,	At End of Period	Average (of month-end rates)	High	Low
		(¥ per $1.00)		
2011	82.76	85.00	94.68	78.74
2012	82.41	78.86	85.26	75.72
2013	94.16	83.26	96.16	77.41
2014	102.98	100.46	105.25	92.96
2015	119.96	110.78	121.50	101.26
2016 (through May 31, 2015)	123.98	121.92	124.18	118.80

Month Ended	High	Low
	(¥ per $1.00)	
December 31, 2014	121.38	117.28
January 31, 2015	120.20	116.78
February 28, 2015	120.38	117.33
March 31, 2015	121.50	119.01
April 30, 2015	120.36	118.80
May 31, 2015	124.18	119.09

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

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

3.B CAPITALIZATION AND INDEBTEDNESS

Not applicable.

3.C REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

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3.D RISK FACTORS

Industry and Business Risks

The worldwide automotive market is highly competitive.

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

The worldwide automotive industry is highly volatile.

Each of the markets in which Toyota competes has been subject to considerable volatility in demand. Demand for vehicles depends to a large extent on economic, social and political conditions in a given market and the introduction of new vehicles and technologies. As Toyota s revenues are derived from sales in markets worldwide, economic conditions in such markets are particularly important to Toyota. In fiscal 2015, the Japanese economy continued on a path of moderate recovery, even though weakness could be seen in personal consumption and other areas. The U.S. economy saw ongoing recovery mainly due to increasing personal consumption and the European economy as a whole showed continuing signs of recovery. Meanwhile, economies such as those of China and emerging countries showed signs of weakness. The shifts in demand for automobiles are continuing, and it is unclear how this situation will transition in the future. Toyota s financial condition and results of operations may be adversely affected if the shifts in demand for automobiles continues or progresses further. Demand may also be affected by factors directly impacting vehicle price or the cost of purchasing and operating vehicles such as sales and financing incentives, prices of raw materials and parts and components, cost of fuel and governmental regulations (including tariffs, import regulation and other taxes). Volatility in demand may lead to lower vehicle unit sales, which may result in downward price pressure and adversely affect Toyota s financial condition and results of operations.

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

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

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

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

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

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

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

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

The worldwide financial services industry is highly competitive.

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

Toyota s operations and vehicles rely on various digital and information technologies.

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

Financial Market and Economic Risks

Toyota s operations are subject to currency and interest rate fluctuations.

Toyota is sensitive to fluctuations in foreign currency exchange rates and is principally exposed to fluctuations in the value of the Japanese yen, the U.S. dollar and the euro and, to a lesser extent, the Australian dollar, the Russian ruble, the Canadian dollar and the British pound. Toyota s consolidated financial statements, which are presented in Japanese yen, are affected by foreign currency exchange fluctuations through translation risk, and changes in foreign currency exchange rates may also affect the price of products sold and materials purchased by Toyota in foreign currencies through transaction risk. In particular, strengthening of the Japanese yen against the U.S. dollar can have an adverse effect on Toyota s operating results.

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

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

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

A downturn in the financial markets could adversely affect Toyota s ability to raise capital.

Should the world economy suddenly deteriorate, a number of financial institutions and investors will face difficulties in providing capital to the financial markets at levels corresponding to their own financial capacity, and, as a result, there is a risk that companies may not be able to raise capital under terms that they would expect to receive with their creditworthiness. If Toyota is unable to raise the necessary capital under appropriate conditions on a timely basis, Toyota s financial condition and results of operations may be adversely affected.

Political, Regulatory, Legal and Other Risks

The automotive industry is subject to various governmental regulations.

The worldwide automotive industry is subject to various laws and governmental regulations including those related to vehicle safety and environmental matters such as emission levels, fuel economy, noise and pollution. In particular, automotive manufacturers such as Toyota are required to implement safety measures such as recalls

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

Toyota may become subject to various legal proceedings.

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

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

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

ITEM 4. INFORMATION ON THE COMPANY

4.A HISTORY AND DEVELOPMENT OF THE COMPANY

Toyota Motor Corporation is a limited liability, joint-stock company incorporated under the Commercial Code of Japan and continues to exist under the Companies Act. Toyota commenced operations in 1933 as the automobile division of Toyota Industries Corporation (formerly, Toyoda Automatic Loom Works, Ltd.). Toyota became a separate company on August 28, 1937. In 1982, the Toyota Motor Company and Toyota Motor Sales merged into one company, the Toyota Motor Corporation of today. As of March 31, 2015, Toyota operated through 541 consolidated subsidiaries (including variable interest entities) and 203 affiliated companies, of which 54 companies were accounted for through the equity method.

See Business Overview Capital Expenditures and Divestitures for a description of Toyota s principal capital expenditures and divestitures between April 1, 2012 and March 31, 2015 and information concerning Toyota s principal capital expenditures and divestitures currently in progress.

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

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4.B BUSINESS OVERVIEW

Toyota primarily conducts business in the automotive industry. Toyota also conducts business in finance and other industries. Toyota sold 8,972 thousand vehicles in fiscal 2015 on a consolidated basis. Toyota had net revenues of ¥27,234.5 billion and net income attributable to Toyota Motor Corporation of ¥2,173.3 billion in fiscal 2015.

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

	Yen in millions Year Ended March 31,		
	2013	**2014**	**2015**
Automotive	20,378,762	23,733,855	25,006,224
Financial Services	1,150,042	1,379,267	1,621,685
All Other	535,388	578,789	606,612

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

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

	Yen in millions Year Ended March 31,		
	2013	**2014**	**2015**
Japan	7,910,456	8,532,875	8,338,881
North America	6,167,821	7,938,615	9,430,450
Europe	2,003,113	2,614,070	2,690,803
Asia	4,058,629	4,475,382	4,531,178
Other*	1,924,173	2,130,969	2,243,209

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

During fiscal 2015, 24.0% of Toyota s automobile unit sales on a consolidated basis were in Japan, 30.3% were in North America, 9.6% were in Europe and 16.6% were in Asia. The remaining 19.5% of consolidated unit sales were in other markets.

The Worldwide Automotive Market

Toyota estimates that annual worldwide vehicle sales totaled approximately 89 million units in 2014.

Automobile sales are affected by a number of factors including:

social, political and economic conditions;

introduction of new vehicles and technologies; and

costs incurred by customers to purchase and operate automobiles.

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

In fiscal 2015, the global economy experienced gradual expansion in developed countries with the United States as a driving force, while growth in emerging markets slowed down due to the relative weakening currencies of emerging markets reflecting in part the end of U.S. monetary quantitative easing contributing to the strength of the U.S. dollar, as well as due to the decline in prices of natural resources in resource-producing countries contributing to the weakness of the local currency of such countries.

The automotive industry was also impacted by this trend. In 2014, with respect to developed countries, markets in the United States expanded and the downturn bottomed out in Europe. In addition, in Japan, due to the consumption tax increase in April 2014, market demand slowed down. In emerging markets, the expansion of the Chinese market continued despite signs of weakness in the economy, but markets in other emerging countries slowed down.

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

In 2014, China, North America, Europe and Asia were the world s largest automotive markets. The share of each market across the globe, which Toyota estimates based on the available automobile sales data in each country and region information, was 27% for China, 22% for North America (20% excluding Mexico and Puerto Rico), 21% for Europe and 10% for Asia. In China, new vehicle sales increased to approximately 24.0 million units. In North America, new vehicle sales increased to approximately 19.6 million units. In Europe, new vehicle sales increased to approximately 18.4 million units. In Asia (including India but excluding Japan and China), new vehicle unit sales decreased slightly from the previous year to approximately 8.8 million units.

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

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

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

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

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

Toyota Global Vision

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

The safest and most responsible ways of moving people

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

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

Enriching lives around the world

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

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

Lead the way to the future of mobility

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

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

Our commitment to quality, constant innovation

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

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

Continued awareness for the Earth and environment

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

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

Exceed expectations and be rewarded with a smile

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

There is always a better way

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

Meet challenging goals by engaging the talent and passion of people

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

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

As for Toyota s future business environment, in the world economy, the U.S. is expected to recover steadily. Also the European economy is picking up gradually chiefly in the eurozone, while the economies of several countries are likely to slow down, such as in Russia which is weighed down by declines in crude oil prices. Emerging countries also show downside risk. The Japanese economy is expected to recover gradually through improvements in employment and income conditions, although attention needs to be paid to such factors as uncertainty in overseas economies, which performance will affect the Japanese economy.

The automotive market is expected to expand gradually, led by the U.S. However, amid adaptation of eco-car promotion policies in various countries and increased efforts toward the development of safety technologies, as well as continuing advances in information and communication technology, fierce competition exists on a global scale.

In this severe business environment, Toyota intends to steadily progress toward the realization of the Toyota Global Vision through sustainable growth based on the following policies:

First, Toyota intends to reinforce its core competitiveness in order to grow as steadily as a tree adding annual growth rings. It plans to work on quality improvement and human resource development in order to manufacture vehicles that bring smiles to customers. In addition, it plans to thoroughly improve productivity in each of its business operations through measures such as effective use of management resources and the strengthening of its IT infrastructure.

Second, Toyota intends to take on bold challenges toward the creation of new value in order to progress into the future. It plans to work toward the future of mobility through pioneering technologies, products and businesses.

In order to implement the above, Toyota intends to improve its management structure to speed up decision-making, enhance the supervision of business execution, strengthen collaboration with Toyota group companies and leverage the value of diversity.

Based on these initiatives, Toyota will contribute to enriching lives of communities by providing ever-better cars. This is expected to encourage more customers to purchase Toyota cars and thereby lead to the

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establishment of a stable business base. By perpetuating this cycle, it will aim to realize sustainable growth and enhance corporate value. In addition, through full observance of corporate ethics such as compliance with applicable laws and regulations, Toyota will fulfill its social responsibilities.

Automotive Operations

Toyota s revenues from its automotive operations were ¥25,062.1 billion in fiscal 2015, ¥23,781.4 billion in fiscal 2014 and ¥20,419.1 billion in fiscal 2013.

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

On March 4, 2015, Toyota Motor Corporation, Toyota Motor Sales & Marketing Corporation (TMSM), a wholly-owned subsidiary of Toyota Motor Corporation, and Toyota Marketing Japan Corporation (TMJ), a wholly-owned subsidiary of TMSM, announced that TMSM will merge with and into Toyota Motor Corporation and TMJ s motor sports business will be transferred to Toyota Motor Corporation.

Vehicle Models

Toyota s vehicles (produced by Toyota, Daihatsu and Hino) can be classified into three categories: hybrid vehicles, conventional engine vehicles, and fuel cell vehicles, which in December 2014 became available commercially for the first time in the world, in the Japanese market. Toyota s product line-up includes subcompact and compact cars, mini-vehicles, mid-size, luxury, sports and specialty cars, recreational and sport-utility vehicles, pickup trucks, minivans, trucks and buses.

Hybrid Vehicles

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

In the last three years, Toyota has strengthened its hybrid lineup by introducing the Prius plug-in and the fully remodeled GS450h in January 2012, the Yaris HV in May 2012, the ES300h in July 2012, the Auris HV in November 2012, the Avalon HV and the fully remodeled Crown HV in December 2012, the fully remodeled IS300h in May 2013, the fully remodeled Corolla Axio HV/Corolla Fielder HV in August 2013, the fully remodeled Harrier HV in December 2013, the fully remodeled Voxy HV/Noah HV in January 2014, the NX300h in July 2014, the RC300h and the Esquire HV in September 2014 and the fully remodeled Alphard and Vellfire in January 2015. In the hybrid vehicles area, where strong growth is anticipated, Toyota aims to continue its efforts to offer a diverse line-up of hybrid vehicles, enhance engine power while improving fuel economy and otherwise work towards increasing the sales of hybrid vehicles.

Fuel Cell Vehicles

Toyota began limited sales of a fuel cell vehicle in Japan and the United States in December 2002. In June 2005, Toyota s new fuel cell passenger vehicle became the first in Japan to acquire vehicle type certification under the Road Vehicles Act, as amended, on March 31, 2005, by Japan s Ministry of Land, Infrastructure, Transport and Tourism. Leases for fuel cell vehicles began in July 2005. By 2007, Toyota was able to make improvements to start-up and cruising distance at temperatures below freezing, which were technological challenges. Toyota has made advances by solving technological issues such as the above and worked towards the practical use of such solutions, culminating in the general sale of the world s first mass produced fuel cell vehicle MIRAI in Japan beginning in December 2014.

Conventional Engine Vehicles

Subcompact and Compact

Toyota s subcompact and compact cars include the four-door Corolla sedan, which is one of Toyota s bestselling models. The Yaris, marketed as the Vitz in Japan, is a subcompact car designed to perform better and offer greater comfort than other compact cars available in the market with low emissions that are particularly attractive to European consumers. In Europe, Toyota introduced the fully remodeled Aygo in June 2014. In Japan, Toyota introduced the remodeled Corolla Axio/Fielder in May 2012, the remodeled Porte and its variant, the Spade, in July 2012 and the remodeled Auris in August 2012. In India, Asia, China and other markets, Toyota introduced the Etios and Vios. In addition, Toyota introduced the AGYA, which is designed and manufactured by Daihatsu.

Mini-Vehicles

Mini-vehicles are manufactured and sold by Daihatsu. Daihatsu manufactures mini-vehicles, passenger vehicles, commercial vehicles and auto parts. Mini-vehicles are passenger cars, vans or trucks with engine displacements of 660 cubic centimeters or less. Daihatsu sold approximately 629 thousand mini-vehicles and 197 thousand automobiles on a consolidated basis during fiscal 2015. Daihatsu s largest market is Japan, which accounted for approximately 80% of Daihatsu s unit sales during fiscal 2015. From 2011, Toyota began to sell some mini-vehicles manufactured by Daihatsu under the Toyota brand.

Mid-Size

Toyota s mid-size models include the Camry, which has been the bestselling passenger car in the United States for seventeen of the past eighteen calendar years (from 1997 to present) and also for the last thirteen consecutive years. The Camry was fully remodeled in August 2011. Camry sales in the United States for 2014 were approximately 428 thousand units (including Camry hybrids). In addition, Toyota s other mid-size models include the REIZ for the Chinese market, the Avensis, which was remodeled in November 2008 for the European market, and the Mark X, which was remodeled in October 2009 for the Japanese market.

Luxury & Large

In North America, Europe, Japan and other regions, Toyota s luxury lineup consists primarily of vehicles sold under the Lexus brand name. Lexus passenger car models include the LS, the GS, the ES, the IS, the HS, the CT and the RC. Lexus models also include the LX, the GX, the RX and the NX sold as luxury sport-utility vehicles. Toyota commenced sales of its luxury automobiles in Japan under the Lexus brand in August 2005. As of March 31, 2015, the Lexus brand lineup in Japan includes the LS, the GS, the HS, the IS, the CT, the RX, the NX and the RC. The Toyota brand s full-size luxury car, the Avalon, was remodeled in October 2012, and the Crown was remodeled in December 2012. Toyota also sells the Century limousine in Japan.

Sports and Specialty

In the United States Toyota sells the Scion tC, a sports model targeted at young drivers. In December 2010, Toyota introduced the LFA model under the Lexus brand as the high-performance sports model, and in April 2012, Toyota introduced the 86 (called Scion FR-S in the U.S.), a compact sports car with a front-mounted engine and rear-wheel drive. In October 2014, Toyota introduced the RC coupe that leads the image of Lexus, which engages drivers on a sentimental level.

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Recreational and Sport-Utility Vehicles and Pickup Trucks

Toyota sells a variety of sport-utility vehicles and pickup trucks. Toyota s sport-utility vehicles available in North America include the Sequoia, the 4Runner, the RAV4, the Highlander, the FJ Cruiser and the Land Cruiser, and pickup trucks available are the Tacoma and Tundra. The Tacoma, the Tundra, the Highlander and the Sequoia are manufactured in the United States. Toyota also offers four types of sport-utility vehicles under the Lexus brand, including the LX, the GX, the RX, and the NX. Toyota also manufactures the RX and RAV4 models in Canada. Toyota s pickup truck, the Hilux, has been the bestselling model of all Toyota cars sold in Thailand. In North America, the fully remodeled RAV4 was introduced in December 2012 and the fully remodeled Highlander was introduced in December 2013. In July 2014, Toyota introduced the new NX model under the Lexus brand, and in May 2015, Toyota introduced the fully remodeled Hilux in Thailand.

Minivans and Cabwagons

Toyota offers several basic models for the global minivan market. Its largest minivans in Japan, the Alphard and the Vellfire, were remodeled in January 2015. In addition, the Corolla Verso was remodeled in December 2008 in Europe, and the Wish was remodeled in April 2009, the Noah/Voxy was remodeled in January 2014 and the new model Esquire was introduced in October 2014 in Japan. Toyota s other minivan models include, in Japan, the Estima, the Sienta and the Isis, and, in North America, the Sienna.

Trucks and Buses

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

Product Development

New cars introduced in Japan during fiscal 2015 and thereafter include the RC, the NX, the Esquire and the MIRAI. Remodeled cars in Japan during fiscal 2015 and thereafter include the Alphard, the Vellfire and the PIXIS TRUCK. New vehicles developed during fiscal 2015 and thereafter and introduced outside of Japan include the RC and the NX. Remodeled cars outside of Japan during fiscal 2015 and thereafter include the Aygo, the Alphard, the Vellfire and the Hilux.

In addition, the IMV product lineup based on the IMV project to optimize global manufacturing and supply systems is a lineup of strategic multipurpose vehicles produced from a single platform to meet market demand. The IMV product lineup includes, as of March 31, 2015, the Hilux, Fortuner, and Innova, one or all of which are available in all regions except for Japan.

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Markets, Sales and Competition

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

	Year Ended March 31,									
	2011		2012		2013		2014		2015	
	Units	%	Units	%	Units	%	Units	%	Units	%
Market										
Japan	1,913,117	26.2%	2,070,799	28.2%	2,278,796	25.7%	2,365,410	26.0%	2,153,694	24.0%
North America	2,031,249	27.8	1,872,423	25.5	2,468,804	27.8	2,529,398	27.7	2,715,173	30.3
Europe	795,534	10.9	797,993	10.8	799,085	9.0	844,003	9.3	859,038	9.6
Asia	1,255,016	17.2	1,326,829	18.0	1,683,578	19.0	1,608,355	17.6	1,488,922	16.6
Other*	1,313,123	17.9	1,283,885	17.5	1,640,401	18.5	1,768,867	19.4	1,755,037	19.5
Total	7,308,039	100.0%	7,351,929	100.0%	8,870,664	100.0%	9,116,033	100.0%	8,971,864	100.0%

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

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

	(Thousands of Units) Fiscal Year Ended March 31,				
	2011	2012	2013	2014	2015
Japan:					
Total market sales (excluding mini-vehicles)	2,975	3,067	3,242	3,433	3,126
Toyota sales (retail basis, excluding mini-vehicles)	1,407	1,396	1,570	1,605	1,439
Toyota market share	47.3%	45.5%	48.4%	46.7%	46.0%

	(Thousands of Units) Calendar Year Ended December 31,				
	2010	2011	2012	2013	2014
North America:					
Total market sales	14,058	15,417	17,153	18,514	19,597
Toyota sales (retail basis)	2,008	1,880	2,360	2,520	2,670
Toyota market share	14.3%	12.2%	13.8%	13.6%	13.6%
Europe:					
Total market sales	18,368	19,074	18,171	18,009	18,397
Toyota sales (retail basis)	808	820	838	848	888
Toyota market share	4.4%	4.3%	4.6%	4.7%	4.8%
Asia (excluding China):					
Total market sales	7,430	7,861	8,986	8,899	8,785
Toyota sales (retail basis)	1,039	1,103	1,487	1,427	1,324
Toyota market share	14.0%	14.0%	16.5%	16.0%	15.1%

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Japan

Japan is one of the leading countries with respect to technological advancements and improvements and will continue to demonstrate such strength. Toyota strives to earn customer satisfaction by introducing products distinctive of Japan s manufacturing ability such as value-added products including Lexus models, hybrid vehicles, vehicles with 3-seat rows and mini-vehicles. Toyota s consolidated vehicle sales in Japan in fiscal 2015 was 2,154 thousand units, a decrease of 211 thousand units in comparison with the previous year. Toyota endeavors to secure and maintain its large share of and position atop the Japanese market. Toyota held a domestic market share (excluding mini-vehicles) on a retail basis of 48.4% in fiscal 2013, 46.7% in fiscal 2014 and 46.0% in fiscal 2015.

Although Toyota s principle is to conduct production in regions where it enjoys true competitiveness, it considers Japan to be the source of its good manufacturing practices. Toyota supports its operations worldwide through measures such as the development of new technologies and products, low-volume vehicles to complement local production, production of global vehicle models which straddle multiple regions and supporting overseas factories. Toyota will also launch the implementation of the new platform and the new unit for the Toyota New Global Architecture (TNGA) globally, with Japan at the core. In Japan, Toyota is implementing flexible production based on market needs, in order to support its large share of domestic sales.

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

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

Since Toyota formed an alliance with Fuji Heavy Industries, Ltd. (FHI) in 2005, Toyota and FHI have utilized each other s resources in development and production. In April 2008, in order to create synergy and to further strengthen competitiveness, Toyota, Daihatsu and FHI agreed on the following three points: (1) Toyota and FHI will jointly develop a compact rear-wheel-drive sports car that will be marketed by both Toyota and FHI, (2) Toyota will provide FHI with a compact car on an original equipment manufacturing basis (OEM) and (3) Daihatsu will supply FHI with mini-vehicles and an FHI version of the Daihatsu Coo compact car on an OEM basis. In order to promote a smooth cooperation, FHI transferred 61 million FHI shares owned by FHI to Toyota in July 2008. As a result of this transfer, Toyota owns 16.5% of FHI issued shares. While Toyota vehicles have been manufactured at FHI s North American production center, Subaru of Indiana Automotive, Inc., since 2007, Toyota and FHI have decided to cease such production in the fall of 2016, and the collaboration between Toyota and FHI will shift going forward to collaboration focusing on products and technology.

In Japan, there are five major domestic manufacturers, five specialized domestic manufacturers and a growing volume of imports from major United States and European manufacturers. The prolonged economic slump in the Japanese economy and the recent increases in environmental awareness have also shifted consumer preference towards more affordable automobiles such as compact and subcompact vehicles and towards utility vehicles such as mini-vans. For more than 40 years, Toyota has maintained its position as the largest automobile manufacturer in Japan. Every year since fiscal 1999, Toyota, excluding Daihatsu and Hino, has achieved a market share (excluding mini-vehicles) of over 40%, reflecting in part the success of the introduction of new models for subcompact and compact cars, mini-vans and sedans. In August 2005, Toyota launched the Lexus

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brand in Japan and achieved a record top market share of 25.6% in the luxury market in 2011. Toyota aims to further distinguish the Lexus brand by continuing to attract new and affluent customers including customers that typically had purchased imported vehicles.

North America

The North American region is one of Toyota s most significant markets. While the automotive market struggled in the aftermath of the financial crisis beginning in 2008, Toyota has since reorganized its production structure and made improvements to its product lineup. In addition, Toyota is actively working to promote increased local operations independence in North America, in accordance with the Toyota Global Vision, announced in 2011.

In the North American region, of which the U.S. is the center, Toyota has a wide product lineup (excluding large trucks and buses), and sold 2,715 thousand vehicles on a consolidated basis in fiscal 2015. This represents approximately 30% of Toyota s total unit sales on a consolidated basis. The U.S., in particular, is the largest market in the North American region, accounting for 89% of the retail sales of Toyota in such region. Sales figures for fiscal 2015 were 107.3% of those in the previous fiscal year.

Toyota commenced sales of the first-generation Prius hybrid model in North America in 2000. The Prius became Toyota s bestselling model behind the Corolla and Camry, having gained particular support among customers concerned with the environment. Toyota introduced the first hybrid model under the Lexus brand, the RX400h, and the Highlander hybrid in 2005. Further, Toyota continued expanding its hybrid models with the introduction of models such as the HS250h in 2009, the CT200h and the Prius V in 2011, the Prius C, the ESh and the Avalon HV in 2012 and the NXh in 2014.

Since the introduction of the LS and ES models under the premium brand model, Lexus, in the United States in 1989, Toyota has expanded its Lexus sales with models including the GS, IS and RX. In 2012, Toyota introduced the all-new GS and ES models, and unit sales reached 244 thousand units. Toyota is seeking to steadily increase sales every year and achieved sales of 274 thousand units through the introduction of the new IS model in 2013 and 311 thousand units through the introduction of the new NX and RC models in 2014.

Toyota is continuing to revise its vehicle models and North American production capacities in response to changes in market conditions. Starting 2011, Toyota, instead of importing from Japan, began production of the Corolla at its Mississippi plant. In 2013, the production capacity at the Woodstock plant in Canada increased from 150 to 200 thousand units per year, and the production capacity at the Indiana plant also increased. Toyota commenced production of the RX450h hybrid model at its Cambridge plant in Canada in 2014. Through the business alliance with Mazda Motor Corporation, the production of Toyota brand light vehicles for sale mainly in North America is scheduled to begin at Mazda s plant in Mexico in July 2015. In addition, Toyota has decided to commence production of the Lexus ES350 at its Kentucky plant for sale in the North America market starting in the fall.

In terms of auto parts, Toyota increased production capacity of engine plants in Kentucky and Alabama in 2013 and 2014, respectively, to meet rising demand, and also increased production capacity of auto parts at its automatic transmission plant in West Virginia in 2014.

In order to further strengthen competitiveness in North America, Toyota will continue the realignment of North American manufacturing operations going forward. As part of this effort, a new plant will be built in Mexico in 2019 and production of the Corolla will be shifted from the plant in Canada to the new plant in Mexico. Compact cars will also be produced at the new plant as well as at the plant in Mississippi. Toyota will consider focusing its production of mid-sized vehicles in the plant in Canada, along with the plants in Indiana and Kentucky, by commencing production of mid-sized vehicles instead of the Corolla in Canada starting in 2019.

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As for Toyota s vehicle development in North America, the Toyota Technical Center spearheads the design, planning, and evaluation of vehicles and parts as to their ability to meet customer needs. Toyota will continue to promote self-reliance towards producing even better cars in the future.

In April 2014, Toyota decided to relocate its North American headquarters for manufacturing, sales and marketing, financial services and other functions to the city of Plano in northern Dallas, Texas. By unifying its North American operations, Toyota plans to promote collaboration and efficiencies across functions, position itself to deliver ever-better cars to customers and work towards realizing sustainable growth in the North America market. The relocation is expected to take place following the completion of the construction of the new headquarters in late 2016 or early 2017.

Europe

While competition continues to intensify, Toyota has expanded its lineup of hybrid models to further strengthen its sales operations, and has entered into supply agreements with BMW and PSA for diesel engines and light commercial vehicles, respectively. As a result, Toyota launched the BMW engine-equipped Verso in early 2014 and plans to expand to other models in the future. Toyota also began sales of light commercial vehicles supplied by PSA from mid-2013. In addition, Toyota is actively promoting production and sales measures that meet local demand by strengthening its value chain including used car dealerships, after-sales services and finance and insurance services.

In 2014, while the market recovered steadily in the eurozone, the market in Eastern European countries, mainly in Russia, slowed down due to factors such as the situation in Ukrainian and decline in crude oil prices.

Sales in 2014 in Europe exceeded the previous year s figures due to increased sales in major markets resulting from the introduction of new models and increased sales of hybrid models. Going forward, Toyota will strive to maintain sales with the expansion of its product lineup while being responsive to market risks. Toyota s consolidated vehicle sales in Europe in fiscal 2015 was 859 thousand units, an increase of 1.8% from fiscal 2014.

Toyota has in the past increased European production in response to sales growth, establishing Toyota Motor Manufacturing (UK) Ltd. (TMUK) in 1992, Toyota Motor Manufacturing Turkey Inc. (TMMT) in 1994 and Toyota Motor Manufacturing France S.A.S. (TMMF) in 2001. Further, in 2005, Toyota Peugeot Citroën Automobile Czech was formed as a result of a joint venture with PSA Peugeot Citroën as vehicle supply factories to Europe. At the time of the economic crisis in Europe, Toyota promptly reduced personnel and made adjustments to its plant operations. In addition, in 2010, TMUK limited its production to one production line at its Burnaston plant. At the same time, Toyota conducted measures such as changing from a two-shift to a one-shift production operation at TMMT and change from a three-shift to a two-shift production operation at Toyota Motor Manufacturing Poland SP.zo.o. To increase the utilization rate of these factories, Toyota began to transfer the production of the Corolla from South Africa to TMMT and commenced exporting the TMMF Yaris to North America in 2013.

Toyota opened the Toyota Motor Manufacturing Russia (TMMR) plant in 2007 as a base for its manufacturing operations in the Russian market, where future growth is expected. A two-shift production operation started in September 2012 and production capacity was increased from 20,000 units to 50,000 units per year. In addition, Toyota decided in September 2013 to manufacture a second model, namely the RAV4. Moreover, OOO Toyota Motor (sales) and TMMR were merged into one company at the end of 2013 to strengthen the business base and promote coordination of manufacturing and sales operations. In addition, Toyota commenced contract assembly of SUVs by Sollers Bussan in Vladivostok in February 2013. Toyota commenced complete knock down, or CKD, production of SUVs in Kazakhstan beginning in the spring of 2014.

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

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Asia

Toyota s consolidated vehicle sales in Asia (including China) in fiscal 2015 was 1,489 thousand units, a decrease of 7.4% from fiscal 2014.

In light of the importance of the Asian market that is further expected to grow in the long term, Toyota aims to build an operational framework that is efficient and self-reliant as well as a predominant position in the automotive market in Asia. Toyota has responded to increasing competition in Asia by making strategic investments in the market and developing relationships with local suppliers. Toyota believes that its existing local presence in the market provides it with an advantage over new entrants to the market and expects to be able to promptly respond to demand for vehicles in the region.

In this region, Toyota has been further strengthening its business foundations by improving its product line-up, expanding local procurement and increasing production capacities.

As an example of enhancing the product line-up, Toyota began producing IMVs (the Hilux, Fortuner and Innova) in Thailand, Indonesia, India, the Philippines and Malaysia in 2005 and in Vietnam in 2006. Furthermore, with increased production capacity, the Thailand plant now produces IMVs for export outside of Asia, including to Australia and to the Middle East, contributing greatly to the expansion of Toyota s automotive business.

As part of Toyota s efforts to expand business, Toyota Motor Thailand Co., Ltd. commenced production of the Camry hybrid in 2009 and Prius in 2011. Toyota also started operation of its second Gateway plant in 2013, expanding production capacity by 80 thousand units in Thailand to 810 thousand units. In April 2015, Toyota implemented a full model change for IMV models manufactured at its plant in Thailand.

In India, Toyota constructed a second plant with an annual production capacity of 70 thousand units and commenced production and sales of the Etios compact model designed specifically for the Indian market in 2010. Furthermore, Toyota increased production capacity in India during 2012 and 2013 to 210 thousand units. Moreover, Toyota began exporting the gasoline-fueled model of the Etios to South Africa from India in 2012.

In Indonesia, Toyota introduced the Etios and commenced operation of a second plant in Karawang in 2013 in order to meet the diverse customer needs and the expanding market. In 2014, Toyota increased the initial production capacity of 70 thousand units per year to 120 thousand units per year with the introduction of the Vios and the Yaris, and also began exporting the Vios to the Middle East. Toyota also began construction of a passenger vehicle engine plant to commence production at the beginning of 2016. In Malaysia, Toyota began production of the Camry hybrid in March 2015. In addition, in 2012 Toyota began production and sales of the Camry hybrid in Taiwan to accommodate the spread of environmentally-friendly vehicles. Moreover, in light of the free trade agreement between the U.S. and Korea, Toyota began sales of the U.S.-produced Camry in Korea in January 2012.

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

China

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

In China, Toyota has been conducting joint ventures with two major partners. First, with respect to the joint venture with China FAW Group Corporation since Toyota first launched the Vios through the joint venture in

2002, Toyota has been producing and selling the Land Cruiser Prado, the Land Cruiser, the Corolla, the Crown, the REIZ, the Coaster, the RAV4 and the Prius in China. With regard to production capacity, in 2007, Toyota commenced production at the new Tianjin Teda plant, which has an annual production capacity of 200 thousand units, and in 2012, commenced production at a new factory in Changchun, China, which has an annual production capacity of 100 thousand units. Toyota also increased annual production capacity of the plant in Sichuan from 30 thousand units to 50 thousand units in the spring of 2015 to increase production of the Prado.

GAC Toyota Motor Co., Ltd., a joint venture between Toyota and Guangzhou Automobile Group Co., Ltd., commenced sales of the Camry in 2006, followed by production and sales of the Yaris, the Highlander, the E z and the Levin. In 2006, it commenced production at the first plant on a single shift basis with an annual production capacity of 100 thousand units and expanded its annual production capacity to 200 thousand units on a double shift basis. In addition, a second plant commenced production in 2009 and Toyota plans to complete construction of a third plant in 2017. In terms of auto parts, in 2014, Toyota opened a plant in Changshu in Jiangsu, China for the production of the CVT as the first CVT plant outside of Japan. Toyota also plans to open a plant to produce hybrid vehicle batteries in October 2015.

Total vehicle sales in the Chinese market increased 8% from 22.19 million in 2013 to 24.00 million in 2014. In this market, Toyota s sales in 2014 were 1.03 million vehicles, up 13% from the previous year. In the passenger vehicle market (17.80 million units), Toyota had a market share of 6%. In 2014, favorable conditions in the less-than-1.6 liter market continued, and the SUV market expanded as a result of customers value diversification. As for Toyota s distribution network, Toyota has been expanding the distribution network for locally produced vehicles in cooperation with Chinese joint venture partners under Tianjin FAW Toyota Motor Co., Ltd. and Guanqi Toyota Motor Co., Ltd., and for imported vehicles, Toyota has also been expanding primarily the Lexus brand sales network. Toyota plans to further increase sales by expanding the number of dealers and the product lineup for both locally produced and imported vehicles, particularly inland. In addition, as the market in China develops, Toyota plans to promote the so-called Value Chain businesses such as used cars, services, financing and insurance.

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

Toyota s consolidated vehicle sales in South and Central America, Oceania, Africa and the Middle East (collectively, the Four Regions) in fiscal 2015 remained around the same at 1,755 thousand units, a decrease of 0.8% from fiscal 2014. The core models in this region are global models such as the Corolla, IMV (the Hilux) and Camry. In order to increase production of IMVs, Toyota expanded the annual production capacity of its Argentina factory from 70 thousand units to 90 thousand units in 2011. Toyota is seeking to further increase its annual production capacity to 140 thousand units per year during 2015 and 2016. In order to expand business in Brazil, Toyota constructed a new factory in Sorocaba with an annual production capacity of 70 thousand units, and in 2012, began production and sales of the compact vehicles. Starting from 2016, Toyota plans to increase production capacity to 110 thousand units per year. Further, Toyota began local production of the Fortuner in Egypt in 2012. Moreover, in terms of auto parts, Toyota plans to commence production at a plant in Brazil for passenger vehicle engines in 2016.

Toyota decided to end production of vehicles and engines at Toyota Motor Corporation Australia Ltd. by the end of 2017.

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

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

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Production

Toyota and its affiliated companies produce automobiles and related parts and components through more than 50 overseas manufacturing companies in 28 countries and regions besides Japan. Toyota s major manufacturing facilities include plants in Japan, the United States, Canada, the United Kingdom, France, Turkey, Thailand, China, Taiwan, India, Indonesia, South Africa, Australia, Argentina and Brazil. Daihatsu brand vehicles are produced at 4 factories in Japan and 4 manufacturing companies in 3 other countries, including Indonesia and Malaysia. Hino brand vehicles are produced at 2 factories in Japan and 10 manufacturing companies in 10 countries, including Indonesia and Thailand. For a listing of Toyota s principal production facilities, see Information on the Company Property, Plants and Equipment .

In promoting a sustainable growth strategy, establishing a system capable of providing optimal supply of products in the global market is integral to Toyota s strategy.

In line with its basic policy of manufacturing where there is demand and where Toyota is truly competitive, Toyota will make efficient use of and maximize capacity utilization at its existing plants to respond to the expanding market and will continue to focus on making efficient capital investments as necessary. Furthermore, Toyota will continue to place top priority on safety and quality in strengthening true competitiveness with the aim of achieving sustainable growth.

In 2014, 76.5% of Toyota vehicles sold in overseas markets were manufactured in overseas plants by Toyota and its unconsolidated affiliated companies. In 2014, approximately 74.4% of Toyota vehicles sold in North America were produced in North America. Of the vehicles sold in Europe in 2014, approximately 73.7% were produced in Europe. In fiscal 2015, Toyota produced on a consolidated basis 4,125 thousand vehicles in Japan and 4,805 thousand vehicles overseas compared to 4,345 thousand vehicles in Japan and 4,687 thousand vehicles overseas in fiscal 2014.

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

	Year Ended March 31,				
	2011	**2012**	**2013**	**2014**	**2015**
Units Produced	7,169,721	7,435,781	8,698,454	9,032,165	8,929,887

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

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

The Toyota Production System

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

Just-in-Time , and

Jidoka .

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

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

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

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

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

In April 2015, the GPC was reorganized into TPS Promotion Center in order to promote TPS (Toyota Production System) and activities centering on improving production engineering and manufacturing methods at each manufacturing process by sharing global best standards in cooperation across different plants in order to foster highly skilled workers and improve logistics in order to comprehensively improve manufacturing abilities. Through these activities, Toyota has been making efforts to resolve issues relating to the entire supply chain.

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Toyota is working company-wide towards the production of ever-better cars. The production engineering and manufacturing divisions are developing Toyota s own innovative production systems, equipment and processing technologies and deploying them in production lines in order to produce vehicles that create excitement, joy and fun for customers through truly competitive manufacturing methods.

Distribution

Toyota s automotive sales distribution network is the largest in Japan. As of March 31, 2015, this network consisted of 280 dealers employing approximately 33 thousand sales personnel and operating approximately 4.7 thousand sales and service outlets. Toyota owns 15 of these dealers and the remainder is independent.

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

Sales of Toyota vehicles in Japan are conducted through four sales channels Toyota, Toyopet, Corolla and Netz. In addition, Toyota introduc the Lexus brand to the Japanese market in August 2005, and currently distributes the Lexus brand vehicles through a network of 166 sales outlets in order to enhance its competitiveness in the domestic luxury automobile market. The following table provides information for each channel as of March 31, 2015.

	Dealers			
Channel	**Toyota Owned**	**Independent**	**Total**	**Market Focus**
Toyota	4	45	49	Luxury channel for Toyota brand vehicles
Toyopet	4	48	52	Leading channel for the medium market
Corolla	4	70	74	Volume retail channel centering on compact models
Netz	3	102	105	Sales channel targeting customers with new values for the 21st century

Brand	**Sales Outlets**	**Market Focus**
Lexus	166	Premium brand

Outside Japan, Toyota vehicles are sold through approximately 170 distributors in approximately 190 countries and regions. Through these distributors, Toyota maintains networks of dealers. The chart below shows the number of Toyota distributors as of March 31, 2015 by country and region:

Country/Region	**Number of Countries**	**Number of Distributors**
North America	3	5
Europe	56	30
China	1	4
Asia (excluding China)	17	12
Oceania	17	15
Middle East	17	16
Africa	54	45
Central and South America	30	40

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Improving Efficiency

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

- working with suppliers as one team to dramatically increase the efficiency of development;
- creating a production structure that can better withstand fluctuations in demand and currency exchange rates; and
- strengthening sales capabilities in line with local conditions.

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

- improving product development and production efficiencies through the re-integration and improvement of vehicle platforms and power trains as well as through the development of electronic platforms which organize electronic devices of vehicles as a package and standardize electronic structure and infrastructure;
- implementing Ryohin-Renka Cost Innovation (RR-CI) activity, which aims for the elimination of waste in all processes from design to production while ensuring the reliability and safety of each part;
- applying advanced information technologies to improve efficiency throughout the product development and production processes;
- promoting global reinforcement of the supply base under an open and fair purchasing policy;
- streamlining production systems; and
- improving the efficiency of domestic and international distribution.

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

In April 2012, Toyota announced a new development framework, the TNGA, which reconciles sweeping advances in product appeal with cost reductions. The new framework sets forth an architecture that incorporates not only the three fundamental vehicle functions of moving, turning and stopping, but also ergonomics such as driving position as well as freedom of design. Toyota plans to efficiently develop cars with high basic-performance attributes by developing parts and modules based on this architecture. The TNGA provides for handling multiple models simultaneously in grouped development projects that will increase the sharing of parts and core vehicle components. This sharing, carried out in cooperation with suppliers, will result in lowered costs, thereby allowing developmental manpower and funds to be reinvested in R&D to meet consumer preferences and R&D to meet regional needs, resulting in further product improvement.

By April 2013, Toyota established systems to rapidly promote the TNGA. Toyota is promoting company-wide activities to reevaluate the way it does business from the ground up in order to continue producing high-quality, profitable and attractive cars.

Enhancing Vehicle Functionality and Realizing a Smart Mobility Society

Toyota is striving to realize a smart mobility society in which people feel at ease and excited about being in cars and in everyday life by connecting vehicles, people and communities in order to meet the needs of rapidly changing societies, including the falling birth rate and aging populations in developed nations and an increasingly diverse range of energy sources, among others. In particular, Toyota aims to contribute to an affluent lifestyle that offers peace of mind by enhancing vehicle functionality that will increase the attractiveness of vehicles and the excitement of driving, enhancing transport systems that make being in cars more comfortable and more environmentally friendly, and realizing Smart Communities that aim for optimization of local energy use and establishment of a low-carbon emission transportation system.

Enhancing Vehicle Functionality   Information Service Functions

To Toyota, enhancing vehicle functionality means advancing information service functions that integrate vehicles with telecommunication systems, and driving assistance functions that use communication technologies and sensor technologies to create vehicles with intelligent features. Information service functions can improve convenience and enrich the driving experience through information communication technologies that add new functions that are connected to the basic vehicle functions of running, turning and stopping. Examples include the following:

Toyota is advancing enhancement of car navigation systems, such as car parking maps that display detailed information inside car parks, as well as the VICS system (Vehicle Information and Communication System) that provides real-time road traffic information such as congestion, accidents, traffic restrictions and parking. Car navigation systems play an increasingly important role in providing drivers with various types of information on safety, smooth traveling, comfort and convenience.

T-Connect/G-BOOK is the latest information network service that merges the latest network technologies and car multimedia a step ahead of the arrival of the ubiquitous network society. T-Connect/G-BOOK provides various types of information useful for driving, as well as safety and security services that detect unusual conditions in the vehicle, thereby supporting a lifestyle with one s vehicles anytime and anywhere through a network. In 2005, Toyota started G-BOOK ALPHA and G-Link for Lexus, each with additional various features including traffic congestion forecast service. In 2007, Toyota launched G-BOOK mX, which in addition to the well-received conventional safety and security services of G-BOOK, introduced even more useful car navigation services such as Map-on-Demand   the world s first technology for automatically updating map data and Probe Communication Traffic Information that provides drivers with highly precise information on traffic congestion. In 2014, Toyota launched T-Connect, which in addition to conventional telematics services, provides new services and functions through the distribution of applications to on-board device, as well as destination and other information searches through the adoption of a voice recognition system.

HELPNET is an emergency dial system that, in the event of a traffic accident or medical emergency, transmits information required for emergency rescue, such as present-location data and vehicle details, either automatically or with the touch of a button. It immediately contacts police and fire departments through the HELPNET Operation Center. This system is integrated into T-Connect/G-BOOK and G-Link to improve the quality of services. HELPNET shortens the time taken to report following an emergency situation, which contributes to decreasing the number of traffic accident fatalities and reducing the level of impact, while at the same time aiming to prevent secondary disasters and ease traffic congestion.

In addition to the above, Toyota also operates a Japanese-language web portal for automobile information, GAZOO.com. The name GAZOO originates from the Japanese word *gazo*, meaning images. GAZOO was established as an Internet membership service linking Toyota, its national dealer network and GAZOO members, and has provided information on new and used Toyota vehicles and related services, as well as online shopping services. GAZOO currently provides information on not only Toyota vehicles but also other automakers, as well as offering a rich blog feature as a social networking portal site on automobiles. In addition, GAZOO features GAZOO Racing and Gazoo mura, through which Toyota aims to expand the fan base of car enthusiasts by promoting activities such as user-participatory motor sports, where customers can experience in real life the enjoyment that cars offer, to further complement its contents line-up. Toyota utilized its GAZOO technology to further expand its automobile information service by launching the G-BOOK telematics service in Japan in fall 2002 and G-Link, which is a service exclusive to Lexus, in August 2005. Toyota also offers a theft detection system, vehicle tracking service and operator support service as standard services to enhance services aiming to provide safety, security and comfort for T-Connect/G-BOOK and G-Link users in their lifestyle using vehicles. With G-BOOK mX announced in April 2007, Toyota started offering services that allow drivers to use more convenient navigation systems such as Map-on-Demand the world s first technology for automatically updating map data. In addition, Toyota has further strengthened its linkage between GAZOO and G-BOOK and has, for example, allowed map information searched on a blog on GAZOO.com to be used on G-BOOK, further maturing as a comprehensive telematics service. In Japan, Toyota is seeking to promote the use of the T-Connect/G-BOOK by equipping all Lexus models and certain Crown models with the T-Connect/G-BOOK as a standard feature. Toyota has also licensed its T-Connect/G-BOOK technology to certain other competitors in Japan. Toyota is applying the technology and experience which it has accumulated in Japan to regions outside Japan; G-BOOK services were introduced in China in March 2009, and unique telematics services in the United States were launched in August 2009. In addition, Toyota began offering telematics services for smartphones in December 2010 in Japan, and began to offer the same service in Thailand in March 2012 and the Middle East from January 2014 (UAE, Qatar and Lebanon in January 2014, Saudi Arabia in August 2014, Bahrain in October 2014 and Kuwait in January 2015).

In addition, in March 2004, Toyota launched its CRM (Customer Relationship Management) system called e-CRB (evolutionary Customer Relationship Building) in Thailand. e-CRB builds on a technology cultivated through the development of Gazoo and G-BOOK and offers its customers a variety of services such as providing information on new vehicles, accepting requests for brochures and estimates and notifying customers when it is time for maintenance by keeping track of the vehicle s maintenance history and mileage. In addition, e-CRB offers an advanced operation system that can be utilized comprehensively at dealers including new and used cars and services. Toyota is promoting e-CRB in countries such as China, Thailand, Australia, India and Brazil where steady progress has been made as the service-in ratio has increased. In 2013, Toyota introduced the next-generation e-CRB that adopts tablet terminals (portable information processing terminals) in China. These tablet terminals are supporting the improvement of customer satisfaction at points of sale and in after-sale service.

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

In September 2010, Toyota announced its smart-grid initiatives, which are intended to demonstrate efficient energy use toward the realization of a low-carbon and energy-saving society. By utilizing technology cultivated through the Internet and telematics services mentioned above, Toyota developed the Toyota Smart Center (TSC) that optimally controls electricity and links EV (electric vehicles) and PHV (plug-in hybrid vehicles) with homes, and conducted a demonstration project in Rokkasho Village in Aomori aimed at reducing overall CO2 emissions and users electricity costs. In addition, in order to develop a global platform of the TSC, Toyota announced a partnership with Microsoft Corp. in April 2011 and a partnership with Salesforce.com in May 2011. Toyota plans to utilize the cloud technology of these two companies in its Internet and telematics services to build a framework for TSC s global implementation. In January 2012, Toyota began eConnect and TOYOTA friend services for PHV. In May 2013, Toyota utilized the latest version of Microsoft s SharePoint to comprehensively redesign GAZOO, the automobile information portal site. Toyota aims to offer new services, achieve better vehicle quality and enhance product attractiveness as well as contribute further to society by utilizing the vehicle information, road conditions and other parameters collected via telematics services and stored at the TSC. With regard to contribution to society, Toyota began offering the Big Data Traffic Information Service in June 2013, through which traffic information, statistics and other related information are provided to local governments, universities and businesses to support traffic flow improvement and assist disaster prevention measures. Toyota plans to continue to work with new information technologies and the IT industry to establish a framework for TSC s global implementation and to realize a mobility society of the future.

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Enhancing Vehicle Functionality Driving Assistance Functions

Toyota s driving assistance functions offer functions that assist drivers with an aim to lessen the burden of driving, enhance safety and provide to everyone the pleasure of driving. Toyota has commercialized enhancements to various functions that assist the driver in sensing external information, avoiding danger and making appropriate maneuvers. Examples of driving assistance functions include the following:

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

Pre-collision System is a system that perceives possibilities of a crash with obstacles, cars in front or crossing pedestrians through a sensor installed in a vehicle. If a collision seems likely, it proceeds to activate warnings as well as brake assistance, which aids the driver s operation of the brake, or the automatic braking system, which aids in avoiding the collision altogether or mitigates any damage.

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

Lane Departure Alert is a system that uses a camera to detect white or yellow lane markers while driving. The system warns the driver with a buzzer and displays if it detects possible deviation in order to assist in avoiding a collision accident resulting from deviation. In addition, Lane Keeping Assist System, a system that assists the driver s operation of the steering wheel with electric power steering in order to help keep the vehicle traveling between lane markers, has also been developed.

Automatic High Beam detects the headlights of oncoming vehicles or taillights of vehicles running in front and adjusts the headlight range, automatically switching to low beam or high beam, in order to avoid dazzling the visions of the drivers with bright lights, as well as to secure the drivers forward visions at night.

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

From these driving assistance functions, in 2015 Toyota developed the Toyota Safety Sense, a collision avoidance support package that includes the Pre-collision System, the Lane Departure Alert and the Automatic High Beam. By the end of 2017, Toyota plans to install this package on nearly all models sold in Japan, the United States and Europe at an affordable price aimed at widespread adaption.

Enhancing Transport Systems

Enhancing transport systems requires taking a general approach that addresses various factors across a wide scope that are pertinent not only to vehicles but also roads, people and public transport systems in order to ensure smooth and efficient movement of people and vehicles and to build a safe transportation environment. In addition to VICS and ETC (Electronic Toll Collection System), which are already standard in Japan, the Vehicle-Infrastructure Cooperative Systems that Support Safety Driving, which combines cutting edge IT and vehicle technology, is in development and has begun to be partially implemented.

The ITS Spot Service commenced in 2009 and corresponding products are available for purchase. Mainly for use on highways, this service provides drivers with information related to road traffic and safe driving that is transmitted from road infrastructures to car navigation systems through video and voice.

In the summer of 2011, Toyota introduced products corresponding to the driving safety support system (DSSS) which the National Police Agency has started operating. Mainly for use on normal roads, this system supports safe driving, including by preventing the driver from overlooking red lights, by transmitting traffic control information (such as traffic lights and signs) and other local information from road infrastructures to automobiles.

Systems aimed at further reducing accidents, improving fuel efficiency and reducing CO_2 emissions are in development. Through direct and continuous exchange of information between vehicles and the road, other vehicles and pedestrians, these systems aim to mitigate side collisions and accidents involving pedestrians, which have been difficult to mitigate to date. This also includes systems such as C-ACC (Co-operative Adaptive Cruise Control) which supports fuel efficient driving and smooth acceleration and deceleration when following behind another vehicle.

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

Smart Communities

In April 2010, Toyota City was selected as a Model Region for Next-Generation Energy Systems by the Ministry of Economy, Trade and Industry. Toyota has since joined the Toyota City Low-Carbon Society Verification Council (established in August 2010), and carried out experiments relating to the Optimization of Local Energy Use in Households and Destinations (commercial and public facilities) and Establishment of a System for Low-Carbon Emission Transportation. In addition, starting in October 2014, Toyota launched an experimental ultra-compact electric vehicle sharing program in Grenoble, France, together with the city of Grenoble and local companies, and in Tokyo from April 2015.

In February 2013, Toyota, together with Toyota affiliated companies, established the F-Grid Ohira, Miyagi Limited Liability Partnership, a smart community business which operates the F-Grid in the Sendai Hokubu Industrial Park in the village of Ohira, Miyagi. The Partnership began supplying electricity and heat to partners in the industrial park in April 2013. This business aims to contribute to creating a safe and secure community with the community and the industrial park working as one, revitalizing local industry and revitalizing the community. Toyota believes that the elemental technologies developed through these experiments and businesses will help in the creation of new systems for society that meet differing social environments and municipal needs, not just in Japan but around the world, in both developed and emerging countries, and will play a role in the creation of energy and transportation infrastructure to help spread next-generation eco-cars.

Financial Services

Toyota s financial services include loan programs and leasing programs for customers and dealers. Toyota believes that its ability to provide financing to its customers is an important value-added service. In July 2000, Toyota established a wholly-owned subsidiary, Toyota Financial Services Corporation (TFSC), to oversee the management of Toyota s finance companies worldwide, through which Toyota aims to strengthen the overall competitiveness of its financial business, improve risk management and streamline decision-making processes. Toyota has expanded its network of financial services, in accordance with its strategy of developing auto-related financing businesses in significant markets. Accordingly, Toyota currently operates financial services companies in 35 countries and regions, which support its automotive operations globally.

Toyota s revenues from its financial services operations were ¥1,661.1 billion in fiscal 2015, ¥1,421.0 billion in fiscal 2014 and ¥1,170.6 billion in fiscal 2013. In fiscal 2014, amid a gradual recovery in markets including the United States, Europe and Japan, Toyota collaborated with dealers in various countries and regions, and the balance of loan receivables increased steadily. In fiscal 2015, with recovery in markets particularly in the United States and as a result of the continued collaboration with dealers in various countries and regions and efforts to expand products and services that meet customer needs, Toyota s share of financing provided for new car sales of Toyota and Lexus vehicles in regions where TFSC operates remained at a high level of 36% and the balance of loan receivables, mainly in the United States and Thailand, continued to increase steadily. Meanwhile, Toyota is making efforts to provide both its customers and dealers with stable financial services by diversifying its funding mechanisms with ABCP (Asset Backed Commercial Paper) and ABS (Asset Backed Securities), in addition to mid- to long-term financings, primarily in commercial paper issuances, corporate bonds and bank borrowings. Toyota continued to perform detailed credit appraisals and serve customers by monitoring bad debt and loan payment extensions, and the percentage of credit losses remained low, at 0.31% and 0.28% in fiscal years 2015 and 2014, respectively. Toyota continues to work towards improving its risk management measures in connection with credit and residual value risks.

Toyota Motor Credit Corporation is Toyota s principal financial services subsidiary in the United States. Toyota also provides financial services in 34 other countries and regions through various financial services subsidiaries, including:

- Toyota Finance Corporation in Japan;
- Toyota Credit Canada Inc. in Canada;
- Toyota Finance Australia Ltd. in Australia;
- Toyota Kreditbank GmbH in Germany;
- Toyota Financial Services (UK) PLC in the United Kingdom;
- Toyota Leasing (Thailand) Co., Ltd. in Thailand; and
- Toyota Motor Finance (China) Co., Ltd. in China.

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

In May 2011, Toyota established Toyota Financial Services India Limited, a financial services company, in India. Toyota Financial Services India Limited began its operations in June 2012 and has since expanded its business to major cities such as Bangalore, Delhi and Mumbai. In January 2013, Toyota established a new leasing company, Toyota Motor Leasing (China) Co., Ltd., in China, which began its operations in April 2013. In addition, in April 2013, Toyota established Toyota Financial Services Kazakhstan MFO LLP, a financial services company, in Kazakhstan, which began its operations in January 2014.

Net finance receivables for all of Toyota s dealer and customer financing operations were ¥15,472.3 billion as of March 31, 2015, representing an increase of approximately 12.7% as compared to the previous year. The majority of Toyota s financial services are provided in North America. As of March 31, 2015, 59.3% of Toyota s finance receivables were derived from financing operations in North America, 12.8% from Asia, 9.5% from Europe, 7.9% from Japan and 10.5% from other areas.

Approximately 50% of Toyota s unit sales in the United States during fiscal 2015 included a finance or lease arrangement with Toyota. Because the majority of Toyota s financial services operations are related to the sale of Toyota vehicles, a decrease in vehicle unit sales may lead to a contraction of Toyota s financial services operations.

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

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For information on Toyota s finance receivables and operating leases, please see Operating and Financial Review and Prospects Operating Results Financial Services Operations.

Retail Financing

Toyota s finance subsidiaries acquire new and used vehicle installment contracts primarily from Toyota dealers. Installment contracts acquired must first meet specified credit standards. Thereafter, the finance company retains responsibility for installment payment collections and administration. Toyota s finance subsidiaries acquire security interests in the vehicles financed and can generally repossess vehicles if customers fail to meet their contractual obligations. Almost all retail financings are non-recourse, which relieves the dealers from financial responsibility in the event of repossession. In most cases, Toyota s finance subsidiaries require their retail financing customers to carry automobile insurance on financed vehicles covering the interests of both the finance company and the customer.

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

Retail Leasing

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

Wholesale Financing

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

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

Insurance

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

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Other Financial Services

Toyota Finance Corporation launched its credit card business in April 2001 and began issuing Lexus credit cards in 2005 when the Lexus brand was introduced in Japan. As of March 31, 2015, Toyota Finance Corporation has 13.5 million card holders (including Lexus credit card holders).

All Other Operations

In addition to its automotive operations and financial services operations, Toyota is involved in a number of other non-automotive business activities. Net sales for these activities totaled ¥1,255.7 billion in fiscal 2015, ¥1,151.2 billion in fiscal 2014 and ¥1,066.4 billion in fiscal 2013. Sales to external customers of all other operations in fiscal 2015 represented 2.2% of Toyota s net revenues for fiscal 2015. Substantially all of Toyota s revenues from other operations were derived in Japan.

Housing

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

Information Technology

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

Governmental Regulation, Environmental and Safety Standards

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

Vehicle Emissions

Japanese Standards

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

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U.S. Federal Standards

The federal Clean Air Act directs the Environmental Protection Agency (EPA) to establish and enforce air quality standards, including emission control standards on passenger cars, light trucks and heavy-duty vehicles. The EPA decided in February 2000 to adopt more stringent vehicle emission and fuel economy standards applicable to passenger cars and light trucks produced in model years 2004 and beyond. In the standards adopted for model years 2004 and beyond, manufacturers must guarantee that their vehicles meet the requirements for ten years or 120 thousand miles, whichever occurs first. Manufacturers are not permitted to sell vehicles in the United States that do not meet the standards. In April 2007, EPA regulations that further restrict emissions from passenger cars and light trucks operating at cold temperatures became effective. The new emission standards set by these regulations were phased in between 2010 and 2013. Similar standards that further restrict emissions from heavy-duty vehicles operating at cold temperatures have been phased in from 2012 to 2015. In March 2014, the EPA finalized new vehicle emission and fuel standards for passenger vehicles and light-duty trucks for model years 2017 and onwards. Under the new standards, emission standards for volatile organic compounds and nitrogen oxides are to be strengthened in phases from 2017 to 2025, bringing the emission standards in line with emission standards in California, resulting in the unification of the differing California and federal emission standards. In addition, the particulate matter standards and fuel vapor emission standards will also be strengthened to be brought in line with California s emission standards. This is expected to lead to reductions in the burden on development, such as a reduction in the number of tests required for certification and standardization of emission reduction systems.

Furthermore, in April 2007 the U.S. Supreme Court ruled that the EPA has the authority to regulate automobile emissions of greenhouse gases. In response to this ruling, on April 1, 2010 the EPA and the federal National Highway Traffic Safety Administration (NHTSA) issued a joint final rule to reduce the emission of greenhouse gases from passenger cars, light-duty trucks and medium-duty passenger vehicles for model years 2012 through 2016. These vehicles are required to meet an estimated combined average emissions level of 250 grams of carbon dioxide per mile, equivalent to 35.5 miles per gallon if the requirements were met through fuel economy standards. The NHTSA also set Corporate Average Fuel Economy (CAFE) standards for passenger cars and light trucks that will require manufacturers of those vehicles to meet an estimated combined average fuel economy level of 34.1 miles per gallon in model year 2016. In addition, on August 28, 2012, the EPA and the NHTSA jointly issued the final rule to further reduce greenhouse gas emissions and improve fuel economy for passenger vehicles, light-duty trucks and medium-duty passenger vehicles for model years 2017 through 2025. In the final rule, these vehicles are required to meet an estimated combined average emission level of 163 grams of carbon dioxide per mile in model year 2025, equivalent to 54.5 miles per gallon if these requirements were met through improvements in fuel economy standards. The NHTSA also issued CAFE standards for passenger vehicles and light trucks that would require manufacturers to meet an estimated combined average fuel economy level of 49.6 miles per gallon in model year 2025. According to the final rule, these standards are to be reevaluated by 2018.

In addition, in August 2014, the EPA proposed to limit, due to related greenhouse gas emissions, the use of various hydroflourocarbons (HFCs) and HFC-containing refrigerant blends used in motor vehicle air conditioning systems for new vehicles, among other applications. Toyota purchases air conditioning systems from third parties for use in its vehicles. The proposed rule would list HFC-134a, the most dominant refrigerant used in light-duty vehicles worldwide, as unacceptable for use in motor vehicle air conditioning systems in new light-duty vehicles beginning in model year 2021. The proposed rule also lists additional refrigerant blends as unacceptable for use in new light-duty vehicles beginning in model year 2017. Feasible alternatives to these refrigerants that the proposed rule, if finalized, would prohibit may be costly or present other risks, such as flammability or other safety concerns. The potential impacts of this proposed rule to Toyota are unclear at this time.

As discussed above, the EPA has been granted the authority to set fuel standards in connection with the regulation of automobile emissions. In October 2010, the EPA approved the sale and use of fuel with a 15% ethanol blend (E15) for model years 2007 and later passenger vehicles and light-duty trucks. The use of E15 is not permitted for engines used in lawnmowers, small generators, motorbikes, boats and other vehicles and equipment. Subsequently, in February 2011, the EPA approved the use of E15 for model years 2001 and later vehicles. The Alliance of Automobile Manufacturers (The Alliance), of which Toyota Motor North America is a member, has stated that current vehicles are only guaranteed to function on fuel up to 10% ethanol and the EPA s permission is invalid. The Alliance created the Engine Products Group together with the Global Automakers, the National Marine Manufacturers Association and the Outdoor Power Equipment Institute, and in December 2010 the Engine Products Group brought suit against the EPA. The lawsuit was dismissed in January 2013 on the grounds that the Engine Products Group lacked standing and in March 2013, the Engine Products Group appealed the decision to the Supreme Court of the United States. The appeal was dismissed on the same grounds in July 2013, and the EPA approval became effective. The use of E15 is only permitted for certain 2001 model year or newer vehicles, such as light-duty passenger vehicles and small trucks, and E15 is prohibited for use in other 2000 model year or older vehicles and general purpose engines. As a result, the EPA promulgated regulations in July 2011, effective August 2011, requiring businesses that sell E15 to put a warning label regarding E15 on gasoline fuel dispensers. The Engine Products Group brought suit against the EPA in federal appeals court in 2013 challenging such regulations, but the lawsuit was dismissed in October 2014 on the ground that the Engine Products Group lacked standing.

California Standards

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

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

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

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

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

Other States Standards

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

Canadian Standards

Canada has established vehicle emission standards equivalent to the federal standards in the United States, including the heightened requirements that became applicable to passenger cars and light trucks in model years 2004 and beyond. In addition, in response to the strengthening of the federal greenhouse gas emission standards in the United States applicable to model years 2017 to 2025, Canada finalized equivalent standards in October 2014. Furthermore, certain Canadian provinces are currently considering enacting their own regulations on vehicle emissions of greenhouse gases. Canada has also proposed more stringent fuel legislation, which is based on fuel legislation in the United States, that reduces refineries annual average sulfur concentration of gasoline to 10 ppm from 2017 with a new addition of credit system to secure compliance.

European Standards

The European Union adopted a directive that establishes increasingly stringent emission standards for passenger vehicles and light commercial vehicles in October 1998. Under this directive, the standards adopted beginning with year 2000 require manufacturers to recall any vehicles which fail to meet the standards for five years or 80 thousand kilometers, whichever occurs first. Toyota introduced vehicles complying with this directive in 1999. Under standards adopted in 2005, manufacturers are obligated to meet the more stringent standards for five years or total vehicle miles of 100 thousand kilometers, whichever occurs first. In 2007, the European Parliament adopted more stringent emission standards for passenger vehicles and light commercial vehicles. The effective dates for phasing in these stricter standards for passenger cars were September 2009 for Euro 5 and September 2014 for Euro 6. For light commercial vehicles, the effective dates are September 2010 for Euro 5 and September 2015 for Euro 6. Euro 5 provides for lower emission levels for gasoline and diesel powered vehicles and also extends the manufacturers responsibility for emission performance to total vehicle miles of 160 thousand kilometers. The primary focus of Euro 6 is to limit further emissions of diesel powered vehicles and bring them down to a level equivalent to gasoline powered vehicles. In addition, Euro 6 will be implemented in two stages, and beginning with the second stage (September 2017 for passenger vehicles and September 2018 for commercial vehicles), the EU is considering implementing the Real Driving Emission (RDE) regulations, which regulate emissions under real driving conditions, and the Worldwide harmonized Light vehicles Test Procedure (WLTP).

Chinese Standards

Emissions regulations are being implemented throughout China pursuant to the Chinese National Standards (GB) of the Ministry of Environmental Protection of the People s Republic of China, and the manufacture and sale of models not meeting these regulations are prohibited.

For passenger vehicles, pursuant to GB18352.3-2005, Level 3 Emissions Regulations (corresponding to Euro 3 standards) apply to new models after July 2007 and Level 4 Emissions Regulations (corresponding to Euro 4 standards) apply to new models after July 2010. New models after July 2008 are also required to be

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equipped with on-board diagnostics. With respect to passenger vehicles, pursuant to GB18352.5-2013, Level 5 Emissions Regulations (corresponding to Euro 5 standards) are to be implemented throughout China for all models that are sold and registered after January 2018.

For diesel-powered commercial vehicles, pursuant to GB17691-2005, new Level 3 Emissions Regulations apply to models after January 2007. Although Level 4 Emissions Regulations were to apply to new models after January 2010, and Level 5 Emissions Regulations were to apply to new models after January 2012, because the infrastructure to supply sufficient diesel fuel meeting the Level 4 quality standards had yet to be put in place, the implementation of the Level 4 Emissions Regulations for all models was postponed to July 2013. In connection with such delay, the implementation of the Level 5 Emissions Regulations has been postponed. For gasoline-powered commercial vehicles, pursuant to GB14762-2008, Level 3 Emissions Regulations apply to new models after July 2009 and Level 4 Emissions Regulations apply to new models after July 2012. After the first day the regulation is implemented to a new model, all new models released during the following one-year period also become subject to the regulation. In addition, in some areas such as Beijing, Shanghai, Guangzhou and the Pearl River Delta region, the above mentioned regulations were implemented several years earlier by regional environmental preservation authorities with the authorization of the Chinese State Council. Cities with serious air pollution are increasingly exhibiting tendencies to similarly implement Level 5 Emissions Regulations in advance of the rest of China.

China will also start implementing stricter diesel and gasoline fuel standards a year earlier than scheduled to reduce vehicle emissions, pursuant to GB19147-2013 and GB17930-2013. The new Level 5 standards (equivalent to Euro 5 standards) will be implemented in 11 provinces in eastern China in January 2016, and are now planned to be implemented nationwide in January 2017, as opposed to the previously announced January 2018 implementation date.

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

Standards of Other Countries

Countries other than Japan, the United States, Europe and China are also proactively introducing emissions regulations. Countries in Eastern Europe and Asia, as well as Australia, Mexico, Taiwan and Hong Kong, have considered or implemented emissions regulations.

Vehicle Fuel Economy

Japanese Standards

The Law Concerning the Rational Use of Energy requires automobile manufacturers to improve their vehicles to meet specified fuel economy standards. Fuel economy standards are established according to the types of vehicles specified below, and are required to be met by either fiscal 2011 (April 2010-March 2011), fiscal 2016 (April 2015-March 2016), fiscal 2021 (April 2020-March 2021) or fiscal 2023 (April 2022-March 2023).

Among qualifying passenger vehicles are:

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

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

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

Among qualifying cargo vehicles are:

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

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

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

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

U.S. Standards

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

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

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

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

European Standards

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

In December 2008, the European Parliament approved a new regulation that establishes an average emission standard of 130 grams of carbon dioxide per kilometer by 2012 for passenger vehicles sold in member states, made effective in June 2009. The regulation has been phased in gradually, initially requiring 65% of new cars to comply with the new standards in 2012 and increasing to 100% of new cars in 2015. As a result of the new regulations, different targets will apply to each manufacturer, based on their respective fleets of vehicles and weight. Penalties will apply to those manufacturers who fail to meet their targets from 2012, in amounts corresponding to the degree of shortfall. Manufacturers failing to meet their targets between 2012 and 2018 will incur penalties of between 5 and 95 per each gram of carbon dioxide per kilometer shortfall for each non-compliant vehicle, and such penalties will rise to 95 in 2019 and beyond. Furthermore, in June 2011, a new carbon dioxide emission standard applicable to light commercial vehicles entered into force establishing an average emissions target of 175 grams of carbon dioxide per kilometer. This regulation has the same basic regulatory framework as passenger vehicles, raising the compliance rate from 70% in 2014 to 100% in 2017.

Furthermore, in February 2014, the European Parliament and Council adopted a regulation to reduce the average carbon dioxide emissions target for light commercial vehicles to 147 grams per kilometer beginning in 2020. In March 2014, the European Parliament and Council adopted a regulation to reduce the average carbon dioxide emissions target for passenger vehicles to 95 grams per kilometer beginning in 2021. The relevant legislation requests the European Commission to conduct a review by 2015 and, if appropriate, propose new targets for the period beyond 2020, including possibly setting a 2025 target.

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

Chinese Standards

Fuel consumption regulations are being implemented pursuant to the Chinese National Standards (GB), and the manufacture and sale of vehicle models not meeting these regulations are prohibited. For passenger vehicles, pursuant to GB19578-2004, Level 1 Fuel Consumption Regulations apply to new models after July 2005 and Level 2 Fuel Consumption Regulations apply to new models after January 2008. For small commercial vehicles, pursuant to GB20997-2007, Level 2 Fuel Consumption Regulations apply to new models after February 2008, Level 1 Fuel Consumption Regulations apply to all vehicles as of January 2009 and Level 2 Fuel Consumption Regulations apply to all models as of January 2011. These regulations determine the

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consumption standards that apply depending on the mass of the applicable vehicle and set forth a method for determining whether each model has met the regulation. With respect to passenger vehicles, GB27999-2011 has been issued to further strengthen fuel consumption regulations from 2012 and beyond. In these Level 3 Fuel Consumption Regulations for passenger vehicles, the regulation framework was substantially revised, such as a change from regulations requiring each model to meet consumption standards to regulations requiring automobile manufacturers to meet standards of average consumption across models. Furthermore, in order to achieve the national target for average fuel efficiency for 2020, the following more stringent fuel consumption regulations have been enacted for passenger cars. First, GB19578-2014, which has been enacted to strengthen regulations for each model, will be applied to new models after January 2016. Second, GB27999-2014, which has been enacted to strengthen corporate average regulations, will apply the Level 4 Fuel Consumption Regulations from 2016.

Standards of Other Countries

As momentum gathers to increase energy security and prevent global warming, other countries in addition to Japan, the United States, Europe and China are moving to introduce fuel consumption regulations, and Korea, Mexico, Brazil, Taiwan, India, Saudi Arabia and Canada have already decided to introduce fuel consumption regulations. Vietnam and some other countries are also actively considering the introduction of new fuel consumption regulations using the regulations of Japan, Europe and the United States as a base, and may implement them by approximately 2017. Toyota predicts that this trend will spread to other countries, and in the future many nations will consider new regulations related to fuel consumption and carbon dioxide.

Vehicle Safety

Japanese Standards

In Japan, efforts have been made since 1998 to bring Japanese standards in line with the regulations of the United Nations Economic Commission for Europe (UN).

With respect to standards that were previously brought in line with the UN regulations, the Japanese standards regarding Lane Departure Warning systems (LDWS) will additionally require that buses and medium or heavy trucks be equipped with such systems. LDWS will apply gradually to new models beginning in November 2017 and to existing models still in production beginning in November 2019.

With respect to standards that were newly brought in line with the UN regulations, standards for interior fittings (internal projections) will apply to new models beginning in January 2018 and to existing models still in production beginning in January 2020. Standards for glass windows will apply to new models beginning in July 2017 and to existing models still in production beginning in July 2019. Standards for temporary-use spare units and tire pressure monitoring systems will apply to vehicles to be manufactured on or after February 2018. Standards for steering systems will apply gradually to new models beginning in July 2016 and to existing models still in production beginning in July 2018.

With respect to standards that are scheduled to be newly brought in line with the UN regulations, standards for fire prevention will apply to new models beginning in September 2018. Standards for protection of passengers from pole side impact will apply to new models beginning in June 2020. Standards for illumination of rear registration plates will apply to vehicles to be manufactured on or after June 2020. Standards for filament light bulbs will apply to vehicles to be manufactured on or after June 2020. Standards for gas-discharge light sources will apply to vehicles to be manufactured on or after June 2020. Standards for LED will apply to vehicles to be manufactured on or after June 2020.

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

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U.S. Standards

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

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

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

In February 2008, legislation to prevent non-traffic related injuries to young children caused by vehicles, the Cameron Gulbransen Kids Transportation Safety Act, was passed. Pursuant to this legislation, the NHTSA finalized standards requiring vehicles to be equipped with rearview camera systems in order to ensure rearward visibility to prevent children from being struck by backing vehicles and mandating the use of brake shift interlock systems.

In January 2011, legislation to improve the safety of the visually impaired and other pedestrians, the Pedestrian Safety Enhancement Act of 2010, was passed. The legislation requires the NHTSA to draft and finalize standards for warning sounds of electric and hybrid vehicles. The NHTSA formally proposed minimum sound standards in January 2013, and the standards are currently in the regulatory review process.

In response to the unintended acceleration issue in 2010, the NHTSA has started to examine and implement measures to strengthen safety standards, such as mandating brake override systems, mandating Event Data Recorders, or EDR, and standardizing push-start switches.

In August 2014, the NHTSA initiated rulemaking that would propose to create a new safety standard to require new passenger and light truck vehicles to have dedicated short-range communication (DSRC) units that enable Vehicle-to-Vehicle (V2V) communication.

In January 2015, the NHTSA proposed to amend safety standards regarding child restraint anchorage systems to improve the ease of use, and in March 2015, the NHTSA proposed to amend a safety standard regarding seat belt assembly anchorages to specify an alternative test procedure.

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European Standards

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

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

In 2009, based on the CARS 21 final report released in February 2007, the European Commission enacted a new regulation and established a simplified framework, repealing more than 50 existing European Commission directives regarding vehicle safety other than pedestrian protection, and replacing them with a single regulation aimed at incorporating the UN regulations. The new regulation also requires the adoption of advanced safety systems. The EU Regulation directly incorporating the UN Regulations commenced in 2012 and requires advanced safety systems, including requiring new type vehicles to have electronic stability control systems from 2011, to introduce regulations relating to low rolling resistance tires in 2013, to require tire pressure monitoring systems starting in 2012 and to require heavy vehicles to have advanced emergency braking systems and lane departure warning systems from 2013. All of the technical requirements for these advanced safety systems were discussed in the United Nations (the technical requirements for advanced emergency braking in medium-duty passenger vehicles are under consideration by the United Nations). Further, application of UN regulation came into force from November 2012 for new vehicle types and from 2014 for all new vehicles sold in the EU market. The new mandatory measures include electric car safety requirements and gear shift indicators.

In October 2010, CARS 21 was resumed in order to proceed with the realization of the 2020 Strategy (CARS 2020) by the European Commission that aims for high-level, sustainable and comprehensive growth, and the CARS 21 final report was issued in June 2012. The final report addresses issues facing the widespread adoption of electric vehicles, including charging infrastructure in the EU, establishing battery requirements, adopting seat belt reminder devices for all seats, connection of alcohol interlock devices to vehicles, adopting speed management devices, establishing safety requirements for micro urban mobility, strengthening safety regulation to protect the vulnerable from collisions and the possibility of regulation in connection with preventative safety technology. In November 2012, CARS 2020: Action Plan for a competitive and sustainable automotive industry in Europe was issued based on the final report. The action plan is built on four core concepts, and within these concepts it discusses enhancement of road safety, improving the market conditions within the EU and the implementation of smart regulations. Each item is given a target date and is to be monitored going forward. A stakeholder hearing on the implementation of the CARS 2020 action plan took place in February 2014 in Brussels in preparation for the Commission s final report, which the Commission published in October 2014. The report indicates the direction for future short and medium term actions.

On the widespread adoption of emergency call systems (eCall), the European Commission concluded that a legislative approach is effective as a result of the impact assessment by the Commission in 2011. Accordingly, eCall is expected to become mandatory from the end of March 2018 for light-duty passenger vehicles and light-duty commercial vehicles using the framework of Whole Vehicle Type Approval. Amended rules relating to WVTA are scheduled to take effect. Regulations setting forth the technical standards of eCall have been proposed, with further revisions possible. Rulemaking regarding eCall has also been proposed by the United Nations, and is also currently being considered. In addition, in the event the installation of eCall becomes mandatory in the EU, it will be necessary at the same time to build infrastructure such as communication bases in the different member states of the EU, and rulemaking regarding eCall is expected to also cover the creation of such infrastructure.

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The possibility of regulation in connection with ITS and other advanced driver assist systems for 2020 and beyond is also under consideration. In addition, the adoption of Advanced Emergency Breaking systems and lane departure warning systems on light vehicles, Advanced Emergency Breaking systems which detect pedestrians, and the adoption of blind spot monitors, reverse system which detect pedestrians, reverse cameras, Evert Data Recorders on trucks and alcohol interlock devices are also expected to be considered. In March 2015, the European Commission published a final report on the benefit and feasibility of a range of new safety technologies.

From April 2009, the applicable scope for Whole Vehicle Type Approval (WVTA) was extended to cover all vehicle categories. Furthermore, an amendment was issued in 2011 which clarifies the categories (especially those for passenger and light-duty commercial vehicles). Through this amendment, the criteria for light-duty commercial vehicles was clarified, and there is a possibility that vehicles currently classified as light-duty commercial vehicles become classified as passenger vehicles. In addition, revisions to EU regulations related to vehicle mass and dimensions were issued in 2012. These revisions clarified the mass, criteria and definitions which comprise the base specifications for vehicles. In 2015, WVTA is scheduled to be amended for further enhancement and improvement together with the revision of overall requirements based on a comprehensive review of the requirements for vehicle structures, including the strengthening of the market surveillance requirements and general product safety requirements, as well as revisions to the vehicle type definitions.

United Nations Regulations

The 1958 Agreement (Agreement Concerning the Adoption of Uniform Technical Prescriptions for Wheeled Vehicles, Equipment and Parts which can be Fitted and/or be Used on Wheeled Vehicles and the Conditions for Reciprocal Recognition of Approvals Granted on the Basis of These Prescriptions) was originally based on the European regulations, but the UN Regulations are developing as an established international law, and Japan, Thailand, Malaysia and Egypt as well as other countries outside the EU have become members after the amendment in 1995, and many other countries are expected to join in the future. The countries bound by the 1958 Agreement have incorporated the UN Regulations into their own domestic policies (The EU and Japan have directly included the UN Regulations into their domestic legislations). While automotive parts and vehicle systems are regulated by the UN regulations, there are currently no regulations with respect to International Whole Vehicle Type Approval (IWVTA) such as those in Europe. Japan proposed legislation establishing WVTA under the United Nations in 2016, and the matter is being deliberated by the United Nations. If IWVTA is established, integration of global approval administrative regulations of each country and simplification of vehicle construction regulations are expected but IWVTA, if finalized, would only be partially applicable at the time of its establishment in 2016 and deliberation toward the full application would continue after establishment.

An amendment to the 1958 Agreement is being considered with an aim towards implementation in March 2016. Such amendment will increase the flexibility of the regulations, enabling approvals to be granted for the old series of regulations according to the needs of the signatory countries to the 1958 Agreement. The percentage of required votes for voting in connection with proposed UN regulations will also be considered, and if the percentage of required votes is increased from the current two-thirds, the 1958 Agreement is expected to become fairer. Such amendment is expected to make the 1958 Agreement more attractive to countries that are not currently party to the 1958 Agreement, and aims to increase the number of signatory countries.

The 1998 Agreement (Agreement Concerning the Establishing of Global Technical Regulations for Wheeled Vehicles, Equipment and Parts which can be Fitted and/or be Used on Wheeled Vehicles) is a U.S.-led agreement that aims to harmonize technical regulations, and defines each regulation as a Global Technical Regulation (GTR). At present, there are 16 GTRs in total. Currently, numerous provisions are under discussion in order to include more regulations. The countries bound by the 1998 agreement are required to incorporate the GTRs into their domestic laws. The parties to the 1998 agreement include the United States, Canada, China and India, which are not parties to the 1958 agreement, so GTRs will also influence those countries.

Chinese Standards

Vehicle safety regulations in China were drafted with reference to the UN regulations and cover almost the same matters as the UN regulations. However, these regulations also include unique provisions which take into account the distinctive characteristics of the Chinese market environment and the rules differ from the latest UN regulations. As for future safety regulations, standards related to airbag technologies and standards related to batteries, motors and the charging of electric vehicles are currently being planned.

Standards of Other Countries

Vehicle safety regulations in Canada are basically similar to those in the United States. In regions outside of North America, adoption and conformity with the UN regulations is widespread, including in those countries without automotive manufacturing industries. The list of signatories to the 1958 agreement of the United Nations continues to grow, and now includes Korea, Thailand and Malaysia in Asia, as well as Russia, South Africa, Egypt and Morocco. In addition, ASEAN, pursuant to its economic community mission, has decided to adopt the UN regulations as its regional agreement. Latin America, India and countries in the Middle East that are not signatories to the 1958 agreement of the United Nations are also moving forward to conform their respective regulations to the UN regulations or to adopt new regulations consistent with the UN regulations.

Environmental Matters

Japanese Standards

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

The Soil Contamination Countermeasures Law of Japan requires that land owners conduct contamination testing and submit a report at the time they cease to use hazardous substances, such as in connection with the sale of a former factory, or if there is a possibility of health hazards due to land contamination. If it is found that land contamination exceeds a certain level, the relevant prefectural authority designates the area considered to be contaminated and orders the land owner to take necessary measures. Toyota is suitably managing its land in accordance with the same law. In addition, under the Law on Recycling of End-of-Life Vehicles, vehicle manufacturers are required to take back and recycle specified materials (automotive shredder residues, air bags and fluorocarbons) of end-of-life vehicles and the provisions concerning such obligations of vehicle manufacturers became effective in January 2005. Toyota has coordinated with relevant parties to establish a vehicle take-back and recycle system throughout Japan. As a result, in fiscal 2015, Toyota achieved a recycling/recovery rate of 97% for automobile shredder residue (the legal requirement being 50%) and 94% for air bags (the legal requirement being 85%) and reached the targets set forth in this law.

U.S. Standards

Toyota s assembly, manufacturing and other operations in the United States are subject to a wide range of environmental regulation under the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Pollution Prevention Act and the Toxic Substances Control Act. Toyota is also subject to a variety of state legislation that parallels, and in some cases imposes more stringent obligations than, federal

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requirements. These federal and state regulations impose severe restrictions on air- and water-borne discharges of pollution from Toyota facilities, the handling of hazardous materials at Toyota facilities and the disposal of wastes from Toyota operations. Toyota is subject to many similar requirements in its operations in Europe, Canada and other countries.

Pursuant to the Clean Air Act, the EPA has promulgated National Ambient Air Quality Standards (NAAQS) for six criteria pollutants, including for ozone and particulate matter. The Clean Air Act requires that the EPA review and possibly revise these NAAQS every five years. On December 14, 2012, the EPA made the annual health-based particulate matter NAAQS more stringent, and the EPA is scheduled to complete its review and possible revision of the ozone NAAQS in 2015. The revised annual health-based particulate matter NAAQS, as well as any future NAAQS revisions, could lead to additional pollution control requirements on the industry, including on Toyota s manufacturing operations.

Toyota expects growing pressure in the next several years to further reduce emissions from motor vehicles and manufacturing facilities.

European Standards

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

- automotive manufacturers shall bear all or a significant part of the costs for taking back end-of-life vehicles sold after July 1, 2002 and dismantling and recycling those vehicles. Beginning January 1, 2007, this requirement became applicable to vehicles sold before July 1, 2002 as well;
- automotive manufacturers may not use certain hazardous materials in vehicles sold after July 1, 2003;
- certified vehicle models sold after December 15, 2008 shall be re-usable and/or recyclable to a minimum of 85% by weight per vehicle and shall be re-usable and/or re-use as material or energy to a minimum of 95% by weight per vehicle; and
- end-of-life vehicles must meet actual re-use and/or recycling of 80% and re-use and/or recovery of 85%, respectively, of vehicle weight by 2006, rising respectively to 85% and 95% by 2015.

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

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

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

- emission standards that include a framework permitting member states to introduce fiscal incentives to promote early compliance; and
- reform of rules governing automotive distribution and service. The block exemption on distribution has been amended so that dealers may engage in cross-border sales actively within the EU and open additional facilities for sales and services. Additionally, dealers may no longer be required by manufacturers to operate both sales and service facilities side by side.

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In December 2011, the European Commission proposed to reduce noise produced by cars, vans, buses, coaches and light and heavy trucks. As proposed, noise limit values would ultimately be lowered by four A-weighted decibels for vehicles other than trucks, and three A-weighted decibels for trucks. Compliance would be achieved in three steps over a 10 to 12 year period. In May 2014, a regulation adopting the proposal was published in final form in the EU Official Journal.

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

Toyota believes that environmental regulatory requirements have not had a material adverse effect on its operations. However, compliance with environmental regulations and standards has increased costs and is expected to lead to higher costs in the future. Therefore, Toyota recognizes that effective environmental cost management will become increasingly important. Moreover, innovation and leadership in the area of environmental protection are becoming increasingly important to remain competitive in the market. As a result, Toyota has proceeded with the development and production of environmentally friendly technologies, such as hybrid vehicles, fuel cell vehicles and high fuel efficiency, low emission engines.

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

Disclosure of Iranian Activities under Section 13(r) of the Securities Exchange Act of 1934

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added Section 13(r) to the Securities Exchange Act of 1934, as amended. Section 13(r) requires an issuer to disclose in its annual or quarterly reports, as applicable, whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with designated natural persons or entities involved in terrorism or the proliferation of weapons of mass destruction. Pursuant to Section 13(r), Toyota is disclosing the following information.

During the fiscal year ended March 31, 2015:

- Toyota Tourist International, Inc., a majority-owned subsidiary of Toyota, obtained three visas from the Iranian embassy in Japan in connection with certain travel arrangements.

- Tokyo Toyota Motor Co., Ltd., a wholly-owned indirect subsidiary of Toyota, performed maintenance services for Toyota vehicles owned by the Iranian embassy in Japan.

Altogether, the above activities contributed an insignificant amount in gross revenues and net profit to Toyota. Toyota believes that none of the above transactions subject it or its affiliates to U.S. sanctions. Toyota Tourist International intends to cease conducting the activities described above. Tokyo Toyota Motor may, if requested by the Iranian embassy in Japan, continue to perform maintenance services relating to vehicles owned by such embassy, in accordance with applicable laws and regulations, in order to honor Toyota s commitment to the safety and reliability of its vehicles.

Research and Development

The overriding goals of Toyota s technology and product development activities are to minimize the negative aspects of cars, such as traffic accidents and impact on the environment, and maximize the positive aspects, such as driving pleasure, comfort and convenience. By achieving these sometimes conflicting goals to a

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high degree, Toyota seeks to open the door to the automobile society of the future. To ensure efficient progress in research and development activities, Toyota coordinates and integrates all research and development phases, from basic research and advanced research to forward-looking technology and product development. With respect to long-term basic research in areas such as energy, the environment, information technology, telecommunications and materials, projects are regularly reviewed and evaluated in consultation with outside experts to achieve research and development cost control. With respect to forward-looking, leading-edge technology and product development, Toyota establishes cost-performance benchmarks on a project-by-project basis to ensure efficient development investment.

The chart below provides an overview of Toyota s R&D at each phase.

Phase	Description
Basic research	**Phase to discover development theme** Research on basic vehicle-related technology
Forward-looking and leading-edge technology development	**Phase requiring technological breakthroughs such as components and systems** Development of leading-edge components and systems that are more advanced than those of competitors
Product development	**Phase mainly for development of new models** Development of all-new models and existing-model upgrades

Toyota is promoting research and development into the early commercialization of next generation environmentally-friendly, energy-efficient and safe-vehicle technology and is making efforts to produce vehicles that are friendly to people and the environment by focusing on the following areas:

- further improvements in hybrid technologies, including in functions and cost, and contributions to the environment through advancements;
- improvement in gasoline engine fuel economy technology as well as improvement in technology in connection with more stringent emission standards;
- promoting improvements in functions and fuel economy of clean diesel engines;
- development of electric vehicles, fuel cell vehicles and other alternative fuel vehicles; and
- development of technology designed to promote driving and vehicle safety.

For a detailed discussion of the company s research and development infrastructure, see Operating and Financial Review and Prospects Research and Development, Patents and Licenses .

Components and Parts, Raw Materials and Sources of Supply

Toyota purchases parts, components, raw materials, equipment and other supplies from multiple competing suppliers located around the world. Toyota works closely with its suppliers to pursue the most optimal purchasing possible. Toyota believes that this policy encourages technological innovation, cost reduction and other measures to strengthen its vehicle competitiveness. No single supplier accounted for more than 5% of Toyota s consolidated purchases of raw materials and parts during fiscal 2015, except for Denso Corporation, an affiliated company of Toyota, which supplied approximately 10% of Toyota s purchases during fiscal 2015. Toyota plans to continue purchases based on the same principle and does not anticipate any difficulty in obtaining stable supplies in the foreseeable future.

Because Toyota had more than 50 overseas operations in 28 countries and regions as of December 31, 2014, procurement of parts and components is being carried out not only locally in the country of the production site but also from third countries, and the distribution network has become increasingly more complex. In order to realize timely and efficient distribution at the same time as keeping total costs at a minimum, Toyota is promoting efforts to optimize each stage of the supply-chain. To this end, Toyota has developed a standardized system of global distribution and is supporting the operation of the system at each production base. The use of the global distribution system aims at implementing parts procurement that meets changes in vehicle production in a timely manner. These varying efforts, combined together, have led to maximized customer satisfaction, as well as to building a good working relationship with Toyota s suppliers.

Toyota aims to share information and collaborate among the procurement divisions in each of the regions throughout the world in order to procure parts and materials from the most competitive suppliers among Toyota factories located in various areas worldwide. At the same time, Toyota carries out streamlining efforts undertaken together with suppliers in each country in order to achieve sustainable growth. In particular, Toyota has been working on a cost reduction measure referred to as RR-CI activities. RR-CI activities aim to improve competitive power through thorough localization, sharing parts and components and manufacturing reforms together with producing products matching customers needs in each region and vehicle category. Toyota is advancing RR-CI activities in conjunction with the TNGA. Urgent VA (value analysis) Activities began in fiscal 2008 and developed into All-Toyota VA Activities at the beginning of fiscal 2010 as part of Toyota s ongoing unified cost reduction effort with suppliers for the various types of vehicles already on sale. In addition, Toyota has been working on the TNGA to achieve sweeping advances in basic performance and product appeal of parts and units as well as seeking cost reductions by sharing more parts and implementing manufacturing reforms.

In fiscal 2015, market prices of raw materials such as steel generally remained at the same level or slightly decreased in comparison to the prior fiscal year due in part to the depreciation of the yen despite downward pressure due to decreased demand in China. The direction of prices is still unforeseeable. Toyota is continually promoting cost reduction efforts, such as reducing the amount of raw materials it uses.

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

Intellectual Property

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

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Capital Expenditures and Divestitures

Set forth below is a chart of Toyota s principal capital expenditures between April 1, 2012 and March 31, 2015, the approximate total costs of such activity, as well as the location and method of financing of such activity, presented on a by subsidiary basis and as reported in Toyota s annual Japanese securities report filed with the director of the Kanto Local Finance Bureau.

Description of Activity	Total Cost (Yen in billions)	Location	Primary Method of Financing
Japan			
Investment primarily in technology and products by Toyota Motor Corporation	692.9	Japan	Internal funds, financing from issuance of bonds, etc.
Investment primarily in technology and products by Hino Motors, Ltd.	93.4	Japan	Internal funds
Investment primarily in technology and products by Daihatsu Motor Co., Ltd.	88.7	Japan	Internal funds
Investment primarily in technology and products by Toyota Auto Body Co., Ltd.	70.3	Japan	Internal funds
Investment primarily in technology and products by Primeearth EV Energy Co., Ltd.	56.9	Japan	Borrowings
Outside of Japan			
Investment primarily to promote localization by Toyota Motor Thailand Co., Ltd.	133.8	Thailand	Internal funds
Investment primarily to promote localization by Toyota Motor Manufacturing Canada Inc.	113.8	Canada	Internal funds
Investment primarily to promote localization by P.T. Toyota Motor Manufacturing Indonesia	94.5	Indonesia	Internal funds
Investment primarily to promote localization by Toyota Motor Manufacturing, Kentucky, Inc.	93.8	United States	Internal funds
Investment primarily to promote localization by Toyota Argentina S.A.	67.4	Argentina	Internal funds
Investment primarily to promote localization by Toyota do Brasil Ltda.	66.5	Brazil	Internal funds
Investment primarily to promote localization by Toyota Motor Europe NV/SA	65.1	Belgium	Internal funds
Investment primarily to promote localization by Toyota Motor Manufacturing, Indiana, Inc.	63.6	United States	Internal funds
Investment primarily to promote localization by Siam Toyota Manufacturing Co., Ltd.	54.8	Thailand	Internal funds
Investment primarily in leased automobiles by Toyota Motor Credit Corporation	4,415.7	United States	Internal funds,

financing from issuance of bonds, etc.

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Set forth below is information with respect to Toyota s material plans to construct, expand or improve its facilities between April 2015 and March 2016, presented on a by subsidiary basis and as reported in Toyota s annual Japanese securities report filed with the director of the Kanto Local Finance Bureau.

Description of Activity	Total Cost (Yen in billions)	Location	Primary Method of Financing
Japan			
Investment primarily in manufacturing facilities by Toyota Motor Corporation	300.0	Japan	Internal funds
Investment primarily in manufacturing facilities by Hino Motors, Ltd.	59.0	Japan	Internal funds and borrowings
Outside of Japan			
Investment primarily in manufacturing facilities by Toyota Motor Thailand Co., Ltd.	61.6	Thailand	Internal funds
Investment primarily in manufacturing facilities by Toyota Motor Manufacturing, Kentucky, Inc.	52.5	United States	Internal funds
Investment primarily in manufacturing facilities by P.T. Toyota Motor Manufacturing Indonesia	51.9	Indonesia	Internal funds and borrowings
Investment primarily in manufacturing facilities by Toyota Motor Manufacturing Canada Inc.	42.9	Canada	Internal funds

Set forth below is additional information with respect to Toyota s material plans to construct, expand or improve its facilities.

Toyota plans to increase production capacity at its Argentina factory from 90 thousand units to 140 thousand units annually during 2015 and 2016, and at its Sorocaba Plant in Brazil from 70 thousand units to 110 thousand units annually in 2016. Toyota also plans to build a new plant in Mexico in 2019, and to complete construction of a third plant in Guangzhou in China in 2017.

To enhance production capacity of auto parts, Toyota plans to construct a plant for hybrid vehicle battery production in China in October 2015 and a plant for passenger vehicle engine production in Indonesia and Brazil in 2016.

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

Seasonality

Toyota does not consider its seasonality material in the sense of significantly higher sales during any certain period of the year as compared to other periods of the year.

Legal Proceedings

From time-to-time, Toyota issues vehicle recalls and takes other safety measures including safety campaigns relating to its vehicles. In 2009 and 2010, Toyota issued safety campaigns related to the risk of floor mat

entrapment of accelerator pedals and vehicle recalls related to slow-to-return or sticky accelerator pedals. Following some of these recalls and other safety measures, a large number of putative class actions and individual lawsuits were brought against Toyota, alleging that certain Toyota, Lexus and Scion vehicles contained defects that led to unintended acceleration. The class actions and individual lawsuits related to economic loss were resolved by a settlement which was approved by the United States District Court for the Central District of California in July 2013, and the settlement of those claims is final.

There were also several government investigations related to unintended acceleration. The last of these to be resolved was the investigation initiated by the U.S. Attorney for the Southern District of New York in February 2010. In March 2014, Toyota announced that it entered into a deferred prosecution agreement (DPA) with the U.S. Attorney s Office to resolve its investigation. The DPA provided for a $1.2 billion payment to the U.S. government, and Toyota recorded a $1.2 billion charge against earnings in fiscal 2014. Pursuant to the DPA, an independent monitor was appointed to review and assess policies and procedures relating to Toyota s safety communications process, its process for sharing vehicle accident information internally and its process for preparing and sharing certain technical reports.

In 2010, there was a recall related to the software program that controls the antilock braking system in certain models including the Prius, which led to putative class action lawsuits on behalf of owners of recalled vehicles and owners of vehicles which were not recalled. These cases were consolidated into two actions, one in the United States District Court for the Central District of California and one in the Los Angeles County Superior Court. In January 2013, the United States District Court for the Central District of California denied the plaintiff s motion for class certification and granted summary judgment in Toyota s favor resolving the claims related to the recalled vehicles, and in July 2013, the United States District Court for the Central District of California denied the plaintiff s motion for class certification and granted summary judgment in Toyota s favor regarding the claims related to the non-recalled vehicles. Proceedings involving the recalled vehicles in both courts have concluded. The ruling of the United States District Court for the Central District of California related to the non-recalled vehicles has been appealed.

Product liability personal injury claims related to the floor mat entrapment of accelerator pedals and slow-to-return or sticky accelerator pedal cases are pending in several consolidated cases in federal and state courts, as well as in individual cases in various other states. The judges in the consolidated federal action and the consolidated California state action have approved an Intensive Settlement Process (ISP) for such claims in those actions. Under the ISP, all individual claims within the consolidated actions are stayed pending completion of a process to assess whether they can be resolved on terms acceptable to the parties. Cases not resolved after completion of the ISP will then proceed to discovery and toward trial. Toyota has offered the ISP process to plaintiffs in other consolidated actions and in individual cases, as well.

Toyota has been named as a defendant in 27 economic loss class action lawsuits, which have been consolidated for pretrial purposes in the United States District Court for the Southern District of Florida, arising out of allegations that Takata airbags installed in Toyota vehicles are defective. These lawsuits are at a very early stage.

Toyota also has various other legal actions, other governmental proceedings and other claims pending against it, including other product liability claims in the United States.

Beyond the amounts accrued with respect to all aforementioned matters, Toyota is unable to estimate a range of reasonably possible loss, if any, for the pending legal matters because (i) many of the proceedings are in evidence gathering stages, (ii) significant factual issues need to be resolved, (iii) the legal theory or nature of the claims is unclear, (iv) the outcome of future motions or appeals is unknown and/or (v) the outcomes of other matters of these types vary widely and do not appear sufficiently similar to offer meaningful guidance. Based upon information currently available to Toyota, however, Toyota believes that its losses from these matters, if any, beyond the amounts accrued, would not have a material adverse effect on Toyota s financial position, results of operations or its cash flows.

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4.C ORGANIZATIONAL STRUCTURE

As of March 31, 2015, Toyota Motor Corporation had 261 Japanese subsidiaries and 280 overseas subsidiaries. The following table sets forth for each of Toyota Motor Corporation s principal subsidiaries, the country of incorporation and the percentage ownership interest and the voting interest held by Toyota Motor Corporation.

Name of Subsidiary	Country of Incorporation	Percentage Ownership Interest	Percentage Voting Interest
Toyota Financial Services Corporation	Japan	100.00	100.00
Hino Motors, Ltd.	Japan	50.21	50.36
Toyota Motor Kyushu, Inc.	Japan	100.00	100.00
Daihatsu Motor Co., Ltd.	Japan	51.33	51.50
Toyota Finance Corporation	Japan	100.00	100.00
Toyota Auto Body Co., Ltd.	Japan	100.00	100.00
Toyota Motor East Japan, Inc.	Japan	100.00	100.00
Toyota Motor Engineering & Manufacturing North America, Inc.	United States	100.00	100.00
Toyota Motor Manufacturing, Kentucky, Inc.	United States	100.00	100.00
Toyota Motor North America, Inc.	United States	100.00	100.00
Toyota Motor Credit Corporation	United States	100.00	100.00
Toyota Motor Manufacturing, Indiana, Inc.	United States	100.00	100.00
Toyota Motor Manufacturing, Texas, Inc.	United States	100.00	100.00
Toyota Motor Sales, U.S.A., Inc.	United States	100.00	100.00
Toyota Motor Manufacturing, Mississippi, Inc.	United states	100.00	100.00
Toyota Motor Manufacturing Canada Inc.	Canada	100.00	100.00
Toyota Credit Canada Inc.	Canada	100.00	100.00
Toyota Canada Inc.	Canada	51.00	51.00
Toyota Motor Europe NV/SA	Belgium	100.00	100.00
Toyota Motor Manufacturing France S.A.S.	France	100.00	100.00
Toyota Kreditbank GmbH	Germany	100.00	100.00
Toyota Motor Finance (Netherlands) B.V.	Netherlands	100.00	100.00
Toyota Motor Manufacturing (UK) Ltd.	United Kingdom	100.00	100.00
Toyota Financial Services (UK) PLC	United Kingdom	100.00	100.00
Toyota (GB) PLC	United Kingdom	100.00	100.00
OOO TOYOTA MOTOR	Russia	100.00	100.00
Toyota Motor (China) Investment Co., Ltd.	China	100.00	100.00
Toyota Motor Finance (China) Co., Ltd.	China	100.00	100.00
P.T. Toyota Motor Manufacturing Indonesia	Indonesia	95.00	95.00
Toyota Motor Asia Pacific Pte Ltd.	Singapore	100.00	100.00
Kuozui Motors, Ltd.	Taiwan	70.00	70.00
Toyota Leasing (Thailand) Co., Ltd.	Thailand	86.84	86.84
Toyota Motor Thailand Co., Ltd.	Thailand	86.43	86.43
Toyota Motor Asia Pacific Engineering and Manufacturing Co., Ltd.	Thailand	100.00	100.00
Toyota Motor Corporation Australia Ltd.	Australia	100.00	100.00
Toyota Finance Australia Ltd.	Australia	100.00	100.00
Toyota Argentina S.A.	Argentina	100.00	100.00
Toyota do Brasil Ltda.	Brazil	100.00	100.00
Toyota South Africa Motors (Pty) Ltd.	South Africa	100.00	100.00

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4.D PROPERTY, PLANTS AND EQUIPMENT

As of March 31, 2015, Toyota and its affiliated companies produced automobiles and related components through more than 50 overseas manufacturing organizations in 28 countries and regions besides Japan. The facilities are located principally in Japan, the United States, Canada, the United Kingdom, France, Turkey, Thailand, China, Taiwan, India, Indonesia, South Africa, Australia, Argentina and Brazil.

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

The following table sets forth information, as of March 31, 2015, with respect to Toyota s principal facilities and organizations, all of which are owned by Toyota Motor Corporation or its subsidiaries. However, small portions, all under approximately 20%, of some facilities are on leased premises.

Facility or Subsidiary Name	Location	Land Area (thousand square meters)	Number of Employees	Principal Products or Functions
Japan (Toyota Motor Corporation)				
Tahara Plant	Tahara City, Aichi Pref.	4,029	7,075	Automobiles
Higashi-Fuji Technical Center	Susono City, Shizuoka Pref.	2,041	3,026	Research and Development
Toyota Head Office and Technical Center	Toyota City, Aichi Pref.	1,930	23,023	Research and Development
Motomachi Plant	Toyota City, Aichi Pref.	1,594	7,249	Automobiles
Takaoka Plant	Toyota City, Aichi Pref.	1,312	3,551	Automobiles
Tsutsumi Plant	Toyota City, Aichi Pref.	937	4,615	Automobiles
Kamigo Plant	Toyota City, Aichi Pref.	868	2,955	Automobile parts
Kinu-ura Plant	Hekinan City, Aichi Pref.	836	3,042	Automobile parts
Honsha Plant	Toyota City, Aichi Pref.	551	1,804	Automobile parts
Nagoya Office	Nagoya City, Aichi Pref.	3	2,210	Office
Japan (Subsidiaries)				
Daihatsu Motor Co., Ltd.	Ikeda City, Osaka, etc.	8,409	11,446	Automobiles
Hino Motors, Ltd.	Hino City, Tokyo, etc.	6,009	11,844	Automobiles
Toyota Auto Body Co., Ltd.	Kariya City, Aichi Pref., etc.	2,254	11,338	Automobiles
Toyota Motor East Japan, Inc.	Kurokawa-gun, Miyagi Pref., etc.	2,613	7,170	Automobiles
Toyota Motor Kyushu, Inc.	Miyawaka City, Fukuoka Pref., etc.	1,940	7,411	Automobiles
Outside Japan (Subsidiaries)				
Toyota Motor Manufacturing Canada, Inc.	Ontario, Canada	4,756	6,683	Automobiles
Toyota Motor Thailand Co., Ltd.	Samutprakan, Thailand	4,414	9,933	Automobiles
Toyota Motor Sales, U.S.A., Inc.	California, U.S.A.	3,755	6,413	Sales facilities
Toyota Motor Manufacturing, Indiana, Inc.	Indiana, U.S.A.	4,348	4,745	Automobiles
Toyota Motor Manufacturing, Kentucky, Inc.	Kentucky, U.S.A.	5,161	7,442	Automobiles

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

As of March 31, 2015, property, plant and equipment having a net book value of approximately ¥192.3 billion was pledged as collateral securing indebtedness incurred by Toyota Motor Corporation s consolidated subsidiaries. Toyota believes that there does not exist any material environmental issues that may affect the company s utilization of its assets.

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

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

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

5.A OPERATING RESULTS

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 90% of Toyota s total revenues before the elimination of intersegment revenues for fiscal 2015. Toyota s primary markets based on vehicle unit sales for fiscal 2015 were: Japan (24%), North America (30%), Europe (10%) and Asia (17%).

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 2015, although automotive markets have progressed in a steady manner, especially in the U.S., markets in some emerging countries have become stagnant and the Japanese market slowed down due to the consumption tax increase. Efforts toward building a low-carbon society through eco-cars and improvements in safety increased worldwide.

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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,		
	2013	**2014**	**2015**
Japan	2,279	2,365	2,154
North America	2,469	2,529	2,715
Europe	799	844	859
Asia	1,684	1,609	1,489
Other*	1,640	1,769	1,755
Overseas total	6,592	6,751	6,818
Total	8,871	9,116	8,972

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

During fiscal 2014, Toyota s consolidated vehicle unit sales in Japan increased as compared with prior fiscal year, primarily as a result of the active introduction of new products and the efforts of dealers nationwide. For fiscal 2014, Toyota and Lexus brands market share excluding mini-vehicles was 46.7% and market share (including Daihatsu and Hino brands) including mini-vehicles was 42.2%. During fiscal 2015, Toyota s consolidated vehicle unit sales in Japan decreased as compared with the prior fiscal year under the market downturn in Japan. However, with the efforts of dealers nationwide, for fiscal 2015, Toyota and Lexus brands market share excluding mini-vehicles was 46.0%, and market share (including Daihatsu and Hino brands) including mini-vehicles was 41.8%, each remaining at a high level as was in the prior fiscal year. Overseas consolidated vehicle unit sales increased during fiscal 2014 and 2015. During fiscal 2014, total overseas vehicle unit sales increased as a whole, due to increased sales in North America, Europe and other regions. During fiscal 2015, total overseas vehicle unit sales increased as a whole, due to increased sales in North America and Europe.

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

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

- vehicle unit sales volumes,
- the mix of vehicle models and options sold,
- the level of parts and service sales,
- the levels of price discounts and other sales incentives and marketing costs,
- the cost of customer warranty claims and other customer satisfaction actions,

the cost of research and development and other fixed costs,

the prices of raw materials,

the ability to control costs,

the efficient use of production capacity,

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

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- 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 on end-of-life vehicles. See Information on the Company Business Overview Governmental Regulation, Environmental and Safety Standards for a more detailed discussion of these laws, regulations and policies.

Many governments also impose local content requirements, 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. From time-to-time when potential safety problems arise, Toyota issues vehicle recalls and takes other safety measures including safety campaigns relating to its vehicles. In 2009 and 2010, Toyota issued safety campaigns related to the risk of floor mat entrapment of accelerator pedals and vehicle recalls related to slow-to-return or sticky accelerator pedals. In 2010, Toyota announced a recall related to the software program that controls the antilock braking system in certain models including the Prius. The recalls and other safety measures described above have led to a number of claims and lawsuits against Toyota. For a more detailed description of these claims and lawsuits, see Information on the Company Business Overview Legal Proceedings and 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 in the worldwide automobile financial services industry is intensifying. As competition increases, margins on financing transactions may decrease and market share may also decline as customers obtain financing for Toyota vehicles from alternative sources.

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

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

Toyota s total finance receivables increased during fiscal 2015 mainly due to the favorable impact of fluctuations in foreign currency translation rates and an increase in retail receivables. Also, vehicles and equipment on operating leases, net increased during fiscal 2015 mainly due to the favorable impact of fluctuations in foreign currency translation rates and an increase in vehicles on operating leases in financial services subsidiaries in North America.

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

	Yen in millions March 31, 2014	2015
Finance Receivables		
Retail	10,523,364	12,015,844
Finance leases	1,071,179	1,158,361
Wholesale and other dealer loans	2,875,650	3,124,079
	14,470,193	16,298,284
Deferred origination costs	161,956	179,905
Unearned income	(754,539)	(837,124)
Allowance for credit losses		
Retail	(89,439)	(109,316)
Finance leases	(30,585)	(29,303)
Wholesale and other dealer loans	(26,358)	(30,053)
	(146,382)	(168,672)
Total finance receivables, net	13,731,228	15,472,393
Less Current portion	(5,628,934)	(6,269,862)
Noncurrent finance receivables, net	8,102,294	9,202,531
Operating Leases		
Vehicles	3,674,969	5,169,524
Equipment	129,029	163,195
Less Deferred income and other	(94,438)	(132,733)
	3,709,560	5,199,986
Less Accumulated depreciation	(808,764)	(1,080,936)
Less Allowance for credit losses	(7,220)	(9,366)
Vehicles and equipment on operating leases, net	2,893,576	4,109,684

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 10 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 notes 20 and 26 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 2014 and 2015, mainly as a result of lower interest rates.

Toyota launched its credit card business in Japan in April 2001. As of March 31, 2014, Toyota had 12.7 million cardholders, an increase of 0.9 million cardholders compared with March 31, 2013. As of March 31, 2015, Toyota had 13.5 million cardholders, an increase of 0.8 million cardholders compared with March 31, 2014. Credit card receivables as of March 31, 2014 increased by ¥42.8 billion from March 31, 2013 to ¥380.9 billion. Credit card receivables as of March 31, 2015 was nearly equal to as of March 31, 2014 to ¥380.9 billion.

Other Business Operations

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

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

Currency Fluctuations

Toyota is affected by fluctuations in foreign currency exchange rates. Toyota is exposed to fluctuations in the value of the Japanese yen against the U.S. dollar and the euro and, to a lesser extent, the Australian dollar, the Russian ruble, 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 2013 and 2014, Toyota produced 76.3% and 76.5%, respectively, of its non-domestic sales outside Japan. In North America, 73.7% and 74.4% of vehicles sold in calendar 2013 and 2014, respectively, were produced locally. In Europe, 69.4% and 73.7% of vehicles sold in calendar 2013 and 2014, 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 26 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 2014 and 2015, the Japanese yen was on average and at the end of the fiscal year weaker against the U.S. dollar in comparison to fiscal 2013 and 2014, respectively. In fiscal 2014 and 2015, the Japanese yen was on average weaker against the euro in comparison to fiscal 2013 and 2014, respectively. The Japanese yen was at the end of fiscal 2014 weaker against the euro in comparison to fiscal 2013, but was at the end of fiscal 2015 stronger against the euro in comparison to fiscal 2014. See further discussion in Quantitative and Qualitative Disclosures about Market Risk Market Risk Disclosures Foreign Currency Exchange Rate Risk .

During fiscal 2014 and 2015, the average exchange rate of the Japanese yen against the U.S. dollar and the euro compared to the prior fiscal year fluctuated as described above. The operating results excluding the impact of currency fluctuations described in Results of Operations Fiscal 2015 Compared with Fiscal 2014 and Results of Operations Fiscal 2014 Compared with Fiscal 2013 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 2014 and 2015, 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 organized by function, with a manager having oversight responsibility for each function within the segment. Management assesses financial and non-financial data such as vehicle unit sales, production volume, market share information, vehicle model plans and plant location costs to allocate resources within the automotive operations.

Geographic Breakdown

The following table sets forth Toyota s net revenues in each geographic market based on the country of 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,		
	2013	**2014**	**2015**
Japan	7,910,456	8,532,875	8,338,881
North America	6,167,821	7,938,615	9,430,450
Europe	2,003,113	2,614,070	2,690,803
Asia	4,058,629	4,475,382	4,531,178
Other*	1,924,173	2,130,969	2,243,209

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

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Results of Operations Fiscal 2015 Compared with Fiscal 2014

	Yen in millions			
	Year ended March 31,		2015 v. 2014 Change	
	2014	2015	Amount	Percentage
Net revenues:				
Japan	14,297,470	14,403,867	106,397	0.7%
North America	8,117,099	9,677,596	1,560,497	19.2
Europe	2,724,959	2,848,294	123,335	4.5
Asia	4,877,672	4,981,240	103,568	2.1
Other*	2,336,641	2,449,238	112,597	4.8
Intersegment elimination/unallocated amount	(6,661,930)	(7,125,714)	(463,784)	
Total	25,691,911	27,234,521	1,542,610	6.0
Operating income:				
Japan	1,510,165	1,571,476	61,311	4.1
North America	326,052	584,519	258,467	79.3
Europe	58,228	81,118	22,890	39.3
Asia	395,737	421,782	26,045	6.6
Other*	42,568	111,509	68,941	162.0
Intersegment elimination/unallocated amount	(40,638)	(19,840)	20,798	
Total	2,292,112	2,750,564	458,452	20.0
Operating margin	8.9%	10.1%	1.2%	
Income before income taxes and equity in earnings of affiliated companies	2,441,080	2,892,828	451,748	18.5
Net margin from income before income taxes and equity in earnings of affiliated companies	9.5%	10.6%	1.1%	
Equity in earnings of affiliated companies	318,376	308,545	(9,831)	(3.1)
Net income attributable to Toyota Motor Corporation	1,823,119	2,173,338	350,219	19.2
Net margin attributable to Toyota Motor Corporation	7.1%	8.0%	0.9%	

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

Net Revenues

Toyota had net revenues for fiscal 2015 of ¥27,234.5 billion, an increase of ¥1,542.6 billion, or 6.0%, compared with the prior fiscal year. This increase mainly reflected the favorable impact of fluctuations in foreign currency translation rates of ¥962.2 billion and changes in vehicle unit sales and sales mix of ¥360.0 billion. Excluding the impact of changes in the Japanese yen values used for translation purposes of ¥962.2 billion, net revenues would have been ¥26,272.2 billion during fiscal 2015, a 2.3% increase compared with the prior fiscal year. The North America automotive market in calendar year 2014 increased by 5.8% compared with the prior calendar year due to the market in the U.S progressing in a steady manner. However the Japanese automotive market in fiscal 2015 decreased by 8.9% compared with the prior fiscal year due to the market downturn resulting from the consumption tax increase. Under these automotive market conditions, Toyota s consolidated vehicle unit sales decreased by 1.6% compared with the prior fiscal year to 8,972 thousand vehicles.

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

	Yen in millions			
	Year ended March 31,		2015 v. 2014 Change	
	2014	2015	Amount	Percentage
Vehicles	20,353,340	21,557,684	1,204,344	5.9%
Parts and components for overseas production	431,760	402,864	(28,896)	(6.7)
Parts and components for after service	1,843,478	1,921,764	78,286	4.2
Other	1,105,277	1,123,912	18,635	1.7
Total Automotive	23,733,855	25,006,224	1,272,369	5.4
All Other	578,789	606,612	27,823	4.8
Total sales of products	24,312,644	25,612,836	1,300,192	5.3
Financial services	1,379,267	1,621,685	242,418	17.6
Total	25,691,911	27,234,521	1,542,610	6.0%

Toyota s net revenues include net revenues from sales of products, consisting of net revenues from automotive operations and all other operations, which increased by 5.3% during fiscal 2015 compared with the prior fiscal year to ¥25,612.8 billion, and net revenues from financial services operations which increased by 17.6% during fiscal 2015 compared with the prior fiscal year to ¥1,621.6 billion. Excluding the impact of changes in the Japanese yen values used for translation purposes of ¥864.5 billion, net revenues from sales of products would have been ¥24,748.2 billion during fiscal 2015, a 1.8% increase compared with the prior fiscal year. The increase in net revenues from sales of products is mainly due to changes in vehicle unit sales and sales mix. Excluding the impact of changes in the Japanese yen values used for translation purposes of ¥97.7 billion, net revenues from financial services operations would have been ¥1,523.9 billion during fiscal 2015, a 10.5% increase compared with the prior fiscal year.

The following table shows the number of financing contracts by geographic region at the end of fiscal 2015 and 2014, respectively.

	Number of financing contracts in thousands			
	Year ended March 31,		2015 v. 2014 Change	
	2014	2015	Amount	Percentage
Japan	1,813	1,873	60	3.3%
North America	4,791	5,046	255	5.3
Europe	879	910	31	3.6
Asia	1,167	1,382	215	18.4
Other*	688	741	53	7.7
Total	9,338	9,952	614	6.6%

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

Geographically, net revenues (before the elimination of intersegment revenues) for fiscal 2015 increased by 0.7% in Japan, 19.2% in North America, 4.5% in Europe, 2.1% in Asia, and 4.8% in Other compared with the prior fiscal year. Excluding the impact of changes in the Japanese yen values used for translation purposes of ¥962.2 billion, net revenues in fiscal 2015 would have increased by 0.7% in Japan, 9.5% in North America, 4.4% in Europe and 7.2% in Other compared with the prior fiscal year, and would have decreased by 3.7% in Asia 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,		2015 v. 2014 Change	
	2014	2015	Amount	Percentage
Toyota s consolidated vehicle unit sales*	4,220	3,938	(282)	(6.7)%

* including number of exported vehicle unit sales

	Yen in millions			
	Year ended March 31,		2015 v. 2014 Change	
	2014	2015	Amount	Percentage
Net revenues:				
Sales of products	14,179,710	14,283,195	103,485	0.7%
Financial services	117,760	120,672	2,912	2.5
Total	14,297,470	14,403,867	106,397	0.7%

Net revenues in Japan increased due primarily to the effect of changes in exchange rates related to export transactions, despite Toyota s domestic and exported vehicle unit sales decreasing by 282 thousand vehicles compared with the prior fiscal year. For fiscal 2014 and 2015, exported vehicle unit sales were 1,854 thousand units and 1,784 thousand units, respectively.

North America

	Thousands of units			
	Year ended March 31,		2015 v. 2014 Change	
	2014	2015	Amount	Percentage
Toyota s consolidated vehicle unit sales	2,529	2,715	186	7.3%

	Yen in millions			
	Year ended March 31,		2015 v. 2014 Change	
	2014	2015	Amount	Percentage
Net revenues:				
Sales of products	7,234,376	8,601,879	1,367,503	18.9%
Financial services	882,723	1,075,717	192,994	21.9
Total	8,117,099	9,677,596	1,560,497	19.2%

Net revenues in North America increased due primarily to the favorable effect of fluctuations of currency translation rates to the Japanese yen, and the 186 thousand vehicles increase in vehicle unit sales compared with the prior fiscal year. The vehicle unit sales increased due mainly to the market progressing in a steady manner and strong sales of the Corolla, RAV4 and other car models.

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Europe

	Thousands of units			
	Year ended March 31,		2015 v. 2014 Change	
	2014	2015	Amount	Percentage
Toyota s consolidated vehicle unit sales	844	859	15	1.8%

	Yen in millions			
	Year ended March 31,		2015 v. 2014 Change	
	2014	2015	Amount	Percentage
Net revenues:				
Sales of products	2,630,408	2,750,164	119,756	4.6%
Financial services	94,551	98,130	3,579	3.8
Total	2,724,959	2,848,294	123,335	4.5%

Net revenues in Europe increased due primarily to the 15 thousand vehicles increase in vehicle unit sales compared with the prior fiscal year. The vehicle unit sales increased due mainly to the strong sales in Western Europe, especially in Italy and the United Kingdom.

Asia

	Thousands of units			
	Year ended March 31,		2015 v. 2014 Change	
	2014	2015	Amount	Percentage
Toyota s consolidated vehicle unit sales	1,609	1,489	(120)	(7.4)%

	Yen in millions			
	Year ended March 31,		2015 v. 2014 Change	
	2014	2015	Amount	Percentage
Net revenues:				
Sales of products	4,755,114	4,833,952	78,838	1.7%
Financial services	122,558	147,288	24,730	20.2
Total	4,877,672	4,981,240	103,568	2.1%

Net revenues in Asia increased due primarily to the favorable impact of fluctuations in foreign currency translation rates despite the vehicle unit sales decreasing by 120 thousand compared with the prior fiscal year. The decrease in vehicle unit sales was due mainly to decreased sales in Thailand and Indonesia, which in turn was attributable mainly to the shrinking of the market and competitive market conditions.

Other

	Thousands of units			
	Year ended March 31,		2015 v. 2014 Change	
	2014	2015	Amount	Percentage
Toyota s consolidated vehicle unit sales	1,769	1,755	(14)	(0.8)%

	Yen in millions			
	Year ended March 31,		2015 v. 2014 Change	
	2014	2015	Amount	Percentage
Net revenues:				

Sales of products	2,162,505	2,255,122	92,617	4.3%
Financial services	174,136	194,115	19,979	11.5
Total	2,336,641	2,449,238	112,597	4.8%

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Net revenues in Other increased due primarily to the changes in vehicle sales mix despite vehicle unit sales decreasing by 14 thousand vehicles compared with the prior fiscal year.

Operating Costs and Expenses

	Yen in millions			
	Year ended March 31,		2015 v. 2014 Change	
	2014	2015	Amount	Percentage
Operating costs and expenses				
Cost of products sold	19,988,245	20,916,362	928,117	4.6%
Cost of financing operations	812,894	925,314	112,420	13.8
Selling, general and administrative	2,598,660	2,642,281	43,621	1.7
Total	23,399,799	24,483,957	1,084,158	4.6%

	Yen in millions 2015 v. 2014 Change
Changes in operating costs and expenses:	
Effect of changes in vehicle unit sales and sales mix	470,000
Effect of fluctuation in foreign currency translation rates	895,500
Effect of cost reduction efforts	(280,000)
Other	(1,342)
Total	1,084,158

Operating costs and expenses increased by ¥1,084.1 billion, or 4.6%, to ¥24,483.9 billion during fiscal 2015 compared with the prior fiscal year. This increase resulted mainly from the ¥895.5 billion unfavorable impact of fluctuations in foreign currency translation rates and the ¥470.0 billion impact of changes in vehicle unit sales and sales mix, partially offset by the ¥280.0 billion impact of cost reduction efforts and the ¥1.3 billion decrease in other.

The decrease in other was due mainly to the ¥125.0 billion payment to the U.S government based on the agreement with the U.S. Attorney s Office for the Southern District of New York to resolve its investigation and the ¥83.0 billion costs related to ending the vehicle and engine production in Australia, both being recorded in the prior fiscal year, partially offset by the ¥140.0 billion increase in product quality related expenses and the ¥100.0 billion increase in research and development expenses as compared to the prior fiscal year. See note 23 to the consolidated financial statements for further discussion on the payment to the U.S government based on the agreement with the U.S. Attorney s Office for the Southern District of New York to resolve its investigation, and see note 27 to the consolidated financial statements for further discussion on the costs related to ending the vehicle and engine production in Australia.

The increase in product quality related expenses was due mainly to the increase in provisions for recalls and other safety measures resulting from increase in actual payments during fiscal 2015 and the weakening of the Japanese yen against other currencies at the end of fiscal 2015 in comparison to the prior fiscal year. See note 13 to the consolidated financial statements for further discussion.

During fiscal 2015 and beyond, Toyota announced recalls and other safety measures including the following:

In April 2014, Toyota announced in Japan and other regions the voluntary safety recall on certain Toyota vehicles in relation to the electrical wiring (spiral cable) assembled in the steering column. In April 2014, Toyota announced in Japan and other regions the voluntary safety recall on certain Toyota vehicles in relation to the slide and lock mechanism of the driver s seat, the windshield wiper motor and the steering column mounting

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bracket beneath the instrument panel. In June, October, November and December 2014 and in May and June 2015, Toyota announced in Japan and other regions the voluntary safety recall on certain Toyota and Lexus vehicles in relation to the driver/front passenger airbag inflator.

The increase in research and development expenses was due mainly to active investments in advanced technology development to support Toyota s future growth.

Cost Reduction Efforts

During fiscal 2015, continued cost reduction efforts together with suppliers contributed to a reduction of operating costs and expenses by ¥280.0 billion. This was due to ¥220.0 billion in cost reduction efforts concerning design related costs due mainly to ongoing value engineering activities, and ¥60.0 billion in cost reduction efforts at plants and logistics department.

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. The amount of the 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.

Cost of Products Sold

Cost of products sold increased by ¥928.1 billion, or 4.6%, to ¥20,916.3 billion during fiscal 2015 compared with the prior fiscal year. The increase resulted mainly from the ¥691.0 billion unfavorable impact of fluctuations in foreign currency translation rates, the ¥420.0 billion impact of changes in vehicle unit sales and sales mix, and the ¥140.0 billion increase in product quality related expenses, partially offset by the ¥280.0 billion impact of cost reduction efforts and the ¥80.0 billion costs related to ending the vehicle and engine production in Australia recorded in the prior fiscal year.

Cost of Financing Operations

Cost of financing operations increased by ¥112.4 billion, or 13.8%, to ¥925.3 billion during fiscal 2015 compared with the prior fiscal year. The increase resulted mainly from the ¥90.7 billion unfavorable impact of fluctuations in foreign currency translation rates.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by ¥43.6 billion, or 1.7%, to ¥2,642.2 billion during fiscal 2015 compared with the prior fiscal year. This increase mainly reflected the ¥113.6 billion unfavorable impact of fluctuations in foreign currency translation rates, partially offset by the ¥125.0 billion payment to the U.S government based on the agreement with the U.S. Attorney s Office for the Southern District of New York to resolve its investigation recorded in the prior fiscal year.

Operating Income

	Yen in millions 2015 v. 2014 Change
Changes in operating income and loss:	
Effect of changes in exchange rates	280,000
Effect of cost reduction efforts	280,000
Effect of marketing activities	(70,000)
Effect of increase of miscellaneous costs and others	(160,000)
Other	128,452
Total	458,452

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Toyota s operating income increased by ¥458.4 billion, or 20.0%, to ¥2,750.5 billion during fiscal 2015 compared with the prior fiscal year. This increase was due mainly to the ¥280.0 billion favorable impact of changes in foreign currency exchange rates, and ¥280.0 billion impact of cost reduction efforts, partially offset by the ¥70.0 billion impact of marketing activities, and ¥160.0 billion increase in miscellaneous costs and others. The increase in miscellaneous costs and others was due mainly to the ¥140.0 billion increase in product quality related expenses, the ¥100.0 billion increase in research and development expenses, and ¥80.0 billion increase in labor costs, partially offset by the ¥125.0 billion payment to the U.S government based on the agreement with the U.S. Attorney s Office for the Southern District of New York to resolve its investigation and the ¥83.0 billion costs related to ending the vehicle and engine production in Australia, both being recorded in the prior fiscal year.

Marketing efforts and marketing activities include changes in vehicle unit sales and sales mix, sales expenses and other.

During fiscal 2015, operating income (before elimination of intersegment profits), compared with the prior fiscal year increased by ¥61.3 billion, or 4.1%, in Japan, ¥258.4 billion, or 79.3%, in North America, ¥22.8 billion, or 39.3%, in Europe, ¥26.0 billion, or 6.6%, in Asia, and ¥68.9 billion, or 162.0%, in Other.

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

Japan

	Yen in millions 2015 v. 2014 Change
Changes in operating income and loss:	
Effect of changes in exchange rates	360,000
Effect of cost reduction efforts	195,000
Effect of marketing activities	(270,000)
Effect of increase of miscellaneous costs and others	(225,000)
Other	1,311
Total	61,311

North America

	Yen in millions 2015 v. 2014 Change
Changes in operating income and loss:	
Effect of changes in exchange rates	(40,000)
Effect of cost reduction efforts	70,000
Effect of marketing efforts	105,000
Other	123,467
Total	258,467

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Europe

	Yen in millions 2015 v. 2014 Change
Changes in operating income and loss:	
Effect of changes in exchange rates	(10,000)
Effect of cost reduction efforts	20,000
Effect of marketing efforts	10,000
Other	2,890
Total	22,890

Asia

	Yen in millions 2015 v. 2014 Change
Changes in operating income and loss:	
Effect of changes in exchange rates	10,000
Effect of cost reduction efforts	25,000
Effect of marketing activities	(15,000)
Other	6,045
Total	26,045

Other

	Yen in millions 2015 v. 2014 Change
Changes in operating income and loss:	
Effect of changes in exchange rates	(40,000)
Effect of marketing efforts	100,000
Effect of decrease of miscellaneous costs and others	35,000
Other	(26,059)
Total	68,941

Other Income and Expenses

Interest and dividend income increased by ¥31.7 billion, or 27.5%, to ¥147.1 billion during fiscal 2015 compared with the prior fiscal year.

Interest expense increased by ¥3.2 billion, or 16.5%, to ¥22.8 billion during fiscal 2015 compared with the prior fiscal year.

Foreign exchange gain, net increased by ¥37.8 billion, or 75.4%, to ¥88.1 billion during fiscal 2015 compared with the prior fiscal year. Foreign exchange gains and losses include the differences between the value of foreign currency denominated assets and liabilities recognized through transactions in foreign currencies translated at prevailing exchange rates and the value at the date the transaction settled during the fiscal year, including those settled using forward foreign currency exchange contracts, or the value translated by appropriate year-end exchange rates. The ¥37.8 billion increase in foreign exchange gain, net was due mainly to the gains recorded in fiscal 2015 resulting from the Japanese yen being weaker against foreign currencies at the dates of settlement of the foreign currency trade accounts receivable than at the dates of the transactions.

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Other income (loss), net decreased by ¥73.0 billion to a loss of ¥70.1 billion during fiscal 2015 compared with the prior fiscal year. The decrease was due mainly to the effect of the reissuance of treasury stock for Toyota Mobility Foundation, a General Incorporated Foundation. See note 16 to the consolidated financial statements for further discussion.

Income Taxes

The provision for income taxes increased by ¥125.6 billion, or 16.4%, to ¥893.4 billion during fiscal 2015 compared with the prior fiscal year due mainly to the increase in income before income taxes and equity in earnings of affiliated companies. The effective tax rate for fiscal 2015 was 30.9%, which was lower than the statutory tax rate in Japan. This was due mainly to the increase in tax credits and the effect of foreign subsidiaries where statutory tax rates are lower than that of Japan.

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

Net income attributable to noncontrolling interests decreased by ¥33.9 billion, or 20.2%, to ¥134.5 billion during fiscal 2015 compared with the prior fiscal year. This was due mainly to a decrease during fiscal 2015 in net income attributable to the shareholders of consolidated subsidiaries.

Equity in earnings of affiliated companies during fiscal 2015 decreased by ¥9.8 billion, or 3.1%, to ¥308.5 billion compared with the prior fiscal year. This decrease was due mainly to a decrease during fiscal 2015 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 ¥350.2 billion, or 19.2%, to ¥2,173.3 billion during fiscal 2015 compared with the prior fiscal year.

Other Comprehensive Income and Loss

Other comprehensive income increased by ¥65.1 billion, or 7.4%, to ¥949.3 billion for fiscal 2015 compared with the prior fiscal year. This increase resulted from unrealized holding gains on securities in fiscal 2015 of ¥567.0 billion compared with gains of ¥493.7 billion in the prior fiscal year due mainly to an increase in prices of marketable securities in stock exchange markets in Japan, and from favorable foreign currency translation adjustments gains of ¥380.4 billion in fiscal 2015 compared with gains of ¥296.9 billion in the prior fiscal year due mainly to depreciation of the yen against the U.S. dollar, partially offset by pension liability adjustments in fiscal 2015 of ¥1.9 billion compared with gains of ¥93.5 billion in the prior fiscal year.

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Segment Information

The following is a discussion of the 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,		2015 v. 2014 Change	
	2014	2015	Amount	Percentage
Automotive:				
Net revenues	23,781,404	25,062,129	1,280,725	5.4%
Operating income	1,938,778	2,325,310	386,532	19.9
Financial Services:				
Net revenues	1,421,047	1,661,149	240,102	16.9
Operating income	294,891	361,833	66,942	22.7
All Other:				
Net revenues	1,151,280	1,255,791	104,511	9.1
Operating income	64,270	65,650	1,380	2.1
Intersegment elimination/unallocated amount:				
Net revenues	(661,820)	(744,548)	(82,728)	
Operating income	(5,827)	(2,229)	3,598	

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 2015 by ¥1,280.7 billion, or 5.4%, to ¥25,062.1 billion compared with the prior fiscal year. The increase mainly reflects the ¥860.1 billion favorable impact of fluctuations in foreign currency translation rates and the ¥360.0 billion favorable impact of changes in vehicle unit sales and sales mix.

Operating income from the automotive operations increased by ¥386.5 billion, or 19.9%, to ¥2,325.3 billion during fiscal 2015 compared with the prior fiscal year. This increase in operating income was due mainly to the ¥280.0 billion favorable impact of changes in foreign currency exchange rates and the ¥280.0 billion impact of cost reduction efforts, partially offset by the ¥70.0 billion impact of marketing activities and the ¥160.0 billion increase in miscellaneous costs and others.

The impact of marketing activities was due primarily to the decrease in Toyota s vehicle unit sales by 144 thousand vehicles compared with the prior fiscal year. Although the vehicle unit sales in North America increased due mainly to the market progressing in a steady manner, the vehicle unit sales overall decreased due mainly to the market downturn in Japan resulting from the consumption tax increase and the market downturn in major Asian countries. The increase in miscellaneous costs and others was due mainly to the ¥140.0 billion increase in product quality related expenses, the ¥100.0 billion increase in research and development expenses and the ¥80.0 billion increase in labor costs, partially offset by the ¥125.0 billion payment to the U.S government based on the agreement with the U.S. Attorney s Office for the Southern District of New York to resolve its investigation recorded in the prior fiscal year.

Financial Services Operations Segment

Net revenues for the financial services operations increased during fiscal 2015 by ¥240.1 billion, or 16.9%, to ¥1,661.1 billion compared with the prior fiscal year. This increase was primarily due to the ¥98.2 billion favorable impact of fluctuations in foreign currency translation rates.

Operating income from financial services operations increased by ¥66.9 billion, or 22.7%, to ¥361.8 billion during fiscal 2015 compared with the prior fiscal year. This increase was due primarily to the recording of ¥61.9 billion of valuation gains on interest rate swaps stated at fair value, mainly in North America.

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All Other Operations Segment

Net revenues for Toyota s other operations segments increased by ¥104.5 billion, or 9.1%, to ¥1,255.7 billion during fiscal 2015 compared with the prior fiscal year.

Operating income from Toyota s other operations segments increased by ¥1.3 billion, or 2.1%, to ¥65.6 billion during fiscal 2015 compared with the prior fiscal year.

Results of Operations Fiscal 2014 Compared with Fiscal 2013

	Yen in millions			
	Year ended March 31,		2014 v. 2013 Change	
	2013	2014	Amount	Percentage
Net revenues:				
Japan	12,821,018	14,297,470	1,476,452	11.5%
North America	6,284,425	8,117,099	1,832,674	29.2
Europe	2,083,113	2,724,959	641,846	30.8
Asia	4,385,476	4,877,672	492,196	11.2
Other*	2,094,265	2,336,641	242,376	11.6
Intersegment elimination/unallocated amount	(5,604,105)	(6,661,930)	(1,057,825)	
Total	22,064,192	25,691,911	3,627,719	16.4
Operating income:				
Japan	576,335	1,510,165	933,830	162.0
North America	221,925	326,052	104,127	46.9
Europe	26,462	58,228	31,766	120.0
Asia	376,055	395,737	19,682	5.2
Other*	133,744	42,568	(91,176)	(68.2)
Intersegment elimination/unallocated amount	(13,633)	(40,638)	(27,005)	
Total	1,320,888	2,292,112	971,224	73.5
Operating margin	6.0%	8.9%	2.9%	
Income before income taxes and equity in earnings of affiliated companies	1,403,649	2,441,080	1,037,431	73.9
Net margin from income before income taxes and equity in earnings of affiliated companies	6.4%	9.5%	3.1%	
Equity in earnings of affiliated companies	231,519	318,376	86,857	37.5
Net income attributable to Toyota Motor Corporation	962,163	1,823,119	860,956	89.5
Net margin attributable to Toyota Motor Corporation	4.4%	7.1%	2.7%	

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

Net Revenues

Toyota had net revenues for fiscal 2014 of ¥25,691.9 billion, an increase of ¥3,627.7 billion, or 16.4%, compared with the prior fiscal year. This increase mainly reflected the favorable impact of fluctuations in foreign currency translation rates of ¥2,510.4 billion and changes in vehicle unit sales and sales mix of ¥300.0 billion. Excluding the impact of changes in the Japanese yen values used for translation purposes of ¥2,510.4 billion, net revenues would have been ¥23,181.4 billion during fiscal 2014, a 5.1% increase compared with the prior fiscal year. The automotive market in calendar year 2013 increased by 7.9% in North America and in fiscal 2014 increased by 5.9% in Japan compared with the prior year due to the market in the U.S. and Japan progressing in a steady manner. Under these automotive market conditions, Toyota s consolidated vehicle unit sales increased by 2.8% compared with the prior fiscal year to 9,116 thousand vehicles.

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

	Yen in millions			
	Year ended March 31,		2014 v. 2013 Change	
	2013	2014	Amount	Percentage
Vehicles	17,446,473	20,353,340	2,906,867	16.7%
Parts and components for overseas production	356,756	431,760	75,004	21.0
Parts and components for after service	1,577,690	1,843,478	265,788	16.8
Other	997,843	1,105,277	107,434	10.8
Total Automotive	20,378,762	23,733,855	3,355,093	16.5
All Other	535,388	578,789	43,401	8.1
Total sales of products	20,914,150	24,312,644	3,398,494	16.2
Financial services	1,150,042	1,379,267	229,225	19.9
Total	22,064,192	25,691,911	3,627,719	16.4%

Toyota s net revenues include net revenues from sales of products, consisting of net revenues from automotive operations and all other operations, which increased by 16.2% during fiscal 2014 compared with the prior fiscal year to ¥24,312.6 billion, and net revenues from financial services operations which increased by 19.9% during fiscal 2014 compared with the prior fiscal year to ¥1,379.2 billion. Excluding the impact of changes in the Japanese yen values used for translation purposes of ¥2,311.9 billion, net revenues from sales of products would have been ¥22,000.6 billion during fiscal 2014, a 5.2% increase compared with the prior fiscal year. The increase in net revenues from sales of products is mainly due to an increase in Toyota vehicle unit sales of 245 thousand vehicles. Excluding the impact of changes in the Japanese yen values used for translation purposes of ¥198.5 billion, net revenues from financial services operations would have been ¥1,180.7 billion during fiscal 2014, a 2.7% increase compared with the prior fiscal year.

The following table shows the number of financing contracts by geographic region at the end of fiscal 2014 and 2013, respectively.

	Number of financing contracts in thousands			
	Year ended March 31,		2014 v. 2013 Change	
	2013	2014	Amount	Percentage
Japan	1,765	1,813	48	2.7%
North America	4,596	4,791	195	4.3
Europe	825	879	54	6.5
Asia	868	1,167	299	34.5
Other*	618	688	70	11.3
Total	8,672	9,338	666	7.7%

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

Geographically, net revenues (before the elimination of intersegment revenues) for fiscal 2014 increased by 11.5% in Japan, 29.2% in North America, 30.8% in Europe, 11.2% in Asia, and 11.6% in Other compared with the prior fiscal year. Excluding the impact of changes in the Japanese yen values used for translation purposes of ¥2,510.4 billion, net revenues in fiscal 2014 would have increased by 11.5% in Japan, 8.4% in North America, 6.5% in Europe and 5.9% in Other compared with the prior fiscal year, and would have decreased by 4.9% in Asia 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,		2014 v. 2013 Change	
	2013	2014	Amount	Percentage
Toyota s consolidated vehicle unit sales*	4,202	4,220	18	0.4%

* including number of exported vehicle unit sales

	Yen in millions			
	Year ended March 31,		2014 v. 2013 Change	
	2013	2014	Amount	Percentage
Net revenues:				
Sales of products	12,687,092	14,179,710	1,492,618	11.8%
Financial services	133,926	117,760	(16,166)	(12.1)
Total	12,821,018	14,297,470	1,476,452	11.5%

Toyota s domestic and exported vehicle unit sales increased by 18 thousand vehicles compared with the prior fiscal year due primarily to favorable market conditions.

North America

	Thousands of units			
	Year ended March 31,		2014 v. 2013 Change	
	2013	2014	Amount	Percentage
Toyota s consolidated vehicle unit sales	2,469	2,529	60	2.5%

	Yen in millions			
	Year ended March 31,		2014 v. 2013 Change	
	2013	2014	Amount	Percentage
Net revenues:				
Sales of products	5,564,183	7,234,376	1,670,193	30.0%
Financial services	720,242	882,723	162,481	22.6
Total	6,284,425	8,117,099	1,832,674	29.2%

Net revenues in North America increased due primarily to the 60 thousand vehicles increase in vehicle unit sales compared with the prior fiscal year. The vehicle unit sales increased due mainly to the market progressing in a steady manner and strong sales of the RAV4, IS and other new car models.

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Europe

	Thousands of units			
	Year ended March 31,		2014 v. 2013 Change	
	2013	2014	Amount	Percentage
Toyota s consolidated vehicle unit sales	799	844	45	5.6%

	Yen in millions			
	Year ended March 31,		2014 v. 2013 Change	
	2013	2014	Amount	Percentage
Net revenues:				
Sales of products	2,007,207	2,630,408	623,201	31.0%
Financial services	75,906	94,551	18,645	24.6
Total	2,083,113	2,724,959	641,846	30.8%

Net revenues in Europe increased due primarily to the 45 thousand vehicles increase in vehicle unit sales compared with the prior fiscal year. The vehicle unit sales increased due mainly to the strong sales of the RAV4, Corolla and other car models.

Asia

	Thousands of units			
	Year ended March 31,		2014 v. 2013 Change	
	2013	2014	Amount	Percentage
Toyota s consolidated vehicle unit sales	1,684	1,609	(75)	(4.5)%

	Yen in millions			
	Year ended March 31,		2014 v. 2013 Change	
	2013	2014	Amount	Percentage
Net revenues:				
Sales of products	4,307,943	4,755,114	447,171	10.4%
Financial services	77,533	122,558	45,025	58.1
Total	4,385,476	4,877,672	492,196	11.2%

Excluding the favorable impact of fluctuations in foreign currency translation rates, net revenues in Asia would have decreased due primarily to the 75 thousand vehicles decrease in vehicle unit sales compared with the prior fiscal year. The decrease in vehicle unit sales was due mainly to decreased sales in Thailand and India, which in turn was due mainly to the shrinking of the market and competitive market conditions.

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Other

	Thousands of units			
	Year ended March 31,		2014 v. 2013 Change	
	2013	2014	Amount	Percentage
Toyota s consolidated vehicle unit sales	1,640	1,769	129	7.8%

	Yen in millions			
	Year ended March 31,		2014 v. 2013 Change	
	2013	2014	Amount	Percentage
Net revenues:				
Sales of products	1,942,215	2,162,505	220,290	11.3%
Financial services	152,050	174,136	22,086	14.5
Total	2,094,265	2,336,641	242,376	11.6%

Net revenues in Other increased due primarily to the 129 thousand vehicles increase in vehicle unit sales compared with the prior fiscal year. The vehicle unit sales increased due mainly to the strong sales of the Etios in Central and South America.

Operating Costs and Expenses

	Yen in millions			
	Year ended March 31,		2014 v. 2013 Change	
	2013	2014	Amount	Percentage
Operating costs and expenses				
Cost of products sold	18,010,569	19,988,245	1,977,676	11.0%
Cost of financing operations	630,426	812,894	182,468	28.9
Selling, general and administrative	2,102,309	2,598,660	496,351	23.6
Total	20,743,304	23,399,799	2,656,495	12.8%

	Yen in millions
	2014 v. 2013 Change
Changes in operating costs and expenses:	
Effect of changes in vehicle unit sales and sales mix	120,000
Effect of fluctuation in foreign currency translation rates	2,378,900
Effect of cost reduction efforts	(290,000)
Effect of increase in miscellaneous costs and others	447,595
Total	2,656,495

Operating costs and expenses increased by ¥2,656.4 billion, or 12.8%, to ¥23,399.7 billion during fiscal 2014 compared with the prior fiscal year. This increase resulted mainly from the ¥2,378.9 billion unfavorable impact of fluctuations in foreign currency translation rates, the ¥447.5 billion increase in miscellaneous costs and others, and the ¥120.0 billion impact of changes in vehicle unit sales and sales mix, partially offset by the ¥290.0 billion impact of cost reduction efforts.

The increase in miscellaneous costs and others was due mainly to the ¥125.0 billion payment to the U.S government based on the agreement with the U.S. Attorney s Office for the Southern District of New York to resolve its investigation, the ¥100.0 billion increase in labor costs, the ¥100.0 billion increase in research and development expenses, and the ¥83.0 billion increase in costs related to ending the vehicle and engine production

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in Australia, partially offset by the ¥90.0 billion charge for costs related to the settlement of the economic loss claims in the consolidated federal action in the U.S. recorded in the prior fiscal year.

Cost Reduction Efforts

During fiscal 2014, Toyota s continued cost reduction efforts reduced operating costs and expenses by ¥290.0 billion. The amount of the 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 2014, continued cost reduction efforts together with suppliers contributed to the improvement in earnings. These cost reduction efforts related to ongoing value engineering and value analysis activities, the use of common parts 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 ¥1,977.6 billion, or 11.0%, to ¥19,988.2 billion during fiscal 2014 compared with the prior fiscal year. The increase resulted mainly from the ¥1,866.5 billion unfavorable impact of fluctuations in foreign currency translation rates, the ¥105.0 billion impact of changes in vehicle unit sales and sales mix, the ¥100.0 billion increase in research and development expenses, and the ¥80.0 billion increase in costs related to ending the vehicle and engine production in Australia, partially offset by the ¥290.0 billion impact of cost reduction efforts.

Cost of Financing Operations

Cost of financing operations increased by ¥182.4 billion, or 28.9%, to ¥812.8 billion during fiscal 2014 compared with the prior fiscal year. The increase resulted mainly from the ¥183.0 billion unfavorable impact of fluctuations in foreign currency translation rates.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by ¥496.3 billion, or 23.6%, to ¥2,598.6 billion during fiscal 2014 compared with the prior fiscal year. This increase mainly reflected the ¥329.3 billion unfavorable impact of fluctuations in foreign currency translation rates, and the ¥125.0 billion payment to the U.S government based on the agreement with the U.S. Attorney s Office for the Southern District of New York to resolve its investigation, partially offset by the ¥90.0 billion charge for costs related to the settlement of the economic loss claims in the consolidated federal action in the U.S. recorded in the prior fiscal year.

Operating Income

	Yen in millions 2014 v. 2013 Change
Changes in operating income and loss:	
Effect of changes in exchange rates	900,000
Effect of cost reduction efforts	290,000
Effect of marketing efforts	180,000
Effect of increase of miscellaneous costs and others	(480,000)
Other	81,224
Total	971,224

Toyota s operating income increased by ¥971.2 billion, or 73.5%, to ¥2,292.1 billion during fiscal 2014 compared with the prior fiscal year. This increase was due mainly to the ¥900.0 billion favorable impact of

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changes in exchange rates, ¥290.0 billion impact of cost reduction efforts, and ¥180.0 billion impact of marketing efforts, partially offset by the ¥480.0 billion increase in miscellaneous costs and others. The increase in miscellaneous costs and others was due mainly to the ¥125.0 billion payment to the U.S government based on the agreement with the U.S. Attorney s Office for the Southern District of New York to resolve its investigation, the ¥100.0 billion increase in labor costs, the ¥100.0 billion increase in research and development expenses, and the ¥83.0 billion increase in costs related to ending the vehicle and engine production in Australia, partially offset by the ¥90.0 billion charge for costs related to the settlement of the economic loss claims in the consolidated federal action in the U.S. recorded in the prior fiscal year.

During fiscal 2014, operating income (before elimination of intersegment profits), compared with the prior fiscal year increased by ¥933.8 billion, or 162.0%, in Japan, ¥104.1 billion, or 46.9%, in North America, ¥31.7 billion, or 120.0%, in Europe, ¥19.6 billion, or 5.2%, in Asia, and decreased by ¥91.1 billion, or 68.2%, in Other.

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

Japan

	Yen in millions 2014 v. 2013 Change
Changes in operating income and loss:	
Effect of changes in exchange rates	940,000
Effect of cost reduction efforts	175,000
Effect of marketing efforts	180,000
Effect of increase of miscellaneous costs and others	(370,000)
Other	8,830
Total	933,830

North America

	Yen in millions 2014 v. 2013 Change
Changes in operating income and loss:	
Effect of cost reduction efforts	75,000
Effect of marketing activities	(25,000)
Effect of decrease of miscellaneous costs and others	50,000
Other	4,127
Total	104,127

Europe

	Yen in millions 2014 v. 2013 Change
Changes in operating income and loss:	
Effect of cost reduction efforts	15,000
Effect of marketing efforts	25,000
Effect of increase of miscellaneous costs and others	(10,000)
Other	1,766
Total	31,766

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Asia

	Yen in millions 2014 v. 2013 Change
Changes in operating income and loss:	
Effect of changes in exchange rates	25,000
Effect of cost reduction efforts	35,000
Effect of marketing activities	(40,000)
Effect of increase of miscellaneous costs and others	(50,000)
Other	49,682
Total	19,682

Other

	Yen in millions 2014 v. 2013 Change
Changes in operating income and loss:	
Effect of cost reduction efforts	(10,000)
Effect of marketing efforts	40,000
Effect of increase of miscellaneous costs and others	(100,000)
Other	(21,176)
Total	(91,176)

Other Income and Expenses

Interest and dividend income increased by ¥16.7 billion, or 17.0%, to ¥115.4 billion during fiscal 2014 compared with the prior fiscal year.

Interest expense decreased by ¥3.3 billion, or 14.5%, to ¥19.6 billion during fiscal 2014 compared with the prior fiscal year.

Foreign exchange gain, net increased by ¥44.7 billion, or 805.4%, to ¥50.2 billion during fiscal 2014 compared with the prior fiscal year. Foreign exchange gains and losses include the differences between the value of foreign currency denominated assets and liabilities recognized through transactions in foreign currencies translated at prevailing exchange rates and the value at the date the transaction settled during the fiscal year, including those settled using forward foreign currency exchange contracts, or the value translated by appropriate year-end exchange rates. The ¥44.7 billion increase in foreign exchange gain, net was due mainly to the losses recorded in fiscal 2013 resulting from the Japanese yen being stronger against foreign currencies at the time foreign currency bonds were redeemed during that fiscal year than the Japanese yen at the time of purchase.

Other loss, net increased by ¥1.4 billion, or 94.7%, to ¥2.9 billion during fiscal 2014 compared with the prior fiscal year.

Income Taxes

The provision for income taxes increased by ¥216.1 billion, or 39.2%, to ¥767.8 billion during fiscal 2014 compared with the prior fiscal year due mainly to the increase in income before income taxes and equity in earnings of affiliated companies. The effective tax rate for fiscal 2014 was 31.5%, which was lower than the statutory tax rate in Japan. This was due mainly to the increase in tax credits and income before income taxes and equity in earnings of affiliated companies from foreign subsidiaries where statutory tax rates are lower than that of Japan.

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

Net income attributable to noncontrolling interests increased by ¥47.2 billion, or 38.9%, to ¥168.5 billion during fiscal 2014 compared with the prior fiscal year. This was due mainly to an increase during fiscal 2014 in net income attributable to the shareholders of consolidated subsidiaries.

Equity in earnings of affiliated companies during fiscal 2014 increased by ¥86.8 billion, or 37.5%, to ¥318.3 billion compared with the prior fiscal year. This increase was due mainly to an increase during fiscal 2014 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 ¥860.9 billion, or 89.5%, to ¥1,823.1 billion during fiscal 2014 compared with the prior fiscal year.

Other Comprehensive Income and Loss

Other comprehensive income increased by ¥61.5 billion to ¥884.2 billion for fiscal 2014 compared with the prior fiscal year. This increase resulted from unrealized holding gains on securities in fiscal 2014 of ¥493.7 billion compared with gains of ¥368.5 billion in the prior fiscal year, and from pension liability adjustments in fiscal 2014 of ¥93.5 billion compared with gains of ¥19.5 billion in the prior fiscal year, partially offset by unfavorable foreign currency translation adjustments gains of ¥296.9 billion in fiscal 2014 compared with gains of ¥434.6 billion in the prior fiscal year.

Segment Information

The following is a discussion of the 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,		2014 v. 2013 Change	
	2013	2014	Amount	Percentage
Automotive:				
Net revenues	20,419,100	23,781,404	3,362,304	16.5%
Operating income	944,704	1,938,778	994,074	105.2
Financial Services:				
Net revenues	1,170,670	1,421,047	250,377	21.4
Operating income	315,820	294,891	(20,929)	(6.6)
All Other:				
Net revenues	1,066,461	1,151,280	84,819	8.0
Operating income	53,616	64,270	10,654	19.9
Intersegment elimination/unallocated amount:				
Net revenues	(592,039)	(661,820)	(69,781)	
Operating income	6,748	(5,827)	(12,575)	

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 2014 by ¥3,362.3 billion, or 16.5%, to ¥23,781.4 billion compared with the prior fiscal year. The increase mainly reflects the ¥2,304.9 billion favorable impact of fluctuations in foreign currency translation rates and the ¥300.0 billion favorable impact of changes in vehicle unit sales and sales mix.

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Operating income from the automotive operations increased by ¥994.0 billion, or 105.2%, to ¥1,938.7 billion during fiscal 2014 compared with the prior fiscal year. This increase in operating income was due mainly to the ¥900.0 billion favorable impact of changes in exchange rates, the ¥290.0 billion impact of cost reduction efforts, and the ¥190.0 billion of favorable impact of changes in vehicle unit sales and sales mix, partially offset by the ¥480.0 billion increase in miscellaneous costs and others.

The changes in vehicle unit sales and changes in sales mix were due primarily to the increase in Toyota s vehicle unit sales by 245 thousand vehicles compared with the prior fiscal year resulting from the increase in vehicle unit sales in North America, Europe and Other. The increase in miscellaneous costs and others was due mainly to the ¥125.0 billion payment to the U.S government based on the agreement with the U.S. Attorney s Office for the Southern District of New York to resolve its investigation, the ¥100.0 billion increase in labor costs, the ¥100.0 billion increase in research and development expenses, and the ¥83.0 billion increase in costs related to ending the vehicle and engine production in Australia, partially offset by the ¥90.0 billion charge for costs related to the settlement of the economic loss claims in the consolidated federal action in the U.S. recorded in the prior fiscal year.

Financial Services Operations Segment

Net revenues for the financial services operations increased during fiscal 2014 by ¥250.3 billion, or 21.4%, to ¥1,421.0 billion compared with the prior fiscal year. This increase was primarily due to the ¥199.8 billion favorable impact of fluctuations in foreign currency translation rates.

Operating income from financial services operations decreased by ¥20.9 billion, or 6.6%, to ¥294.8 billion during fiscal 2014 compared with the prior fiscal year. This decrease was due primarily to the recording of ¥22.0 billion of valuation losses on interest rate swaps stated at fair value.

All Other Operations Segment

Net revenues for Toyota s other operations segments increased by ¥84.8 billion, or 8.0%, to ¥1,151.2 billion during fiscal 2014 compared with the prior fiscal year.

Operating income from Toyota s other operations segments increased by ¥10.6 billion, or 19.9%, to ¥64.2 billion during fiscal 2014 compared with the prior fiscal year.

Related Party Transactions

Toyota does not have any significant related party transactions other than transactions with affiliated companies in the ordinary course of business. See note 11 to the consolidated financial statements for further discussion.

Recent Accounting Pronouncements in the United States

In May 2014, the Financial Accounting Standards Board (FASB) issued updated guidance on the recognition of revenue from contracts with customers. This guidance will supersede the current revenue recognition guidance. This guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Management is evaluating the impact of adopting this guidance on Toyota s consolidated financial statements.

In February 2015, the FASB issued updated guidance that amends the analysis a reporting entity must perform to determine whether it should consolidate certain legal entities. This guidance is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Management is evaluating the impact of adopting this guidance on Toyota s consolidated financial statements.

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In April 2015, the FASB issued updated guidance that requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. This guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Management is evaluating the impact of adopting this guidance on Toyota s consolidated financial statements.

In April 2015, the FASB issued updated guidance to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement. This guidance is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Management is evaluating the impact of adopting this guidance 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 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. Toyota provides for such liabilities for recalls and other safety measures at the time of vehicle sales comprehensively by aggregate sales of various models in a certain period by geographical regions instead of by individual models. While there is no difference in the calculation method among geographical regions, Toyota believes it is reasonable to calculate the liabilities by geographical regions because of factors such as varying labor costs among geographical regions.

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The liabilities for the costs of recalls and other safety measures recorded in the balance sheet is calculated by deducting the accumulated amount of repair cost paid from the expected liability for the cost of recalls and other safety measures . As such, this liability is evaluated every period based on new data and are adjusted as appropriate. Toyota calculates these liabilities for units sold in the current period and each of the past 10 fiscal years, and aggregates such liabilities in determining the final liability amount.

The expected liability for the cost of recalls and other safety measures are calculated by multiplying the sales unit by the expected average repair cost per unit . The expected average repair cost per unit is calculated based on dividing the accumulated amount of repair cost paid per unit by the pattern of payment occurrences . The pattern of payment occurrence represents a ratio that shows the measure of payment occurrence over 10 years based on actual payments with regard to units sold within 10 years.

Factors that may cause a difference between the amount accrued at the time of vehicle sale and actual payment on individual recalls and other safety measures mainly include actual cost of recalls and safety measures during the period being significantly different from the accumulated amount of repair cost paid per unit (generally comprised of parts and labor) and the actual pattern of payment occurrence during the period being significantly different from the pattern of the payment occurrence in the past, which is considered as part of our estimation process for future recalls and other safety measures.

As described above, in estimating the comprehensive provision, the actual cost of individual recalls and other safety measures is included as a component of the calculation such as the accumulated amount of repair cost paid per unit. Thus, an individual recall announcement generally does not directly impact the financial statements when it occurs.

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.

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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. 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, 2015
10 percent change in frequency of occurrence or expected severity of loss	4,566

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 actually returned at contract maturity as a percentage of the number of lease contracts originally scheduled to mature in the same period less lease contracts subject to early terminations. 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 may adversely affect the results of operations for financial services due to significant charges reducing the estimated residual value.

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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, 2015
1 percent increase in vehicle return rate	1,803
1 percent increase in end-of-term market values	9,373

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. In fiscal 2014, Toyota recorded long-lived assets impairment charges relating to the end of production in Australia and in fiscal 2015, recorded additional charges. See note 27 to the consolidated financial statements for further discussion.

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 1.4% domestically and 4.8% overseas and a weighted-average expected rate of return on plan assets of 2.5% domestically and 6.7% overseas are the results of assumptions used for the various pension plans in calculating Toyota s consolidated pension costs for fiscal 2015. Also, a weighted-average discount rate of 1.1% domestically and 4.0% overseas is the result of assumption used for the various pension plans in calculating Toyota s consolidated pension obligations for fiscal 2015.

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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			
	Domestic		Overseas	
	Effect on pre-tax income for the year ended March 31, 2016	Effect on obligations for the year ended March 31, 2015	Effect on pre-tax income for the year ended March 31, 2016	Effect on obligations for the year ended March 31, 2015
Discount rates				
0.5% decrease	(8,040)	133,768	(6,735)	85,189
0.5% increase	7,750	(123,317)	6,402	(78,241)
Expected rate of return on plan assets				
0.5% decrease	(7,239)		(3,568)	
0.5% increase	7,239		3,568	

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. Toyota estimates the fair value of derivative financial instruments using industry-standard valuation models that require observable inputs including interest rates and foreign exchange rates, and the contractual terms. In other certain cases when market data is not available, key inputs to the fair value measurement include quotes from counterparties, and other market data. 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.

Reissuance of treasury stock for Toyota Mobility Foundation, a General Incorporated Foundation

Toyota Motor Corporation reissued treasury stock for Toyota Mobility Foundation, a General Incorporated Foundation (the Foundation), and the difference between amount of proceeds and fair value of treasury stock on reissuance was included in Other income (expense) . The fair value of treasury stock was measured using a dividend discount model due to the restrictions on transfer in the reissued stock for the Foundation. These estimates are based upon valuation methodologies deemed appropriate under the circumstances. See note 16 to the consolidated financial statements for further discussion.

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.

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The accounting for deferred tax assets represents Toyota s current best estimate based on all available evidence. Unanticipated events or changes could result in re-evaluating the realizability of deferred tax assets.

Outlook

As for our future business environment, in the world economy, the U.S. is expected to recover steadily. Also the European economy is picking up gradually chiefly in the eurozone, while the economies of several countries are likely to slow down, such as in Russia which is weighed down by declines in crude oil prices. Emerging countries also show downside risk. The Japanese economy is expected to recover gradually through improvements in employment and income conditions, although attention needs to be paid to for example uncertainty in overseas economies.

The automotive market is expected to expand gradually, mainly in the U.S. However, amid adaptation of eco-car promotion policies in various countries and increased efforts toward the development of safety technologies, as well as continuing advances in information and communication technology, fierce competition exists on a global scale. In light of the foregoing external factors, Toyota expects that net revenues for fiscal 2016 will increase compared with fiscal 2015 due to price revisions and other factors, partially offset by a decrease in vehicle unit sales. Toyota expects that operating income will increase in fiscal 2016 compared with fiscal 2015 due mainly to the favorable impact of cost reduction efforts and marketing efforts, partially offset by an increase in miscellaneous costs. Toyota expects that income before income taxes and equity in earnings of affiliated companies and net income attributable to Toyota Motor Corporation will also increase in fiscal 2016.

For the purposes of this outlook discussion, Toyota is assuming an average exchange rate of ¥115 to the U.S. dollar and ¥125 to the euro. Exchange rate fluctuations can materially affect Toyota s operating results. In particular, a strengthening of the Japanese yen against the U.S. dollar can have a material adverse effect on Toyota s operating results. See Operating and Financial Review and Prospects Operating Results Overview Currency Fluctuations for further discussion.

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

5.B LIQUIDITY AND CAPITAL RESOURCES

Historically, Toyota has funded its capital expenditures and research and development activities through cash generated by operations.

In fiscal 2016, Toyota expects to sufficiently fund its capital expenditures and research and development activities through cash and cash equivalents on hand, and cash generated by operations. Toyota will use its funds for the development of environment technologies, maintenance and replacement of manufacturing facilities, and the introduction of new products. See Information on the Company Business Overview Capital Expenditures and Divestitures for information regarding Toyota s material capital expenditures and divestitures for fiscal 2013, 2014 and 2015, and information concerning Toyota s principal capital expenditures and divestitures currently in progress.

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

Net cash provided by operating activities increased by ¥39.7 billion to ¥3,685.7 billion for fiscal 2015, compared with ¥3,646.0 billion for fiscal 2014.

The increase was primarily attributable to the ¥458.4 billion increase in operating income and the ¥158.2 billion increase in depreciation charges, i.e. noncash expenses, resulting from an increase in capital expenditures. Results of operations are recorded on an accrual basis and are therefore different from cash provided or used in operating activities. Accordingly the ¥52.4 billion decrease in accrued trade receivables resulting from a decrease in vehicle unit sales in March in Japan and ¥84.7 billion increase in accrued accounts payables resulting from the consumption tax increase in Japan are attributed to the increase in net cash provided by operating activities. On the other hand the ¥734.6 billion increase in cash payments for income taxes for fiscal 2015 resulting from an increase of provisional tax payment partially offset the increase.

Net cash provided by operating activities increased by ¥1,194.7 billion to ¥3,646.0 billion for fiscal 2014, compared with ¥2,451.3 billion for fiscal 2013. The increase was primarily attributable to the ¥971.2 billion increase in operating income. This increase in operating income was due mainly to the ¥900.0 billion favorable impact of changes in exchange rates, the ¥290.0 billion impact of cost reduction efforts and the ¥180.0 billion impact of marketing efforts, partially offset by the ¥480.0 billion increase in miscellaneous costs and others.

Results of operations are recorded on an accrual basis and are therefore different from cash provided or used in operating activities. Other than operating income, the increase of net cash provided by operating activities was primarily attributable to the ¥438.5 billion increase in accrued income taxes for fiscal 2014 resulting from the increase in income before income taxes, compared with an increase of ¥22.1 billion for fiscal 2013 resulting from the increase in income before income taxes that was partially offset by the usage of operating loss carryforwards. The increase in accrued income taxes in fiscal 2014 was partially offset by the ¥160.0 billion in deferred income taxes for fiscal 2013 mainly due to the usage of operating loss carryforwards.

Net cash used in investing activities decreased by ¥522.7 billion to ¥3,813.4 billion for fiscal 2015, compared with ¥4,336.2 billion for fiscal 2014. The decrease was primarily attributable to the ¥907.6 billion decrease in purchases of marketable securities and security investments, partially offset by the ¥502.5 billion increase in purchases of equipment leased to others.

Net cash used in investing activities increased by ¥1,308.9 billion to ¥4,336.2 billion for fiscal 2014, compared with ¥3,027.3 billion for fiscal 2013. The increase was primarily attributable to the ¥675.6 billion increase in purchases of marketable securities and security investments and to the ¥589.0 billion increase in purchases of equipment leased to others.

Net cash provided by financing activities decreased by ¥613.4 billion to ¥306.0 billion for fiscal 2015, compared with ¥919.4 billion for fiscal 2014. The decrease was primarily attributable to the ¥158.9 billion increase in dividends paid and the ¥356.9 billion increase in repurchase and reissuance of treasury stock. In addition, the increase in payments of debt exceeded the increase in proceeds from issuance of debt.

Net cash provided by financing activities increased by ¥442.2 billion to ¥919.4 billion for fiscal 2014, compared with ¥477.2 billion for fiscal 2013. The increase was primarily attributable to the ¥699.0 billion increase in proceeds from issuance of long-term debt, partially offset by the ¥306.7 billion increase in payments of long-term debt.

Total capital expenditures for property, plant and equipment, excluding vehicles and equipment on operating leases, were ¥1,146.3 billion during fiscal 2015, an increase of 18.2% from the ¥970.0 billion in total capital expenditures during the prior fiscal year. This increase was due primarily to an increase in investments in Japan and North America.

Total capital expenditures for vehicles and equipment on operating leases were ¥2,211.2 billion during fiscal 2015, an increase of 29.4% from the ¥1,708.6 billion in total capital expenditures during the prior fiscal year. This increase was due primarily to an increase in investments in the financial services operations.

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Toyota expects investments in property, plant and equipment, excluding vehicles and equipment on operating leases, to be approximately ¥1,200.0 billion during fiscal 2016.

Cash and cash equivalents were ¥2,284.5 billion as of March 31, 2015. Most of Toyota s cash and cash equivalents are held in Japanese yen or in U.S. dollars. In addition, time deposits were ¥149.3 billion and marketable securities were ¥2,782.0 billion as of March 31, 2015.

Liquid assets, which Toyota defines as cash and cash equivalents, time deposits, marketable debt securities and its investment in monetary trust funds, increased during fiscal 2015 by ¥1,176.9 billion, or 13.4%, to ¥9,936.0 billion.

Trade accounts and notes receivable, less allowance for doubtful accounts increased during fiscal 2015 by ¥72.4 billion, or 3.6%, to ¥2,108.6 billion. This increase was due mainly to the fluctuations in foreign currency translation rates.

Inventories increased during fiscal 2015 by ¥242.9 billion, or 12.8%, to ¥2,137.6 billion. This increase was due mainly to the fluctuations in foreign currency translation rates.

Total finance receivables, net increased during fiscal 2015 by ¥1,741.1 billion, or 12.7%, to ¥15,472.3 billion. This increase was due mainly to the fluctuations in foreign currency translation rates and an increase in the number of financing contracts. As of March 31, 2015, finance receivables were geographically distributed as follows: in North America 59.3%, in Asia 12.8%, in Europe 9.5%, in Japan 7.9% and in Other 10.5%.

Marketable securities and other securities investments, including those included in current assets, increased during fiscal 2015 by ¥1,602.3 billion, or 18.2%, reflecting an increase in the fair values of common stocks and purchase of marketable securities and security investments.

Property, plant and equipment increased during fiscal 2015 by ¥1,654.4 billion, or 21.7%, primarily reflecting fluctuations in foreign currency translation rates and the increase in the capital expenditures, partially offset by the impacts of depreciation charges during the year.

Accounts and notes payable increased during fiscal 2015 by ¥197.3 billion, or 8.9%. This increase was due mainly to the increase in the consumption tax in Japan.

Accrued expenses increased during fiscal 2015 by ¥355.5 billion, or 15.4%. This increase was due mainly to the increase in product quality related expenses.

Income taxes payable decreased during fiscal 2015 by ¥246.0 billion, or 41.4%. This decrease was due mainly to an increase in provisional tax payment.

Toyota s total borrowings increased during fiscal 2015 by ¥2,650.4 billion, or 16.2%. Toyota s short-term borrowings consist of loans with a weighted-average interest rate of 2.83% and commercial paper with a weighted-average interest rate of 0.41%. Short-term borrowings increased during fiscal 2015 by ¥217.3 billion, or 4.5%, to ¥5,048.1 billion. Toyota s long-term debt consists of unsecured and secured loans, medium-term notes, unsecured and secured notes and long-term capital lease obligations with interest rates ranging from 0.01% to 41.79%, and maturity dates ranging from 2015 to 2047. The current portion of long-term debt increased during fiscal 2015 by ¥965.6 billion, or 32.7%, to ¥3,915.3 billion and the non-current portion increased by ¥1,467.4 billion, or 17.2%, to ¥10,014.3 billion. The increase in total borrowings resulted mainly from an increase in medium-term notes. As of March 31, 2015, approximately 48% of long-term debt was denominated in U.S. dollars, 12% in Japanese yen, 8% in Australian dollars, and 32% 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.

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As of March 31, 2015, Toyota s total interest bearing debt was 113.0% of Toyota Motor Corporation shareholders equity, compared with 112.8% as of March 31, 2014.

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, 2015. 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 of Japanese plans decreased during fiscal 2015 by ¥139.6 billion, or 33.8%, to ¥273.4 billion. The liabilities of foreign plans increased during fiscal 2015 by ¥138.8 billion, or 111.4%, to ¥263.4 billion. 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 decrease in unfunded pension liabilities of the Japanese plans as of the end of fiscal 2015 compared with the prior fiscal year end reflects mainly an increase in pension assets due to an increase in equity security prices, despite an increase in pension benefit obligations that resulted from a decline in discount rate. The increase in unfunded pension liabilities of foreign plans reflects mainly an increase in pension benefit obligations that resulted from a decline 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.

5.C RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Toyota s research and development is dedicated to capturing the increasingly diverse and sophisticated market through the development of attractive, affordable, high-quality products for customers worldwide. The intellectual property that R&D generates is a vital management resource that Toyota utilizes and protects to maximize its corporate value. For a more detailed discussion of the company s research and development objectives and policies, see Information on the Company Business Overview Research and Development .

Toyota s research and development expenditures were approximately ¥1,004.5 billion in fiscal 2015, ¥910.5 billion in fiscal 2014 and ¥807.4 billion in fiscal 2013.

Toyota operates a global research and development organization with the primary goal of building automobiles that meet the needs of customers in every region of the world. In Japan, research and development operations are led by Toyota and Toyota Central Research & Development Laboratories, Inc., which works closely with Daihatsu Motor Co., Ltd., Hino Motors, Ltd., Toyota Auto Body Co., Ltd., Toyota Motor East Japan, Inc., and many other Toyota group companies. Overseas, Toyota has a worldwide network of technical centers as well as design and motorsports research and development centers.

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

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

Toyota decided to reorganize its subsidiary and vehicle development partner Toyota Technical Development Corporation, integrating its vehicle development functions into Toyota from January 2016.

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

In addition, Toyota wishes to contribute to sustainable mobility by promoting the spread of technologies with environmental and safety benefits. This is why Toyota takes an open stance to patent licensing and grants licenses when appropriate terms are met. For example, in March 2004, Toyota and Ford Motor Company entered

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into licensing agreements for patents related to hybrid systems and emissions purification. In addition, in March 2010, Toyota and Mazda Motor Corporation entered into a licensing agreement regarding the supply of hybrid system technology.

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

5.D TREND INFORMATION

For a discussion of the trends that affect Toyota s business and operating results, see Operating Results and Liquidity and Capital Resources .

5.E OFF-BALANCE SHEET ARRANGEMENTS

Toyota uses its securitization program as part of its funding through special purpose entities for its financial services operations. Toyota is considered as 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 2015.

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 ¥226.0 billion as of March 31, 2015.

Credit Facilities with Dealers

Toyota s financial services operations maintain credit facilities with dealers. These credit facilities may be used for business acquisitions, facilities refurbishment, real estate purchases, and working capital requirements. These loans are typically collateralized with liens on real estate, vehicle inventory, and/or other dealership assets, as appropriate. Toyota obtains a personal guarantee from the dealer or corporate guarantee from the dealership when deemed prudent. Although the loans are typically collateralized or guaranteed, the value of the underlying collateral or guarantees may not be sufficient to cover Toyota s exposure under such agreements. Toyota evaluates 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 ¥2,122.5 billion as of March 31, 2015.

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, 2015, 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.

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The maximum potential amount of future payments as of March 31, 2015 is ¥2,238.1 billion. Liabilities for these guarantees of ¥6.5 billion have been provided as of March 31, 2015. Under these guarantee contracts, Toyota is entitled to recover any amounts paid by it from the customers whose obligations it guaranteed.

5.F TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Contractual Obligations and Commitments

For information regarding debt obligations, capital lease obligations, operating lease obligations and other obligations, including amounts maturing in each of the next five years, see notes 12, 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, 2015.

	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 12)					
Loans	1,167,792	1,167,792			
Commercial paper	3,880,396	3,880,396			
Long-term debt* (note 12)	13,910,240	3,911,561	5,243,960	3,405,863	1,348,856
Estimated amount of interest expense on long-term debt	888,312	280,648	351,072	157,301	99,291
Capital lease obligations (note 22)	19,459	3,743	4,629	2,860	8,227
Non-cancelable operating lease obligations (note 22)	76,374	14,765	22,883	12,822	25,904
Commitments for the purchase of property, plant, other assets and services (note 23)	325,555	104,721	52,734	52,577	115,523
Total	20,268,128	9,363,626	5,675,278	3,631,423	1,597,801

* 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 15 to the consolidated financial statements for further discussion.

Toyota expects to contribute ¥37,836 million domestically and ¥13,452 million overseas to its pension plans in fiscal 2016.

	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	2,238,185	553,530	927,723	495,769	261,163
Total Commercial Commitments	2,238,185	553,530	927,723	495,769	261,163

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5.G SAFE HARBOR

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

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A DIRECTORS AND SENIOR MANAGEMENT

In March 2011, Toyota unveiled its Toyota Global Vision . In order to realize the Toyota Global Vision, Toyota implemented a new management organization highlighted by a more streamlined board of directors and a reduced number of layers in the executive decision-making structure.

In April 2013, Toyota implemented organizational changes in order to further increase the speed of decision-making through clarification of operations and earnings responsibility. Specifically, Toyota s automotive business was split into four business units. These business units are Lexus International, which covers the Lexus business, Toyota No. 1, which covers North America, Europe and Japan, Toyota No. 2, which covers China, Asia & Middle East, East Asia & Oceania, Africa and Latin America & Caribbean and Unit Center, which covers all unit-related operations. Toyota s executive vice presidents are assigned to each operation and each is responsible for the operations and earnings of the respective business unit. Furthermore, in order to achieve sustainable growth through the continuous development of even-better cars that exceed customer expectations around the world, and to realize the Toyota Global Vision, the TNGA Planning Division, an organization directly under Toyota s top management, was established in order to rapidly promote the implementation of the TNGA. In April 2014, the Strategic Top Executive Meeting Office was established to set policies concerning medium to long term strategies and business direction, the fundamentals of corporate strategy. In April 2015, as a result of a review of the geographic oversight of operations, the Africa region was transferred from Business Unit Toyota No. 2 to Business Unit Toyota No. 1.

Toyota believes it is crucial for it to be led by members of the board of directors and senior management who deeply understand, and can effectively implement, Toyota s strengths the *monozukuri* spirit of conscientious manufacturing and the *genchi genbutsu* principle of placing emphasis on on-site operations with a go-and-see attitude for continued improvement and problem solving. At the 109th Ordinary General Shareholders Meeting held in June 2013, three outside members of the board of directors were appointed in order to further reflect the opinions of those from outside the company in management s decision-making process. Toyota has six audit & supervisory board members, three of whom are outside audit & supervisory board members. At the 110th Ordinary General Shareholders Meeting held in June 2014, in order to be prepared in the event Toyota lacks the number of audit & supervisory board members required by law, one substitute audit & supervisory board member was appointed pursuant to Article 329, Paragraph 2 of the Companies Act. In April 2015, with the aim of enhancing operational oversight and further increasing the speed of decision-making and execution of operations, the responsibility for executive vice presidents was changed to making decisions regarding management from a medium to long-term perspective and supervising execution of operations, with executives at senior managing officer level and below now responsible for execution of operations, such as business units, regional operations and key functions. In addition, at the 111th Ordinary General Meeting of Shareholders held in June 2015, the first non-Japanese executive vice president was appointed in order to promote diversity.

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Set forth below are brief summaries of Toyota s members of board of directors and audit & supervisory board members.

Name **(Date of birth)**	**Position**	**Brief career summary and important concurrent duties**	**Number of Shares**
Takeshi Uchiyamada (August 17, 1946)	Chairman of the Board of Directors	1969 Joined Toyota Motor Corporation (TMC) 1998 Member of the Board of Directors of TMC 2001 Managing Director of TMC 2003 Senior Managing Director of TMC 2005 Executive Vice President of TMC 2012 Vice Chairman of TMC 2013 Chairman of TMC	47,539
Akio Toyoda (May 3, 1956)	President, Member of the Board of Directors	1984 Joined TMC 2000 Member of the Board of Directors of TMC 2002 Managing Director of TMC 2003 Senior Managing Director of TMC 2005 Executive Vice President of TMC 2009 President of TMC (important concurrent duties) Chairman and CEO of Toyota Motor North America, Inc. Chairman of Toyota Motor Sales & Marketing Corporation Chairman of Nagoya Grampus Eight Inc.	4,596,475
Nobuyori Kodaira (March 18, 1949)	Executive Vice President, Member of the Board of Directors	1972 Joined Ministry of International Trade and Industry 2004 Director-General, Agency for Natural Resources and Energy 2006 Retired from Director-General, Agency for Natural Resources and Energy 2008 Advisor of TMC 2009 Managing Officer of TMC	23,000

2010 Senior Managing Director of TMC

2011 Member of the Board of Directors and Senior Managing Officer of TMC

2012 Executive Vice President of TMC

(important concurrent duties)

Director of KDDI CORPORATION

Audit & Supervisory Board Member of Aichi Steel Corporation

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Name **(Date of birth)**	**Position**	**Brief career summary and important concurrent duties**	**Number of Shares**
Mitsuhisa Kato (March 2, 1953)	Executive Vice President, Member of the Board of Directors	1975 Joined TMC 2004 Managing Officer of TMC 2006 Toyota Technocraft Co., Ltd. President 2006 Advisor of TMC 2007 Retired from Advisor of TMC 2010 Retired from Toyota Technocraft Co., Ltd. President 2010 Senior Managing Director of TMC 2011 Senior Managing Officer of TMC 2012 Executive Vice President of TMC (important concurrent duties) Director of Toyota Boshoku Corporation Director of Toyota Industries Corporation Audit & Supervisory Board Member of Aisin Seiki Co., Ltd. Director of Hino Motors, Ltd.	13,750
Seiichi Sudo (April 21, 1951)	Executive Vice President, Member of the Board of Directors	1974 Joined TMC 2003 Managing Officer of TMC 2005 President of Toyota Motor Manufacturing North America, Inc. 2006 Toyota Motor Manufacturing North America, Inc. and Toyota Technical Center U.S.A., Inc. merged and became Toyota Motor Engineering & Manufacturing North America, Inc. 2006 President of Toyota Motor Engineering & Manufacturing North America, Inc. 2008 President of Toyota Motor Kyushu, Inc. 2008 Advisor of TMC 2008 Retired from Toyota Motor Engineering & Manufacturing North America, Inc. President 2010 Retired from Advisor of TMC	12,300

2012 Retired from Toyota Motor Kyushu, Inc. President

2012 Senior Managing Officer of TMC

2013 Executive Vice President of TMC

(important concurrent duties)

Chairman of Toyota Motor (Changshu) Auto Parts Co., Ltd.

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Name **(Date of birth)**	**Position**	**Brief career summary and important concurrent duties**	**Number of Shares**
Takahiko Ijichi (July 15, 1952)	Executive Vice President, Member of the Board of Directors	1976 Joined TMC 2004 Managing Officer of TMC 2008 Senior Managing Director of TMC 2011 Member of the Board of Directors and Senior Managing Officer of TMC 2013 Advisor of TMC 2015 Executive Vice President, Member of the Board of Directors (important concurrent duties) Director and President of TOWA REAL ESTATE Co., Ltd. Audit & Supervisory Board Member of Tokai Rika Co., Ltd.	27,000
Didier Leroy (December 26, 1957)	Executive Vice President, Member of the Board of Directors	1982 Joined Renault S.A. 1998 Joined Toyota Motor Manufacturing France S.A.S. 1998 Toyota Motor Manufacturing France S.A.S. Vice President 2005 Toyota Motor Manufacturing France S.A.S. President 2007 Managing Officer of TMC 2007 Toyota Motor Europe NV/SA Executive Vice President 2009 Toyota Motor Manufacturing France S.A.S. Chairman 2010 Toyota Motor Europe NV/SA President 2010 Retired from Toyota Motor Manufacturing France S.A.S. Chairman 2011 Toyota Motor Europe NV/SA President and CEO 2012 Senior Managing Officer of TMC 2015 Toyota Motor Europe NV/SA Chairman 2015 Executive Vice President, Member of the Board of Directors of TMC	

(important concurrent duties)

Chairman of Toyota Motor Europe NV/SA

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

Vice Chairman of Toyota Motor North America, Inc.

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Name (Date of birth)	Position	Brief career summary and important concurrent duties	Number of Shares
Shigeki Terashi (February 16, 1955)	Executive Vice President, Member of the Board of Directors	1980 Joined TMC 2008 Managing Officer of TMC 2008 Executive Vice President of Toyota Motor Engineering & Manufacturing North America, Inc. 2011 President and COO of Toyota Motor Engineering & Manufacturing North America, Inc. 2012 President and CEO of Toyota Motor Engineering & Manufacturing North America, Inc. 2012 President and COO of Toyota Motor North America, Inc. 2013 Retired from Toyota Motor Engineering & Manufacturing North America, Inc. President and CEO 2013 Retired from Toyota Motor North America, Inc. President and COO 2013 Senior Managing Officer of TMC 2013 Member of the Board of Directors and Senior Managing Officer of TMC 2015 Executive Vice President, Member of the Board of Directors of TMC	14,900
Shigeru Hayakawa (September 15, 1953)		1977 Joined Toyota Motor Sales Co., Ltd. 2007 Managing Officer of TMC 2007 Toyota Motor North America, Inc. President 2009 Retired from Toyota Motor North America, Inc. President 2012 Senior Managing Officer of TMC 2015 Member of the Board of Directors and Senior Managing Officer of TMC	14,200

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Name **(Date of birth)**	**Position**	**Brief career summary and important concurrent duties**	**Number of Shares**
Ikuo Uno (January 4, 1935)	Member of the Board of Directors	1959 Joined Nippon Life Insurance Company 1986 Director of Nippon Life Insurance Company 1988 Managing Director of Nippon Life Insurance Company 1992 Senior Managing Director of Nippon Life Insurance Company 1994 Vice President and Representative Director of Nippon Life Insurance Company 1997 President and Representative Director of Nippon Life Insurance Company 2005 Chairman and Representative Director of Nippon Life Insurance Company 2011 Advisor and Director of Nippon Life Insurance Company 2011 Advisor of Nippon Life Insurance Company 2013 Member of the Board of Directors of TMC (important concurrent duties) Advisor of Nippon Life Insurance Company Outside Director of Fuji Kyuko Co., Ltd. Outside Corporate Auditor of Odakyu Electric Railway Co., Ltd. Outside Corporate Auditor of Tohoku Electric Power Co., Inc. Outside Director of Panasonic Corporation Outside Corporate Auditor of Sumitomo Mitsui Financial Group, Inc.	
Haruhiko Kato (July 21, 1952)	Member of the Board of Directors	1975 Joined Ministry of Finance (Japan) 2007 Director of Taxation Bureau, Ministry of Finance (Japan) 2009 Director-General of National Tax Administration Agency 2010 Retired from National Tax Administration Agency Director-General 2011 Senior Managing Director of Japan Securities Depository Center, Inc. 2011 President and CEO of Japan Securities Depository Center, Inc.	

2013 Member of the Board of Directors of TMC

(important concurrent duties)

President and CEO of Japan Securities Depository Center, Inc.

Outside Director of Canon Inc.

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Name **(Date of birth)**	**Position**	**Brief career summary and important concurrent duties**	**Number of Shares**
Mark. T. Hogan (May 15, 1951)	Member of the Board of Directors	1973 Joined General Motors Corporation 2002 Vice President of General Motors Group 2004 Retired from General Motors Group Vice President 2004 President of Magna International Inc. 2007 Retired from Magna International Inc. President 2008 President and CEO of Vehicle Production Group LLC 2010 Retired from Vehicle Production Group LLC President and CEO 2010 President of Dewey Investments LLC 2013 Member of the Board of Directors of TMC (important concurrent duties) President of Dewey Investments LLC	
Masaki Nakatsugawa (January 29, 1953)	Full-time Audit & Supervisory Board Member	1976 Joined Toyota Motor Sales Co., Ltd. 2000 Dispatched to Toyota Motor Thailand Co., Ltd. 2004 General Manager for Accounting Div. of TMC 2006 Audit & Supervisory Board Member of TMC	5,800
Masahiro Kato (September 17, 1952)	Full-time Audit & Supervisory Board Member	1975 Joined TMC 2009 Toyota Motor (China) Investment Co., Ltd. President 2009 Managing Officer of TMC 2011 Retired from Toyota Motor (China) Investment Co., Ltd. President 2011 Audit & Supervisory Board Member of TMC	4,400
Yoshiyuki Kagawa (December 18, 1952)	Full-time Audit & Supervisory Board Member	1983 Joined TMC 2010 General Manager of Prototype Production Division of TMC 2015 Project General Manager of Secretary Division of TMC 2015 Audit & Supervisory Board Member of TMC	600
Yoko Wake	Outside Audit & Supervisory Board Member	1970 Joined the Fuji Bank, Limited	

(November 18, 1947)	1973 Retired from the same
	1977 Assistant Lecturer of Faculty of Business and Commerce of Keio University
	1982 Associate Professor of the same
	1993 Professor of the same
	2011 Outside Audit & Supervisory Board Member of TMC
	2013 Professor Emeritus of Keio University
	(important concurrent duties)
	Professor Emeritus of Keio University

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Name **(Date of birth)**	**Position**	**Brief career summary and important concurrent duties**	**Number of Shares**
Teisuke Kitayama (October 26, 1946)	Outside Audit & Supervisory Board Member	1969 Joined Mitsui Bank 1997 Director of The Sakura Bank, Limited 1999 Executive Officer of the same 2000 Managing Executive Officer of the same 2000 Managing Director and Managing Executive Officer of the same 2001 Managing Director and Managing Executive Officer of Sumitomo Mitsui Banking Corporation 2003 Senior Managing Director and Senior Executive Officer of the same 2003 Senior Executive Officer of Sumitomo Mitsui Financial Group, Inc. 2004 Vice President and Executive Officer of the same 2004 Retired from Director of Sumitomo Mitsui Banking Corporation 2004 Vice President and Director of Sumitomo Mitsui Financial Group, Inc. 2005 President and Director of the same 2005 Chairman and Director of Sumitomo Mitsui Banking Corporation 2011 Retired from Director of Sumitomo Mitsui Financial Group, Inc. 2014 Outside Audit & Supervisory Board Member of TMC (important concurrent duties) Chairman of the Board of Sumitomo Mitsui Banking Corporation Outside Director of FUJIFILM Holdings Corporation Outside Auditor of Isetan Mitsukoshi Holdings Ltd.	
Hiroshi Ozu (July 21, 1949)	Outside Audit & Supervisory Board Member	2012 Prosecutor-General 2014 Retired from Prosecutor-General 2014 Registered as Attorney 2015 Outside Audit & Supervisory Board Member of TMC	

(important concurrent duties)

Attorney

Outside Corporate Auditor of Mitsui & Co., Ltd.

None of the persons listed above was selected as member of board of directors, audit & supervisory board member or member of senior management pursuant to an arrangement or understanding with Toyota s major shareholders, customers, suppliers or others.

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Set forth below is a brief summary of Toyota s substitute audit & supervisory board member.

Name (Date of birth)	Position	Brief career summary and important concurrent duties	Number of Shares
Ryuji Sakai (August 7, 1957)		1985 Registered as attorney and joined Nagashima & Ohno 1990 Wilson Sonsini Goodrich & Rosati 1995 Partner of Nagashima & Ohno 2000 Partner of Nagashima Ohno & Tsunematsu (important concurrent duties) Attorney Outside Audit & Supervisory Board Member of Kobayashi Pharmaceutical Co., Ltd. Outside Audit & Supervisory Board Member of Tokyo Electron Limited	

6.B COMPENSATION

The aggregate amount of remuneration, including bonuses but excluding stock options, accrued for all members of the board of directors and audit & supervisory board members as a group by Toyota for services in all capacities during fiscal 2015 was approximately ¥2,032 million. Members of the Board of Directors of Toyota Motor Corporation receive year-end bonuses, the aggregate amount of which is approved at Toyota Motor Corporation s ordinary general shareholders meeting and is based on Toyota Motor Corporation s financial performance for the fiscal year. The amounts of the bonuses paid to individual members of the board of directors and audit & supervisory board members are then determined based upon discussions at a meeting of Toyota Motor Corporation s board of directors and the meeting of audit & supervisory board members.

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

Toyota s Annual Securities Report filed with the Kanto Local Bureau of Finance on June 24, 2015, contained the following information concerning compensation in fiscal 2015 on a consolidated basis for members of the board of directors and audit & supervisory board members whose total compensation exceeded ¥100 million during such period:

- Takeshi Uchiyamada, Member of the Board of Directors: ¥201 million (¥102 million in base compensation and ¥99 million in bonus)

- Akio Toyoda, Member of the Board of Directors: ¥352 million (¥102 million in base compensation and ¥249 million in bonus)

- Satoshi Ozawa, Member of the Board of Directors: ¥126 million (¥64 million in base compensation and ¥61 million in bonus)

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- Nobuyori Kodaira, Member of the Board of Directors: ¥126 million (¥64 million in base compensation and ¥61 million in bonus)

- Mitsuhisa Kato, Member of the Board of Directors: ¥126 million (¥64 million in base compensation and ¥61 million in bonus)

- Masamoto Maekawa, Member of the Board of Directors: ¥126 million (¥64 million in base compensation and ¥61 million in bonus)

- Yasumori Ihara, Member of the Board of Directors: ¥122 million (¥64 million in base compensation and ¥58 million in bonus)

- Seiichi Sudo, Member of the Board of Directors: ¥122 million (¥64 million in base compensation and ¥58 million in bonus)

The amounts above were recorded as expenses in fiscal 2015.

6.C BOARD PRACTICES

Toyota s articles of incorporation provide for a board of directors of not more than 20 members and for not more than seven audit & supervisory board members. Shareholders elect the members of the board of directors and audit & supervisory board members at the general shareholders meeting. The normal term of office of a member of the board of directors is one year and of an audit & supervisory board member is four years. Members of the board of directors and audit & supervisory board members may serve any number of consecutive terms.

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

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

Under the Companies Act, Toyota must have at least three audit & supervisory board members. At least half of the audit & supervisory board members are required to be an outside audit & supervisory board member, which is any person who satisfies all of the following requirements:

(a) the person has never been a member of the board of directors, accounting counselor (in the case that an accounting counselor is a legal entity, an employee of such entity who is in charge of its affairs), executive officer, manager or employee of Toyota or its subsidiaries during the 10 year period before becoming an outside audit & supervisory board member;

(b) if the person was an audit & supervisory board member of Toyota or any of its subsidiaries at any time during the 10 year period before becoming an outside audit & supervisory board member, such person has not been a member of the board of directors, accounting counselor (in the case that an accounting counselor is a legal

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entity, an employee of such entity who is in charge of its affairs), executive officer, manager or employee of Toyota or any of its subsidiaries during the 10 year period before becoming an audit & supervisory board member of Toyota or any of its subsidiaries; and

(c) the person is not a spouse or relative within the second degree of kinship of any member of the board of directors or manager or other key employee of Toyota.

The audit & supervisory board members may not at the same time be a member of the board of directors, accounting counselor (in case that an accounting counselor is a judicial person, a member of such judicial person who is in charge of its affairs), executive officers, general managers or employees of Toyota or any of its subsidiaries. Together, these audit & supervisory board members form the audit & supervisory board. The audit & supervisory board members have the duty to examine the financial statements and business reports which are submitted by the board of directors to the general shareholders meeting. The audit & supervisory board members also monitor the administration of Toyota s affairs by the members of the board of directors. Audit & supervisory board members are not required to be, and Toyota s audit & supervisory board members are not, certified public accountants. They are required to participate in meetings of the board of directors but are not entitled to vote.

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

Toyota does not have a remuneration committee.

6.D EMPLOYEES

The total number of Toyota employees, on a consolidated basis, was 344,109 as of March 31, 2015, 338,875 as of March 31, 2014 and 333,498 as of March 31, 2013. The following tables set forth a breakdown of persons employed by business segment and by geographic location as of March 31, 2015.

Segment	Number of Employees	Location	Number of Employees
Automotive	304,581	Japan	197,203
Financial services	9,595	North America	43,809
All other	25,130	Europe	19,118
Unallocated	4,803	Asia	59,679
		Other*	24,300
Total	344,109	Total	344,109

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

Most regular employees of Toyota Motor Corporation and its consolidated subsidiaries in Japan, other than management, are required to become members of the labor unions that comprise the Federation of All Toyota Workers Unions. Approximately 86% of Toyota Motor Corporation s regular employees in Japan are members of this union.

In Japan, basic wages and other working conditions are negotiated annually. In addition, in accordance with Japanese national custom, each employee is also paid a semi-annual bonus. Bonuses are negotiated at the time of

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wage negotiations and are based on Toyota s financial results, prospects and other factors. The average wage increases per employee, excluding bonuses, in Japan have been approximately 2.4% per year for the past five fiscal years.

In general, Toyota considers its labor relations with all of its workers to be good. However, Toyota is currently a party to, and otherwise from time to time experiences, labor disputes in some of the countries in which it operates. Toyota does not expect any disputes to which it is currently a party to materially affect Toyota s consolidated financial position.

Toyota s average number of temporary employees on a consolidated basis was 85,848 during fiscal 2015.

6.E SHARE OWNERSHIP

For information on the number of shares of Toyota s common stock held by each member of the board of directors and audit & supervisory board member as of June 2015, see Directors and Senior Management . Each such member of the board of directors and audit & supervisory board member owns less than one percent of the issued and outstanding shares of common stock of Toyota. The shares held by each member of the board of directors and audit & supervisory board member do not include options that are exercisable for shares of Toyota s common stock. For a description of these options, see Stock Options below.

None of Toyota s shares of common stock entitles the holder to any preferential voting rights.

Stock Options

Toyota enacted stock option plans every year from 2007 until 2010. Toyota will not enact any such plan after 2011. The plans for which stock options or stock acquisition rights are currently exercisable or will become exercisable in the future were approved by Toyota s shareholders in June of 2007, 2008, 2009 and 2010. Under the 2007 plan, Toyota issued stock acquisition rights to purchase 3,264,000 shares of common stock to its members of the board of directors and 579 officers and employees, including directors, officers and employees of its subsidiaries and one Toyota affiliated company. Under the 2008 plan, Toyota issued stock acquisition rights to purchase 3,494,000 shares of common stock to its members of the board of directors and 597 officers and employees, including directors, officers and employees of its subsidiaries and one Toyota affiliated company. Under the 2009 plan, Toyota issued stock acquisition rights to purchase 3,492,000 shares of common stock to its members of the board of directors and 615 officers and employees, including directors, officers and employees of its subsidiaries and one Toyota affiliated company. Under the 2010 plan, Toyota issued stock acquisition rights to purchase 3,600,000 shares of common stock to its members of the board of directors and officers and employees, including directors, officers and employees of its subsidiaries and one Toyota affiliated company.

Pursuant to the provisions of the 2007, 2008, 2009 and 2010 plans, stock acquisition rights may be exercised during a six-year period that starts two years from the date of grant. The exercise price of each stock acquisition right is 1.025 times the closing price of Toyota s common stock on the Tokyo Stock Exchange on the date of grant. The 2007, 2008, 2009 and 2010 plans provide that each member of the board of directors will be granted no more than 400 and no less than 300 stock acquisition rights, and each eligible officer or employee will be granted no more than 200 and no less than 20 stock acquisition rights. For each of the 2007, 2008, 2009 and 2010 plans, 100 shares will be issued or delivered upon the exercise of each stock acquisition right. The options are granted as of early August of each year for each plan.

An option holder who retires while one s options are still exercisable retains the right to exercise one s options until the expiration of the exercise period described above. However, an option holder s right to purchase common stock under each plan lapses automatically upon one s death or upon taking position such as in the management with a competitor.

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The following table summarizes information for options and the incentive plan outstanding and exercisable at March 31, 2015:

Exercise price range (Yen)	Outstanding Number of shares	Outstanding Weighted-average exercise price (Yen)	Outstanding Weighted-average remaining life (Years)	Exercisable Number of shares	Exercisable Weighted-average exercise price (Yen)
3,183 5,000	2,770,300	3,931	2.50	2,770,300	3,931
5,001 7,278	733,200	7,278	0.33	733,200	7,278

Toyota also has an employee stock ownership association in Japan for employees and full time and part time company advisors. Members of the employee stock ownership association set aside certain amounts from their monthly salary and bonuses to purchase Toyota s common stock through the employee stock ownership association. As of March 31, 2015, the employee stock ownership association held 13,882,628 shares of Toyota s common stock.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A MAJOR SHAREHOLDERS

As of March 31, 2015, 3,417,997,492 shares of Toyota s common stock were issued, out of which, 271,183,861 shares were treasury stock and 3,146,813,631 shares were outstanding. Beneficial ownership of Toyota s common stock in the table below was prepared from information known to Toyota or that could be ascertained from public filings, including filings made by Toyota s shareholders regarding their ownership of Toyota s common stock under the Financial Instruments and Exchange Law of Japan.

Under the Financial Instruments and Exchange Law, any person who becomes, beneficially and solely or jointly, a holder, including, but not limited to, a deemed holder who manages shares for another holder pursuant to a discretionary investment agreement, of more than 5% of the total issued shares of a company listed on a Japanese stock exchange (including ADSs representing such shares) must file a report concerning the shareholding with the director of the relevant local finance bureau. A similar report must be filed, with certain exceptions, if the percentage of shares held by a holder, solely or jointly, of more than 5% of the total issued shares of a company increases or decreases by 1% or more, or if any change to a material matter set forth in any previously filed reports occurs.

Based on information known to Toyota or can be ascertained from public filings, the following table sets forth the beneficial ownership of holders of more than 5% of Toyota s common stock as of the most recent practicable date.

Name of Beneficial Owner	Number of Shares (in thousands)	Percentage of Shares Issued
Toyota Industries Corporation	224,515	6.57

According to The Bank of New York Mellon, depositary for Toyota s ADSs (the Depositary), as of March 31, 2015, 82,545,759 shares of Toyota s common stock were held in the form of ADRs and there were 2,015 ADR holders of record and 253,658 beneficial owners in the United States. According to Toyota s register of shareholders, as of March 31, 2015, there were 496,859 holders of common stock of record worldwide. As of March 31, 2015, there were 515 record holders of Toyota s common stock with addresses in the United States, whose shareholdings represented approximately 15.5% of the issued common stock on that date. Because some of these shares were held by brokers or other nominees, the number of record holders with addresses in the United States might not fully show the number of beneficial owners in the United States.

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None of Toyota s shares of common stock entitles the holder to any preferential voting rights.

To the extent known to Toyota, Toyota is not owned or controlled, directly or indirectly, by another corporation, any foreign government or any natural or legal person.

Toyota knows of no arrangements the operation of which may at a later time result in a change of control.

7.B RELATED PARTY TRANSACTIONS

Business Relationships

Toyota purchases materials, supplies and services from numerous suppliers throughout the world in the ordinary course of business, including Toyota s affiliated companies accounted for by the equity method and those firms with which certain members of Toyota s board of directors are affiliated. Toyota purchased materials, supplies and services from these affiliated entities in the amount of ¥5,065.6 billion in fiscal 2015. Toyota also sells its products and services to Toyota s affiliated companies accounted for by the equity method and firms with which certain members of Toyota s board of directors are affiliated. Toyota sold products and services to these affiliated entities in the amount of ¥1,785.2 billion in fiscal 2015. See note 11 of Toyota s consolidated financial statements for additional information regarding Toyota s investments in and transactions with affiliated companies.

Loans

Toyota regularly has trade accounts and other receivables by, and accounts payable to, Toyota s affiliated companies accounted for by the equity method and firms with which certain members of Toyota s board of directors are affiliated. Toyota had outstanding trade accounts and other receivables by these affiliated entities in the amount of ¥266.9 billion as of March 31, 2015. Toyota had outstanding trade accounts and other payables to these affiliated entities in the amount of ¥635.8 billion as of March 31, 2015.

Toyota, from time to time, provides short- to medium-term loans to its affiliated companies, as well as loans under a loan program established by certain subsidiaries to assist their executives and members of the board of directors with the purchase of homes. As of March 31, 2015, an aggregate amount of ¥1.3 billion in loans was outstanding to its affiliated companies accounted for by the equity method. As of March 31, 2015, an aggregate amount of ¥29.1 billion in loans was outstanding to those of its affiliated companies not accounted for by the equity method, which are 20% to 50% owned by Toyota. As of March 31, 2015, the largest loan outstanding to any such affiliated company accounted for by the equity method was a loan of ¥1.0 billion at a fixed rate of 0.46%. Toyota believes that each of these loans was entered into in the ordinary course of business.

7.C INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

8.A CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

1-3. Consolidated Financial Statements. Toyota s audited consolidated financial statements are included under Item 18 Financial Statements . Except for Toyota s consolidated financial statements included under Item 18, no other information in this annual report has been audited by Toyota s auditors.

4. Not applicable.

5. Not applicable.

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6. Export Sales. See Operating and Financial Review and Prospects Operating Results Overview Geographic Breakdown .

7. Legal and Arbitration Proceedings. See Information on the Company Business Overview Legal Proceedings .

8. Dividend Policy. See Key Information Selected Financial Data Dividend Information .

8.B SIGNIFICANT CHANGES

Except as disclosed in this annual report, there have been no significant changes since the date of Toyota s latest annual financial statements.

ITEM 9. THE OFFER AND LISTING

9.A LISTING DETAILS

The following table sets forth for the periods shown the reported high and low sales prices of the common stock on the Tokyo Stock Exchange and the ADSs on the New York Stock Exchange.

	Tokyo Stock Exchange Price per Share		New York Stock Exchange Price per ADS	
	High	**Low**	**High**	**Low**
Fiscal Year Ended March 31,				
2011	¥ 3,955	¥ 2,800	$ 93.90	$ 67.56
2012	3,635	2,330	87.15	60.37
2013	5,050	2,795	106.00	72.04
2014	6,800	4,610	134.94	99.70
2015	8,799	5,205	145.80	103.38
Financial Quarter Ended:				
June 30, 2013	6,800	4,610	130.99	99.70
September 30, 2013	6,540	5,890	134.94	120.11
December 31, 2013	6,430	6,010	132.53	118.11
March 31, 2014	6,400	5,415	121.74	106.31
June 30, 2014	6,090	5,205	119.88	103.38
September 30, 2014	6,550	5,850	122.35	113.92
December 31, 2014	7,898	5,710	129.30	108.40
March 31, 2015	8,799	6,770	145.80	121.21
Month Ended:				
December 31, 2014	7,898	7,107	129.30	121.06
January 31, 2015	7,834	6,770	132.42	121.21
February 28, 2015	8,229	7,495	138.70	128.96
March 31, 2015	8,799	8,029	145.80	133.60
April 30, 2015	8,535	8,175	142.84	137.20
May 31, 2015	8,700	8,150	142.34	136.50

9.B PLAN OF DISTRIBUTION

Not applicable.

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9.C MARKETS

The primary trading market for Toyota s common stock is the Tokyo Stock Exchange. The common stock is also listed on the Nagoya Stock Exchange and two other regional stock exchanges in Japan.

Since September 29, 1999, American Depositary Shares, each equal to two shares of Toyota s common stock and evidenced by American Depositary Receipts, have been traded and listed on the New York Stock Exchange through a sponsored ADR facility operated by The Bank of New York Mellon, as Depositary. Prior to that time, Toyota s ADSs were listed on the Nasdaq SmallCap Market through five unsponsored ADR facilities.

Toyota s common stock is also listed on the London Stock Exchange.

9.D SELLING SHAREHOLDERS

Not applicable.

9.E DILUTION

Not applicable.

9.F EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A SHARE CAPITAL

Not applicable.

10.B MEMORANDUM AND ARTICLES OF ASSOCIATION

Except as otherwise stated, set forth below is information relating to Toyota s common stock and Model AA Class Shares, including brief summaries of the relevant provisions of Toyota s articles of incorporation and share handling regulations, as currently in effect, and of the Companies Act, Act Concerning Book-Entry Transfer of Corporate Bonds, Shares and Other Securities (the Book-Entry Transfer Act) and related legislation.

General

Toyota s authorized number of shares as of March 31, 2015 was 10,000,000,000 common shares, of which 3,417,997,492 shares were issued. The articles of incorporation was amended at the 111th Ordinary General Shareholders Meeting held in June 2015 and Toyota s authorized number of shares was changed to 10,000,000,000 shares, with the total number of authorized shares for each class of 10,000,000,000 for common shares, 50,000,000 for First Series Model AA Class Shares, 50,000,000 for Second Series Model AA Class Shares, 50,000,000 for Third Series Model AA Class Shares, 50,000,000 for Fourth Series Model AA Class Shares and 50,000,000 for Fifth Series Model AA Class Shares, and the total number of shares authorized to be issued with respect to First Series Model AA Class Shares through the Fifth Series Model AA Class Shares not to exceed 150,000,000 shares. As of June 24, 2015, there were no Model AA Class Shares issued and outstanding.

Toyota does not issue share certificates for its shares. In accordance with the Companies Act, the Book-Entry Transfer Act and Toyota s articles of incorporation, Toyota s common shares are recorded or registered on (i) Toyota s register of shareholders and (ii) transfer account books of the Japan Securities Depository Center, Inc. (JASDEC) which is a book-entry transfer institution and securities firms, banks or other account management institutions. The transfer of common shares will generally become effective once the transfer is recorded in the transferee s account. In order to assert shareholders rights against Toyota, a shareholder must generally have his or her name and address recorded or registered on Toyota s register of shareholders. A holder of common shares can assert minority shareholders rights (shareholders rights for which Toyota has not set a record date) against Toyota if JASDEC provides an individual shareholder notice to Toyota upon the shareholder s request. The shareholder of deposited shares underlying the ADSs is the Depositary for the ADSs. Accordingly, holders of ADSs will not be able directly to assert shareholders rights.

A holder of common shares must have a transfer account to transfer shares. Holders of common shares who do not have a transfer account with JASDEC must have an account with an account management institution that directly or indirectly has a transfer account with JASDEC. Once Toyota decides on the record date for its shareholders meeting or makes a request to JASDEC based on justifiable grounds, JASDEC will promptly provide to Toyota names, addresses and other information with respect to the holders of Toyota s common shares who are recorded on the transfer account books of JASDEC or account management institutions. Upon receiving such information, Toyota will record or register such information received from JASDEC on its register of shareholders. Accordingly, holders of common shares recorded or registered on Toyota s register of shareholders will be treated as holders of common shares of Toyota and may exercise rights, such as voting rights, and will receive dividends (if any) and notices to holders of common shares directly from Toyota. Holders of common shares wishing to assert minority shareholders rights against Toyota must request an individual shareholder notice to JASDEC or the account management institution at which the shareholder has opened a transfer account. In response to such request, JASDEC will provide the individual shareholders notice to Toyota. A holder of common shares may assert his or her minority shareholders rights against Toyota for a period of four weeks after the date the individual shareholder notice is provided to Toyota. The shares held by a person who is deemed to hold additional shares according to the transfer account books are aggregated for these purposes.

Model AA Class Shares, once issued, will be recorded or registered on Toyota s register of shareholders. The transfer of Model AA Class Shares, once issued, will be effective upon an agreement between the transferor and the transferee, but entry or record of a change of holder in the register of shareholders will require an approval from the board of directors.

Corporate Purpose

Article 2 of Toyota s articles of incorporation states that its purpose is to engage in the following businesses:

- the manufacture, sale, leasing and repair of:
  - motor vehicles, industrial vehicles, ships, aircraft, other transportation machinery and apparatus, spacecraft and space machinery and apparatus, and parts thereof;
  - industrial machinery and apparatus, other general machinery and apparatus, and parts thereof;
  - electrical machinery and apparatus, and parts thereof; and
  - measuring machinery and apparatus, medical machinery and apparatus, and parts thereof.
- the manufacture and sale of ceramics and products of synthetic resins, and materials thereof;
- the manufacture, sale and repair of construction materials and equipment, furnishings and fixtures for residential buildings;

the planning, designing, supervision, execution and undertaking of construction works, civil engineering works, land development, urban development and regional development;

the sale, purchase, leasing, brokerage and management of real estate;

the service of information processing, information communications and information supply and the development, sale and leasing of software;

the design and development of product sales systems that utilize networks such as the Internet, sale, leasing and maintenance of computers included within such systems, and sale of products by utilizing such systems;

the inland transportation, marine transportation, air transportation, stevedoring, warehousing and tourism businesses;

the printing, publishing, advertising and publicity, general leasing, security and workers dispatch businesses;

the credit card operations, purchase and sale of securities, investment consulting, investment trust operation, and other financial services;

the operation and management of such facilities as parking lots, showrooms, educational facilities, medical care facilities, sports facilities, marinas, airfields, food and drink stands and restaurants, lodging facilities, retail stores and others;

the non-life insurance agency business and the life insurance agency business;

the production and processing by using biotechnology of agricultural products including trees, and the sale of such products;

the sale of goods related to each of the preceding items and mineral oil;

the conducting of engineering, consulting, invention and research relating to each of the preceding items and the utilization of such invention and research; and

any businesses incidental to or related to any of the preceding items.

Dividends

Dividends General

Toyota normally pays dividends twice per year, including an interim dividend and a year-end dividend. Although Toyota s articles of incorporation provide that retained earnings can be distributed as dividends pursuant to the resolution of its board of directors, Toyota s board of directors recommends the payment of a year-end dividend to holders of common shares and pledgees of common shares of record as of March 31, the record date, in each year. Year-end dividends are usually paid to the holders of common shares immediately following approval of the dividends at the general shareholders meeting, normally around the middle of June of each year. In addition, the articles of incorporation provide that in the event that Toyota pays a year-end dividend to holders of common shares, it will pay AA Dividends in cash from surplus to any holders of Model AA Class Shares or registered pledgees of Model AA Class Shares entered or recorded in the final register of shareholders as of the record date for the year-end dividend, in preference to holders of common shares or registered pledgees of common shares. The amount of annual AA Dividends per Model AA Class Share is calculated by multiplying the amount per Model AA Class Share paid to Toyota as consideration by a rate determined by the board of directors prior to the issuance of such Model AA Class Share, which rate is not to exceed 5%.

In addition to these year-end dividends, Toyota may pay an interim dividend in the form of cash distributions from its distributable surplus to holders of common shares and pledgees of common shares of record as of September 30, the record date, in each year by resolution of its board of directors. Toyota normally pays the interim dividend in late November. The articles of incorporation provide that in the event that Toyota pays such interim dividends, Toyota will pay AA Interim Dividends in cash as interim dividend to any holders of Model AA Class Shares or registered pledgees of Model AA Class Shares entered or recorded in the final register of shareholders as of the record date for the interim dividend, in preference to holders of common shares or registered pledgees of common shares. If AA Interim Dividends are paid during the fiscal year in which the record date for the year-end dividend falls, the amount of AA Interim Dividends is deducted from AA Dividends to be paid per the above paragraph.

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If the amount of the dividends from surplus paid in cash to holders of Model AA Class Shares or registered pledgees of Model AA Class Shares is less than the prescribed amount of AA Dividends in any fiscal year, the amount of the shortfall will be carried forward to and accumulate in the following fiscal year and thereafter. Dividends from surplus will be paid in cash to holders of Model AA Class Shares or registered pledgees of Model AA Class Shares in preference to the payment of interim and year-end dividends until such payment reaches the amount of the accumulated unpaid dividends.

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

Dividends Distributable amount

Under the Companies Act, Toyota is permitted to make distributions of surplus to the extent that the aggregate book value of the assets to be distributed to shareholders does not exceed the distributable amount provided for by the Companies Act and the ordinance of the Ministry of Justice as at the effective date of such distribution of surplus.

The amount of surplus at any given time shall be the amount of Toyota s assets and the book value of Toyota s treasury stock after subtracting and adding the amounts of items provided for by the Companies Act and the ordinance of the Ministry of Justice, and the amount of surplus distributable for dividends is calculated by adding to and subtracting from this amount the amounts of items provided for by the Companies Act and the ordinance of the Ministry of Justice.

Dividends Prescription

Under its articles of incorporation, Toyota is not obligated to pay any dividends in cash which are left unclaimed for a period of three years after the date on which they first became payable.

Capital Accounts

The amount of the cash or assets paid or contributed by subscribers for new shares (with certain exceptions) is required to be accounted for as stated capital, although Toyota may account for an amount not exceeding one-half of such cash or assets as additional paid-in capital.

Under the Companies Act, Toyota may reduce its additional paid-in capital and legal reserve without limitation on the amount to be reduced, generally, by a resolution of a general shareholders meeting and if so decided by the same resolution, may account for the whole or any part of the amount of the reduction of additional paid-in capital as stated capital. The whole or any part of surplus which may be distributed as dividends may also be transferred to stated capital by a resolution of a general shareholders meeting.

Stock Splits

Toyota may at any time split the outstanding shares into a greater number of shares by a resolution of the board of directors. Toyota must give public notice of the stock split, specifying a record date for the stock split, not less than two weeks prior to the record date. Toyota shall conduct any stock split simultaneously and in the same proportion with respect to the common shares and the Model AA Class Shares.

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Consolidation of Shares

Toyota may at any time consolidate shares in issue into a smaller number of shares by a special shareholders resolution (as defined in Voting Rights). When a consolidation of shares is to be made, Toyota must give public notice of certain matters two weeks prior to the effective date of the consolidation. Toyota must disclose the reason for the consolidation of shares at a general shareholders meeting. Toyota shall conduct any consolidation of shares simultaneously and in the same proportion with respect to the common shares and the Model AA Class Shares.

Japanese Unit Share System

General. Consistent with the requirements of the Companies Act, Toyota s articles of incorporation provide that 100 common shares or Model AA Class Shares each constitute one unit . Although the number of shares constituting a unit is included in the articles of incorporation, any amendment to the articles of incorporation reducing (but not increasing) the number of shares constituting a unit or eliminating the provisions for the unit of shares may be made by a resolution of the board of directors rather than by a special shareholders resolution, which is otherwise required for amending the articles of incorporation.

Voting Rights under the Unit Share System. Under the unit share system, shareholders have one voting right for each unit of shares that they hold. Any number of common shares or Model AA Class Shares less than a full unit will carry no voting rights.

Purchase by Toyota of Shares Constituting Less Than a Unit. A holder of shares constituting less than a full unit may require Toyota to purchase those shares at their market value in the case of common shares and at fair price in the case of Model AA Class Shares in accordance with the provisions of Toyota s share handling regulations and the Companies Act.

Surrender of American Depositary Receipts. ADR holders will only be permitted to surrender ADRs and withdraw underlying common shares constituting an integral number of a whole unit. If a holder surrenders an ADR including ADRs representing common shares that do not constitute an integral number of whole units, the Depositary will deliver to that holder only those common shares which constitute a whole unit. The Depositary will then issue to the holder a new ADR representing the remaining shares. Holders of an ADR that represents less than a whole unit of underlying shares will be unable to withdraw the underlying shares. As a result, those holders will be unable to require Toyota to purchase their common shares to the extent those common shares constitute less than one whole unit.

Voting Rights

Toyota holds its ordinary general shareholders meeting each year. In addition, Toyota may hold an extraordinary general shareholders meeting whenever necessary by giving at least two weeks advance notice. Under the Companies Act, notice of any shareholders meeting must be given to each shareholder having voting rights or, in the case of a non-resident shareholder, to his or her resident proxy or mailing address in Japan in accordance with Toyota s share handling regulations, at least two weeks prior to the date of the meeting.

Holders of common shares and holders of Model AA Class Shares shall have voting rights exercisable at a general shareholders meeting. A holder of shares constituting one or more whole units is entitled to one vote per unit of shares subject to the limitations on voting rights set forth in this paragraph. In general, under the Companies Act, a resolution can be adopted at a general shareholders meeting by a majority of the shares having voting rights represented at the meeting. The Companies Act and Toyota s articles of incorporation require a quorum for the election of members of the board of directors and audit & supervisory board members of not less than one-third of the total number of outstanding shares having voting rights. Toyota s shareholders are not entitled to cumulative voting in the election of members of the board of directors. A corporate shareholder, the management of which is substantially under Toyota s control as provided by an ordinance of the Ministry of Justice, either through the holding of voting rights or for any other reason, does not have voting rights.

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Shareholders may exercise their voting rights by attending the general shareholders meeting or in writing by mail. Shareholders who choose to exercise their voting rights by mail must fill out and return to Toyota the voting right exercise form enclosed with the convocation notice of the general shareholders meeting by the date specified in such convocation notice. In addition, from the general shareholders meeting for fiscal 2009, shareholders may exercise their voting rights through the internet. Shareholders electing to exercise their voting rights through the internet must log on to the Website to Exercise Voting Rights using the login ID and temporary password provided in the voting right exercise form enclosed with the convocation notice and submit their votes by a date specified in the convocation notice, following instructions appearing on the website. Institutional investors may also use the Electronic Proxy Voting Platform operated by Investor Communications Japan (ICJ) to exercise their voting rights through the use of the Internet, if such institutional investor applies to use the platform in advance. Shareholders may also exercise their voting rights through proxies, provided that those proxies are also shareholders who have voting rights. Toyota may refuse a shareholder having two or more proxies attend a general shareholders meeting.

The Companies Act provides that a quorum of at least one-third of outstanding shares with voting rights must be present at a shareholders meeting to approve any material corporate actions such as:

(1) any amendment of the articles of incorporation with certain exceptions in which a shareholders resolution is not required;

(2) acquisition of its own shares from a specific party;

(3) consolidation of shares;

(4) any issue or transfer of its shares at a specially favorable price (or any issue of stock acquisition rights or bonds with stock acquisition rights at specially favorable conditions by Toyota) to any persons other than shareholders;

(5) the removal of an audit & supervisory board member;

(6) the exemption of liability of a director or audit & supervisory board member with certain exceptions;

(7) a reduction of stated capital which meets certain requirements with certain exceptions;

(8) a distribution of in-kind dividends which meets certain requirements;

(9) dissolution, merger, or consolidation with certain exceptions in which a shareholders resolution is not required;

(10) the transfer of the whole or a material part of the business;

(11) the transfer in entirety or in part of shares or equity interest of a subsidiary under certain conditions;

(12) the taking over of the entire business of any other corporation with certain exceptions in which a shareholders resolution is not required;

(13) share exchange or share transfer for the purpose of establishing 100% parent-subsidiary relationships with certain exceptions in which a shareholders resolution is not required; or

(14) company split with certain exceptions in which a shareholders resolution is not required.

At least two-thirds of the shares having voting rights represented at the meeting must approve these actions.

The voting rights of holders of ADSs are exercised by the Depositary based on instructions from those holders.

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Rights to be Allotted Shares

Holders of common shares and Model AA Class Shares have no preemptive rights under Toyota s articles of incorporation. Under the Companies Act, the board of directors may, however, determine that shareholders shall be given rights to be allotted shares or stock acquisition rights on request in connection with a particular issue or transfer of shares, or issue of stock acquisition rights, respectively. In this case, such rights must be given on uniform terms to all shareholders as of a specified record date by at least two weeks prior public notice to shareholders of the record date.

Rights to be allotted shares are nontransferable. However, a shareholder may be allotted stock acquisition rights without consideration thereto, and may transfer such rights.

Liquidation Rights

In the event of a liquidation of Toyota, the assets remaining after payment of all debts, liquidation expenses and taxes will be distributed as follows. First, an amount per First Series Model AA Class Share through Fifth Series Model AA Class Share, determined by resolution of the board of directors or calculated using a formula determined by a resolution of the board of directors prior to the issuance of such Model AA Class Shares based on the amount per Model AA Class Shares paid to Toyota as consideration (the Base Amount), shall be paid in cash to holders of Model AA Class Shares or registered pledgees of Model AA Class Shares. No other distribution of residual assets shall be made to holders of Model AA Class Shares or registered pledgees of Model AA Class Shares. The remaining residual assets shall be distributed among the holders of common shares or registered pledgees of common shares in proportion to the respective number of shares they own.

Liability to Further Calls or Assessments

All of Toyota s currently outstanding shares, including shares represented by the ADSs, are fully paid and nonassessable.

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation is the transfer agent for all shares. Mitsubishi UFJ Trust and Banking Corporation s office is located at 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-8212 Japan. Mitsubishi UFJ Trust and Banking Corporation maintains Toyota s register of shareholders and records transfers of record ownership (in the case of common shares, upon receiving notification from JASDEC).

Record Date

The close of business on March 31 is the record date for Toyota s year-end dividends, if paid. A holder of common shares or Model AA Class Shares constituting one or more whole units who is recorded or registered as a holder on Toyota s register at the close of business as of March 31 is also entitled to exercise shareholders voting rights at the ordinary general shareholders meeting with respect to the business year ending on March 31. The close of business on September 30 of each year is the record date for interim dividends, if paid. In addition, Toyota may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks prior public notice.

The shares generally trade ex-dividend or ex-rights in the Japanese stock exchanges on the second business day before a record date (or if the record date is not a business day, the third business day prior thereto), for the purpose of dividends or rights offerings.

Acquisition by Toyota of Shares

Toyota may acquire its own common shares (i) through a stock exchange on which such shares are listed or by way of tender offer (pursuant to an ordinary resolution of a general shareholders meeting or a resolution of the board of directors), (ii) by purchase from a specific party (pursuant to a special resolution of a general shareholders meeting) or (iii) from a subsidiary of Toyota (pursuant to a resolution of the board of directors). In addition, Toyota may acquire its own Model AA Class Shares (i) by purchase from all holders of the relevant series of Model AA Class Shares who make an offer to transfer the shares to Toyota upon notice from Toyota to acquire the shares (pursuant to an ordinary resolution of a general shareholders meeting), (ii) by purchase from a specific party (pursuant to a special resolution of a general shareholders meeting) or (iii) from a subsidiary of Toyota (pursuant to a resolution of the board of directors). When such acquisition of common shares is made by Toyota from a specific party other than a subsidiary of Toyota, any other holder of common shares may make a demand to a representative director, more than five calendar days prior to the relevant shareholders meeting, that Toyota also purchase the common shares held by such holder. However, the acquisition of its own common shares at a price not exceeding the market price to be provided under an ordinance of the Ministry of Justice will not trigger the right of any shareholder to include him/her as the seller of his/her shares in such proposed purchase.

Any acquisition of shares must satisfy certain requirements that the total amount of the acquisition price may not exceed the amount of the distributable dividends. See Dividends .

Shares acquired by Toyota may be held by it for any period or may be cancelled by resolution of the board of directors. Toyota may also transfer to any person the shares held by it, subject to a resolution of the board of directors, and subject also to other requirements applicable to the issuance of new shares. Toyota may also utilize its treasury stock for the purpose of transfer to any person upon exercise of stock acquisition rights or for the purpose of acquiring another company by way of merger, share exchange or corporate split through exchange of treasury stock for shares or assets of the acquired company.

The Companies Act generally prohibits any subsidiary of Toyota from acquiring shares of Toyota.

Model AA Class Shareholder s Conversion Right into Common Shares

Holders of Model AA Class Shares may, at certain times specified in resolution of the board of directors as the conversion period at the time of the issuance of First Series Model AA Class Shares to Fifth Series Model AA Class Shares, demand that Toyota acquire some or all of such Model AA Class Shares held by such holder of Model AA Class shares in exchange for common shares in a number determined by a formula specified in such board resolution. Any fractions of less than one common share to be delivered in exchange for such Model AA Class Shares shall be disregarded, in which case payment of money as provided in the Companies Act shall not be made.

Model AA Class Shareholder s Cash Put Option

Holders of Model AA Class Shares may, at certain times specified in resolution of the board of directors as the cash put option period at the time of the issuance of First Series Model AA Class Shares to Fifth Series Model AA Class Shares, demand that Toyota acquire some or all of such Model AA Class Shares in exchange for cash in an amount equivalent to the Base Amount. If demand for acquisition exceeds the amount available under the Companies Act for distribution as of the date of demand for such acquisition, Model AA Class Shares to be acquired by Toyota shall be determined by a resolution of the board of directors, and the cash put option in respect of Model AA Class Shares not so acquired shall be deemed not to have been exercised.

Toyota s Cash Call Option

After the lapse of period specified in resolution of its board of directors at the time of the issuance of First Series Model AA Class Shares to Fifth Series Model AA Class Shares, on an acquisition date separately determined by a resolution of the board of directors, Toyota may acquire all of such Model AA Class Shares in exchange for cash in an amount equivalent to the Base Amount.

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Acquisition or Disposition of Shares or ADS

Under the Foreign Exchange and Foreign Trade Law and the cabinet orders and ministerial ordinances thereunder (collectively, the Foreign Exchange Regulations), all aspects of regulations on foreign exchange and foreign trade transactions are, with minor exceptions (which are not generally applicable to the purchase and sale of Toyota s shares), only subject to post transaction reporting requirements. Acquisitions and dispositions of shares of common stock or ADS by non-residents of Japan (including foreign corporations not resident in Japan) are generally not subject to this reporting requirement. However, the Minister of Finance has the power to impose a licensing requirement for transactions in limited circumstances.

Report of Substantial Shareholdings

The Financial Instruments and Exchange Law of Japan and regulations under the Law require any person who has become a holder (together with its related persons) of more than 5% of the total issued shares of a company listed on any Japanese stock exchange (including ADSs representing such shares) to file with the Director of a competent Local Finance Bureau, within five business days, a report concerning those shareholdings. A similar report must also be filed to reflect any change of 1% or more in any shareholding or any change in material matters set out in reports previously filed. Any such report shall be filed with the Director of a competent Local Finance Bureau through the Electronic Disclosure for Investor s Network (EDINET) system. Copies of any report must also be furnished to the company. For this purpose, shares issuable to a shareholder upon exercise of stock acquisition rights are taken into account in determining both the number of shares held by that stock acquisition rights holder and the company s total issued shares.

10.C MATERIAL CONTRACTS

All contracts concluded by Toyota during the two years preceding this filing were entered into in the ordinary course of business.

10.D EXCHANGE CONTROLS

The Foreign Exchange Regulations govern the acquisition and holding of shares of capital stock of Toyota by exchange non-residents and by foreign investors . The Foreign Exchange Regulations currently in effect do not, however, affect transactions between exchange non-residents to purchase or sell shares outside Japan using currencies other than Japanese yen.

Exchange non-residents are:

- individuals who do not reside in Japan; and

- corporations whose principal offices are located outside Japan.

Generally, branches and other offices of non-resident corporations that are located within Japan are regarded as residents of Japan. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

Foreign investors are:

- individuals who are exchange non-residents;

- corporations or other organizations that are organized under the laws of foreign countries or whose principal offices are located outside of Japan; and

- corporations (1) of which 50% or more of their voting rights are held directly or indirectly by individuals who are exchange non-residents and/or corporations or other organizations (a) that are organized under the laws of foreign countries or (b) whose principal offices are located outside of Japan or (2) a majority of whose officers, or officers having the power of representation, are individuals who are exchange non-residents.

In general, the acquisition of shares of a Japanese company (such as the shares of capital stock of Toyota) by an exchange non-resident from a resident of Japan is not subject to any prior filing requirements. In certain limited circumstances, however, the Minister of Finance may require prior approval of an acquisition of this type. While prior approval, as described above, is not required, in the case where a resident of Japan transfers shares of a Japanese company (such as the shares of capital stock of Toyota) for consideration exceeding ¥100 million to an exchange non-resident, the resident of Japan who transfers the shares is required to report the transfer to the Minister of Finance within 20 days from the date of the transfer or the date of receipt of payment, whichever comes later, unless the transfer was made through a bank or financial instruments business operator licensed or registered under Japanese law.

If a foreign investor acquires shares of a Japanese company that is listed on a Japanese stock exchange (such as the shares of capital stock of Toyota) and, as a result of the acquisition, the foreign investor, in combination with any existing holdings, directly or indirectly holds 10% or more of the issued shares of the relevant company, the foreign investor, with certain exceptions, must file a report of the acquisition with the Minister of Finance and any other competent Ministers having jurisdiction over that Japanese company by the 15th day of the month following the month in which the date of the acquisition falls. In limited circumstances, such as where the foreign investor is in a country that is not listed on an exemption schedule in the Foreign Exchange Regulations, a prior notification of the acquisition must be filed with the Minister of Finance and any other competent Ministers, who may then modify or prohibit the proposed acquisition.

Under the Foreign Exchange Regulations, dividends paid on, and the proceeds of sales in Japan of, shares held by non-residents of Japan may in general be converted into any foreign currency and repatriated abroad. Under the terms of the deposit agreement pursuant to which Toyota s ADSs are issued, the Depositary is required, to the extent that in its judgment it can convert yen on a reasonable basis into dollars and transfer the resulting dollars to the United States, to convert all cash dividends that it receives in respect of deposited shares into dollars and to distribute the amount received (after deduction of applicable withholding taxes) to the holders of ADSs.

10.E TAXATION

The following discussion is a general summary of the principal U.S. federal income and Japanese national tax consequences of the acquisition, ownership and disposition of shares of common stock or ADSs. This summary does not purport to address all material tax consequences that may be relevant to holders of shares of common stock or ADSs, and does not take into account the specific circumstances of any particular investors, some of which (such as tax-exempt entities, banks, insurance companies, broker-dealers, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, regulated investment companies, real estate investment trusts, partnerships and other pass-through entities, investors liable for the U.S. alternative minimum tax, investors that own or are treated as owning 10% or more of Toyota s voting stock, investors that hold shares of common stock or ADSs as part of a straddle, hedge, conversion transaction or other integrated transaction and U.S. Holders (as defined below) whose functional currency is not the U.S. dollar) may be subject to special tax rules. This summary is based on the tax laws and regulations of the United States and Japan, judicial decisions, published rulings and administrative pronouncements all as in effect on the date hereof, as well as on the current income tax convention between the United States and Japan (the Treaty), as described below, all of which are subject to change (possibly with retroactive effect), and to differing interpretations.

For purposes of this discussion, a U.S. Holder is any beneficial owner of shares of common stock or ADSs that, for U.S. federal income tax purposes, is:

1. an individual who is a citizen or resident of the United States;

2. a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States, any state thereof, or the District of Columbia;

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3. an estate the income of which is subject to U.S. federal income tax without regard to its source; or

4. a trust that is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons, or that has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

An Eligible U.S. Holder is a U.S. Holder that:

1. is a resident of the United States for purposes of the Treaty;

2. does not maintain a permanent establishment in Japan (a) with which the shares of common stock or ADSs are effectively connected and through which the U.S. holder carries on or has carried on business, or (b) of which the shares of common stock or ADSs form part of the business property; and

3. is eligible for benefits under the Treaty with respect to income and gain derived in connection with the shares of common stock or ADSs.

This summary does not address any aspects of U.S. federal tax law other than income taxation and does not discuss any aspects of Japanese tax law other than income taxation, as limited to national taxes, inheritance and gift taxation. This summary also does not cover any state or local, or non-U.S., non-Japanese tax considerations. Investors are urged to consult their tax advisors regarding the U.S. federal, state and local and Japanese and other tax consequences of acquiring, owning and disposing of shares of common stock or ADSs. In particular, where relevant, investors are urged to confirm their status as Eligible U.S. Holders with their tax advisors and to discuss with their tax advisors any possible consequences of their failure to qualify as Eligible U.S. Holders. In addition, this summary is based in part upon the representations of the Depositary and the assumption that each obligation in the deposit agreement, and in any related agreement, will be performed in accordance with its terms.

In general, for purposes of the Treaty and for U.S. federal income and Japanese income tax purposes, owners of ADRs evidencing ADSs will be treated as the owners of the shares of common stock represented by those ADSs, and exchanges of shares of common stock for ADSs, and exchanges of ADSs for shares of common stock, will not be subject to U.S. federal income or Japanese income tax.

The discussion below is intended for general information only and does not constitute a complete analysis of all tax consequences relating to ownership of shares of common stock or ADSs. Prospective purchasers of shares of common stock or ADSs should consult their own tax advisors concerning the tax consequences of their particular situations.

Japanese Taxation

The following is a summary of the principal Japanese tax consequences (limited to national taxes) to non-residents of Japan or non-Japanese corporations without permanent establishments in Japan (non-resident Holders) who are holders of shares of common stock or of ADSs. The following information regarding taxation in Japan is based on the tax treaties and tax laws in force and their interpretation by Japan s tax authorities as of the date of this annual report. Tax laws and treaties and their interpretations may change (including with retroactive effect). Toyota will not revise this summary on the basis of any such change occurring after the date of this annual report.

Generally, non-resident Holders are subject to Japanese withholding tax on dividends paid by Japanese corporations. Stock splits are, in general, not taxable events.

In the absence of an applicable tax treaty, convention or agreement reducing the maximum rate of Japanese withholding tax or allowing exemption from Japanese withholding tax, the rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to non-resident Holders is generally 20.42 percent, provided, with respect to dividends paid on listed shares issued by a Japanese corporation (such as the shares of common stock or ADSs of Toyota) to non-resident Holders, other than any individual shareholder who holds 3 percent or more of the total issued shares issued by the relevant Japanese corporation, the aforementioned 20.42 percent withholding tax rate is reduced to 15.315 percent for dividends due and payable on or before December 31, 2037. Due to the imposition of a special additional withholding tax (2.1 percent of the original withholding tax amount) to secure funds for reconstruction from the Great East Japan Earthquake, the original withholding tax rate of 15 percent and 20 percent, as applicable, is effectively increased to 15.315 percent and 20.42 percent, respectively, until December 31, 2037.

At the date of this annual report, Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, in most cases to 15 percent or 10 percent for portfolio investors (15 percent under the income tax treaties with, among other countries, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore, and Spain, and 10 percent under the income tax treaties with, among other countries, Australia, France, Hong Kong, the Netherlands, Portugal, Sweden, Switzerland, the U.K. and the United States).

Under the Treaty, the maximum rate of Japanese withholding tax which may be imposed on dividends paid by a Japanese corporation to an Eligible U.S. Holder that is a portfolio investor is generally reduced to 10 percent of the gross amount actually distributed, and dividends paid by a Japanese corporation to an Eligible U.S. Holder that is a pension fund are exempt from Japanese income tax by way of withholding or otherwise unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension fund.

If the maximum tax rate provided for in the income tax treaty applicable to dividends paid by Toyota to any particular non-resident Holder is lower than the withholding tax rate otherwise applicable under Japanese tax law or if any particular non-resident Holder is exempt from Japanese income tax with respect to such dividends under the income tax treaty applicable to such particular non-resident Holder, such non-resident Holder who is entitled to a reduced rate of or exemption from Japanese withholding tax on payment of dividends on shares of common stock by Toyota is required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends (together with any other required forms and documents) in advance through the withholding agent to the relevant tax authority before the payment of dividends. A standing proxy for non-resident Holders of a Japanese corporation may provide this application service. In addition, a simplified special filing procedure is available for non-resident Holders to claim treaty benefits of exemption from or reduction of Japanese withholding tax by submitting a Special Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends of Listed Stock (together with any other required forms and documents). With respect to ADSs, this reduced rate or exemption is applicable if the Depositary or its agent submits, together with other documents, two Application Forms (one before payment of dividends, the other within eight months after the recording date concerning such payment of dividends) to the Japanese tax authority. To claim this reduced rate or exemption, any relevant non-resident Holder of ADSs will be required to file a proof of taxpayer status, residence and beneficial ownership (as applicable) and to provide other information or documents as may be required by the Depositary. A non-resident Holder who is entitled, under an applicable income tax treaty, to a reduced treaty rate lower than the withholding tax rate otherwise applicable under Japanese tax law or an exemption from the withholding tax, but fails to submit the required application in advance, will be entitled to claim the refund of withholding taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident Holder is entitled to a reduced treaty rate under the applicable income tax treaty) or the whole of the withholding tax withheld (if such non-resident Holder is entitled to an exemption under the applicable income tax treaty) by complying with a certain subsequent filing procedure. Toyota does not assume any responsibility to ensure withholding at the reduced rate, or exemption therefrom, for non-resident Holders who would be so eligible under an applicable tax treaty but where the required procedures as stated above are not followed.

Gains derived from the sale of shares of common stock or ADSs outside Japan by a non-resident Holder holding such shares of common stock or ADSs as portfolio investors are, in general, not subject to Japanese income tax or corporation tax under Japanese law. Eligible U.S. Holders are not subject to Japanese income or corporation tax with respect to such gains under the Treaty so long as filings required under Japanese law are made.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired from another individual shares of common stock or ADSs as a legatee, heir or donee even though neither the individual, nor the deceased, nor donor is a Japanese resident.

Holders of shares of common stock or ADSs should consult their tax advisors regarding the effect of these taxes and, in the case of U.S. Holders, the possible application of the Estate and Gift Tax Treaty between the United States and Japan.

U.S. Federal Income Taxation

U.S. Holders

The following discussion is a summary of the principal U.S. federal income tax consequences to U.S. Holders that hold shares of common stock or ADSs as capital assets (generally, for investment purposes).

Taxation of Dividends

Subject to the passive foreign investment company (PFIC) rules discussed below, the gross amount of any distribution made by Toyota in respect of shares of common stock or ADSs (without reduction for Japanese withholding taxes) will constitute a taxable dividend to the extent paid out of current or accumulated earnings and profits, as determined under U.S. federal income tax principles. The U.S. dollar amount of such a dividend generally will be included in the gross income of a U.S. Holder, as ordinary income, when actually or constructively received by the U.S. Holder, in the case of shares of common stock, or by the Depositary, in the case of ADSs. Dividends paid by Toyota will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

Dividends received on shares and ADSs of certain foreign corporations by non-corporate U.S. investors may be subject to U.S. federal income tax at lower rates than other types of ordinary income if certain conditions are met. Dividends received by non-corporate U.S. Holders with respect to shares of common stock or ADSs of Toyota are expected to be eligible for these reduced rates of tax. U.S. Holders should consult their own tax advisors regarding the eligibility of such dividends for a reduced rate of tax.

The U.S. dollar amount of a dividend paid in Japanese yen will be determined based on the Japanese yen/U.S. dollar exchange rate in effect on the date that the dividend is included in the gross income of the U.S. Holder, regardless of whether the payment is converted into U.S. dollars on that date. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is included in the gross income of a U.S. Holder through the date that payment is converted into U.S. dollars (or otherwise disposed of) will be treated as U.S.-source ordinary income or loss. U.S. Holders should consult their own tax advisors regarding the calculation and U.S. federal income tax treatment of foreign currency gain or loss.

To the extent, if any, that the amount of any distribution received by a U.S. Holder in respect of shares of common stock or ADSs exceeds Toyota s current and accumulated earnings and profits, as determined under U.S. federal income tax principles, the distribution first will be treated as a tax-free return of capital to the extent of the U.S. Holder s adjusted tax basis in those shares or ADSs, and thereafter will be treated as U.S.-source capital gain.

Distributions of additional shares of common stock that are made to U.S. Holders with respect to their shares of common stock or ADSs, and that are part of a pro rata distribution to all of Toyota s shareholders, generally will not be subject to U.S. federal income tax.

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For U.S. foreign tax credit purposes, dividends included in gross income by a U.S. Holder in respect of shares of common stock or ADSs will constitute income from sources outside the United States, and will generally be passive category income or, in the case of certain U.S. Holders, general category income . Subject to generally applicable limitations under U.S. federal income tax law and the Treaty, any Japanese withholding tax imposed in respect of a Toyota dividend may be claimed as a credit against the U.S. federal income tax liability of a U.S. Holder, or alternatively as a deduction in the computation of such U.S. Holder s taxable income if the U.S. Holder does not elect to claim a credit for any foreign taxes paid or accrued for the taxable year. Special rules generally will apply to the calculation of foreign tax credits in respect of dividend income that qualifies for preferential U.S. federal income tax rates. Additionally, special rules apply to individuals whose foreign source income during the taxable year consists entirely of qualified passive income and whose creditable foreign taxes paid or accrued during the taxable year do not exceed $300 ($600 in the case of a joint return). Further, under some circumstances, a U.S. Holder that:

(i) has held shares of common stock or ADSs for less than a specified minimum period; or

(ii) is obligated to make payments related to Toyota dividends,

will not be allowed a foreign tax credit for Japanese taxes imposed on Toyota dividends.

U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Taxation of Capital Gains and Losses

In general, upon a sale or other taxable disposition of shares of common stock or ADSs, a U.S. Holder will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized on the sale or other taxable disposition and the U.S. Holder s adjusted tax basis in those shares of common stock or ADSs. A U.S. Holder generally will have an adjusted tax basis in a share of common stock or an ADS equal to its U.S. dollar cost. Subject to the PFIC rules discussed below, gain or loss recognized on the sale or other taxable disposition of shares of common stock or ADSs generally will be capital gain or loss and, if the U.S. Holder s holding period for those shares or ADSs exceeds one year, will be long-term capital gain or loss. Non-corporate U.S. Holders, including individuals, currently are eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. Under U.S. federal income tax law, the deduction of capital losses is subject to limitations. Any gain or loss recognized by a U.S. Holder in respect of the sale or other disposition of shares of common stock or ADSs generally will be treated as U.S.-source income or loss for U.S. foreign tax credit purposes.

Deposits and withdrawals of common stock in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Passive Foreign Investment Companies

A non-U.S. corporation generally will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying look-through rules, either (1) at least 75% of its gross income is passive income or (2) on average at least 50% of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions. The PFIC determination is made annually and generally is based on the value of a non-U.S. corporation s assets (including goodwill) and composition of its income.

Toyota does not believe that it was a PFIC for U.S. federal income tax purposes for its taxable year ended March 31, 2015, and currently intends to continue its operations in such a manner that it will not become a PFIC in the future. Because the PFIC determination is made annually and the application of the PFIC rules to a corporation such as Toyota (which among other things is engaged in leasing and financing through several subsidiaries) is not entirely clear, no assurances can be made regarding determination of its PFIC status in the current or any future taxable year. If Toyota is determined to be a PFIC, U.S. Holders could be subject to additional U.S. federal income taxes on gain recognized with respect to the shares of common stock or ADSs and on certain distributions. In addition, an interest charge may apply to the portion of the U.S. federal income tax liability on such gains or distributions treated under the PFIC rules as having been deferred by the U.S. Holder. Moreover, dividends that a non-corporate U.S. Holder receives from Toyota will not be eligible for the reduced U.S. federal income tax rates on dividends described above if Toyota is a PFIC either in the taxable year of the dividend or the preceding taxable year. If a U.S. Holder owns shares of common stock or ADSs in any taxable year in which Toyota is a PFIC, such U.S. Holder generally would be required to file Internal Revenue Service (IRS) Form 8621 (or other form specified by the U.S. Department of the Treasury) on an annual basis, subject to certain exceptions based on the value of PFIC stock held. Toyota will inform U.S. Holders if it believes that it will be classified as a PFIC in any taxable year.

Prospective investors should consult their own tax advisors regarding the potential application of the PFIC rules to shares of common stock or ADSs.

Non-U.S. Holders

The following discussion is a summary of the principal U.S. federal income tax consequences to beneficial owners of shares of common stock or ADSs that are neither U.S. Holders, nor partnerships, nor entities taxable as partnerships for U.S. federal income tax purposes (Non-U.S. Holders).

A Non-U.S. Holder generally will not be subject to any U.S. federal income or withholding tax on distributions received in respect of shares of common stock or ADSs unless the distributions are effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States (and, if an applicable tax treaty requires, are attributable to a U.S. permanent establishment or fixed base of such Non-U.S. Holder).

A Non-U.S. Holder generally will not be subject to U.S. federal income tax in respect of gain recognized on a sale or other disposition of shares of common stock or ADSs, unless:

(i) the gain is effectively connected with a trade or business conducted by the Non-U.S. Holder within the United States (and, if an applicable tax treaty requires, is attributable to a U.S. permanent establishment or fixed base of such Non-U.S. Holder); or

(ii) the Non-U.S. Holder is an individual who was present in the United States for 183 or more days in the taxable year of the disposition and other conditions are met.

Income that is effectively connected with a U.S. trade or business of a Non-U.S. Holder, and, if an income tax treaty applies and so requires, is attributable to a U.S. permanent establishment or fixed base of the Non-U.S. Holder, generally will be taxed in the same manner as the income of a U.S. Holder. In addition, under certain circumstances, any effectively connected earnings and profits realized by a corporate Non-U.S. Holder may be subject to an additional branch profits tax at the rate of 30% or at a lower rate that may be prescribed by an applicable income tax treaty.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to dividends paid to a U.S. Holder in respect of shares of common stock or ADSs, and to the proceeds received upon the sale, exchange or redemption of the shares of common stock or ADSs within the United States by U.S. Holders. Furthermore, backup withholding may apply to those amounts (currently at a 28% rate) if a U.S. Holder fails to provide an accurate taxpayer identification number to certify that such U.S. Holder is not subject to backup withholding or to otherwise comply with the applicable requirements of the backup withholding requirements.

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Dividends paid to a Non-U.S. Holder in respect of shares of common stock or ADSs, and proceeds received upon the sale, exchange or redemption of shares of common stock or ADSs by a Non-U.S. Holder, generally are exempt from information reporting and backup withholding under current U.S. federal income tax law. However, a Non-U.S. Holder may be required to provide certification of non-U.S. status in order to obtain that exemption.

Persons required to establish their exempt status generally must provide such certification under penalty of perjury on IRS Form W-9, entitled Request for Taxpayer Identification Number and Certification, in the case of U.S. persons, and on IRS Form W-8BEN, entitled Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals), or IRS Form W-8BEN-E, entitled Certificate of Status of Beneficial Owner for United States Tax Withholding and Reporting (Entities) (or other appropriate IRS Form W-8), in the case of non-U.S. persons. Backup withholding is not an additional tax. The amount of backup withholding imposed on a payment generally may be claimed as a credit against the holder s U.S. federal income tax liability, provided that the required information is properly furnished to the IRS in a timely manner.

In addition, certain U.S. Holders who are individuals that hold certain foreign financial assets (which may include shares of common stock or ADSs) are required to report information relating to such assets, subject to certain exceptions. U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of shares of common stock or ADSs.

THE SUMMARY OF U.S. FEDERAL INCOME AND JAPANESE NATIONAL TAX CONSEQUENCES SET OUT ABOVE IS INTENDED FOR GENERAL INFORMATION PURPOSES ONLY. PROSPECTIVE PURCHASERS OF COMMON STOCK OR ADSs ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING OR DISPOSING OF COMMON STOCK OR ADSs, BASED ON THEIR PARTICULAR CIRCUMSTANCES.

10.F DIVIDENDS AND PAYING AGENTS

Not applicable.

10.G STATEMENT BY EXPERTS

Not applicable.

10.H DOCUMENTS ON DISPLAY

Toyota files annual reports on Form 20-F and reports on Form 6-K with the SEC. You may read and copy this information at the SEC s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549 or by accessing the SEC s home page (http://www.sec.gov). You can also request copies of the documents, upon payment of a duplicating fee, by writing to the Public Reference Section of the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. In addition, Toyota s reports, proxy statements and other information may be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005. Copies of the documents referred to herein may also be inspected at Toyota s offices by contacting Toyota at 1 Toyota-cho, Toyota City, Aichi Prefecture 471-8571, Japan, attention: Financial Reporting Department, Accounting Division, telephone number: 81-565-28-2121.

10.I SUBSIDIARY INFORMATION

Not applicable.

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ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and Qualitative Disclosures about Market Risk

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

A description of Toyota s accounting policies for derivative instruments is included in note 2 to the consolidated financial statements and further disclosure is provided in notes 20 and 26 to the consolidated financial statements.

Toyota monitors and manages these financial exposures as an integral part of its overall risk management program, which recognizes the unpredictability of financial markets, and seeks to reduce the potentially adverse effects on Toyota s operating results.

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

Foreign Currency Exchange Rate Risk

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

Toyota uses a value-at-risk analysis (VAR) to evaluate its exposure to changes in foreign currency exchange rates. The VAR of the combined foreign exchange position represents a potential loss in pre-tax earnings that was estimated to be ¥172.8 billion and ¥163.4 billion as of March 31, 2014 and 2015, respectively. Based on Toyota s overall currency exposure (including derivative positions), the risk during fiscal 2015 to pre-tax cash flow from currency movements was on average ¥161.7 billion, with a high of ¥174.1 billion and a low of ¥153.5 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 ¥217.8 billion as of March 31, 2014 and ¥244.9 billion as of March 31, 2015.

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 ¥1,997.1 billion as of March 31, 2014 and ¥2,704.8 billion as of March 31, 2015. The potential change in the fair value of these investments, assuming a 10% change in prices, would be approximately ¥199.7 billion as of March 31, 2014 and ¥270.4 billion as of March 31, 2015.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

12.A DEBT SECURITIES

Not applicable.

12.B WARRANTS AND RIGHTS

Not applicable.

12.C OTHER SECURITIES

Not applicable.

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12.D AMERICAN DEPOSITARY SHARES

Fees and Charges for Holders of American Depositary Receipts

The Bank of New York Mellon, as Depositary for the ADSs, collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Persons depositing or withdrawing shares must pay:	For:
$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution, sale or exercise of shares or rights or other property
	Cancellation of ADSs for the purpose of withdrawal including if the deposit agreement terminates
$0.02 (or less) per ADS	Any cash distribution to ADS registered holders
A fee equivalent to the fee that would be payable if securities distributed to the ADR holder had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities which are distributed by the Depositary to ADS registered holders
Registration fees	Registration of transfer of shares on Toyota s share register to the name of the Depositary or its nominee or the custodian or its nominee when shares are deposited or withdrawn
Expenses of the Depositary	Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)
	Converting foreign currency to U.S. dollars
Taxes and other governmental charges the Depositary or the custodian have to pay on any ADS or share underlying an ADS	As necessary

Fees Incurred in Fiscal 2015

For fiscal 2015, Toyota received $200,000 from the Depositary for standard out-of-pocket maintenance costs for the ADRs (consisting of the expenses of postage and envelopes for mailing annual reports, printing and distributing dividend checks, stationery, postage, facsimile, and telephone calls) and expenses relating to Toyota s annual general shareholders meeting that are incurred with respect to Toyota s ADR holders. The Depositary also paid Toyota s continuing annual stock exchange listing fees.

Fees to be Paid in the Future

The Depositary has agreed to reimburse Toyota for expenses Toyota incurs that are related to the maintenance of the ADS program. The Depositary has agreed to pay the standard out-of-pocket maintenance costs for the ADRs, which includes the expenses of postage and envelopes for mailing annual reports, printing and distributing dividend checks, stationery, postage, facsimile and telephone calls. It has also agreed to reimburse Toyota annually for investor relations expenses and any other program related expenses. The limit on the amount of expenses for which the Depositary will reimburse Toyota is the sum of $300,000 and 50% of the total amount of cash distributions made to registered ADS holders.

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PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

On June 16, 2015, Toyota amended its articles of incorporation in connection with establishment of Model AA Class Shares pursuant to resolutions adopted by its shareholders at the general shareholders meeting on the same date. The amended articles of incorporation are incorporated by reference as Exhibit 1.1 to this annual report. For more information on Toyota s articles of incorporation, please see Item 10.B Additional Information Memorandum and Articles of Association.

ITEM 15. CONTROLS AND PROCEDURES

(a) DISCLOSURE CONTROLS AND PROCEDURES

Toyota performed an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the fiscal 2015. Disclosure controls and procedures are designed to ensure that information required to be disclosed in the Form 20-F that Toyota files under the Exchange Act is accumulated and communicated to its management, including the chief executive officer and the principal accounting and financial officer, to allow timely decision regarding required disclosure. The disclosure controls and procedures also ensures that the Form 20-F that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission s rules and forms. The evaluation was performed under the supervision of Toyota s Chairman of the Board of Directors and the Executive Vice President. Toyota s disclosure controls and procedures are designed to provide reasonable assurance of achieving its objectives. Managerial judgment was necessary to evaluate the cost-benefit relationship of possible controls and procedures. The Chairman of the Board of Directors and the Executive Vice President have concluded that Toyota s disclosure controls and procedures are effective at the reasonable assurance level.

(b) MANAGEMENT S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Toyota s management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Toyota s internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that in reasonable detail, accurately and fairly reflect the transactions and dispositions of Toyota s assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that Toyota s receipts and expenditures are being made only in accordance with authorizations of Toyota s management and members of the board of directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Toyota s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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Toyota s management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this evaluation, management concluded that Toyota s internal control over financial reporting was effective as of March 31, 2015.

PricewaterhouseCoopers Aarata, an independent registered public accounting firm that audited the consolidated financial statements included in this report, has also audited the effectiveness of Toyota s internal control over financial reporting as of March 31, 2015, as stated in its report included herein.

(c) ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

Toyota s independent registered public accounting firm, PricewaterhouseCoopers Aarata, has issued an audit report on the effectiveness of Toyota s internal control over financial reporting. This report appears in Item 18.

(d) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in Toyota s internal control over financial reporting during fiscal 2015 that have materially affected, or are reasonably likely to materially affect, Toyota s internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Toyota maintains an audit & supervisory board system, in accordance with the Companies Act. Toyota s audit & supervisory board is comprised of six audit & supervisory board members, three of whom are outside audit & supervisory board members. Each audit & supervisory board member has been appointed at Toyota s meetings of shareholders and has certain statutory powers independently, including auditing the business affairs and accounts of Toyota.

Toyota s audit & supervisory board has determined that it does not have an audit committee financial expert serving on the audit & supervisory board. The qualifications for, and powers of, the audit & supervisory board member delineated in the Companies Act are different from those anticipated for any audit committee financial expert. Audit & supervisory board members have the authority to be given reports from a certified public accountant or an accounting firm concerning audits, including technical accounting matters. At the same time, each audit & supervisory board member has the authority to consult internal and external experts on accounting matters. Each audit & supervisory board member must fulfill the requirements under Japanese laws and regulations and otherwise follow Japanese corporate governance practices and, accordingly, Toyota s audit & supervisory board has confirmed that it is not necessarily in Toyota s best interest to nominate as audit & supervisory board member a person who meets the definition of audit committee financial experts. Although Toyota does not have an audit committee financial expert on its audit & supervisory board, Toyota believes that Toyota s current corporate governance system, taken as a whole, including the audit & supervisory board members ability to consult internal and external experts, is fully equivalent to a system having an audit committee financial expert on its audit & supervisory board.

ITEM 16B. CODE OF ETHICS

Toyota has adopted a code of ethics that applies to its members of the board of directors and managing officers, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of Toyota s code of ethics is included as an exhibit to this annual report on Form 20-F.

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ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

PricewaterhouseCoopers Aarata has audited the financial statements of Toyota included in this annual report on Form 20-F.

The following table presents the aggregate fees for professional services and other services rendered by PricewaterhouseCoopers Aarata and the various network and member firms of PricewaterhouseCoopers to Toyota in fiscal 2014 and fiscal 2015.

	Yen in millions	
	2014	2015
Audit Fees(1)	3,619	4,208
Audit-related Fees(2)	101	127
Tax Fees(3)	433	494
All Other Fees(4)	139	532
Total	4,292	5,361

(1) Audit Fees consist of fees billed for the annual audit services engagement and other audit services, which are those services that only the external auditor reasonably can provide, and include the services of annual audit, quarterly reviews and assessment and reviews of the effectiveness of internal controls over financial reporting of Toyota and its subsidiaries and affiliated companies; the services associated with SEC registration statements or other documents issued in connection with securities offerings such as comfort letters and consents; and consultations as to the accounting or disclosure treatment of transactions or events.

(2) Audit-related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of its financial statements or that are traditionally performed by the external auditor, and mainly include services such as due diligence; agreed-upon or expanded audit procedures; internal control reviews and assistance; review of the information system; and financial statement audits of employee benefit plans.

(3) Tax Fees include fees billed for tax compliance services, including services such as tax planning, advice and compliance of federal, state, local and international tax; the review of tax returns; assistance with tax audits and appeals; tax-only valuation services including transfer pricing and cost segregation studies; expatriate tax assistance and compliance.

(4) All Other Fees primarily include fees billed for risk management advisory services of assessment and testing of security infrastructure controls; services providing information related to automotive market conditions; IT advisory services; and other advisory services.

Policies and Procedures of the Audit & Supervisory Board

Below is a summary of the current policies and procedures of the audit & supervisory board for the pre-approval of audit and permissible non-audit services performed by Toyota s independent public accountants.

Under the policy, the Representative Directors submit a request for general pre-approval of audit and permissible non-audit services for the following fiscal year, which shall include details of the specific services and estimated fees for the services, to the audit & supervisory board, which reviews and determines whether or not to grant the request by the end of March of the fiscal year. Upon the general pre-approval of the audit & supervisory board, the Representative Directors are not required to obtain any specific pre-approval for audit and permissible non-audit services so long as those services fall within the scope of the general pre-approval provided.

The audit & supervisory board makes a further determination of whether or not to grant a request to revise the general pre-approval for the applicable fiscal year if such request is submitted by the Representative

Directors. Such request may include (i) adding any audit or permissible non-audit services other than the ones listed in the general pre-approval and (ii) obtaining services that are listed in the general pre-approval but of which the total fee amount exceeds the amount affirmed by the general pre-approval. The determination of whether or not to grant a request to revise the general pre-approval noted in the foregoing may alternatively be made by an audit & supervisory board member (full time), who is designated in advance by a resolution of the audit & supervisory board, in which case such audit & supervisory board member (full time) shall report such decision at the next meeting of the audit & supervisory board. The performance of audit and permissible non-audit services and the payment of fees are subject to review by the audit & supervisory board at least once every fiscal half year.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Toyota does not have an audit committee. Toyota is relying on the general exemption contained in Rule 10A-3(c)(3) under the Exchange Act, which provides an exemption from the NYSE s listing standards relating to audit committees for foreign companies like Toyota that have an audit & supervisory board. Toyota s reliance on Rule 10A-3(c)(3) does not, in its opinion, materially adversely affect the ability of its audit & supervisory board to act independently and to satisfy the other requirements of Rule 10A-3.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

The following table sets forth purchases of Toyota s common stock by Toyota and its affiliated purchasers during fiscal 2015:

Period	(a) Total Number of Shares Purchased(1)	(b) Average Price Paid per Share (Yen)(1)	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(2)
April 1, 2014 April 30, 2014	1,263	¥ 5,636.97		
May 1, 2014 May 31, 2014	1,834	5,528.62		
June 1, 2014 June 30, 2014	1,489	5,825.61		
July 1, 2014 July 31, 2014	3,906	6,073.88	13,583,300	
August 1, 2014 August 31, 2014	2,257	6,037.39	6,204,100	
September 1, 2014 September 30, 2014	2,823	6,262.16	7,828,700	
October 1, 2014 October 31, 2014	1,389	6,275.34	11,308,400	
November 1, 2014 November 30, 2014	3,530	6,806.50	7,375,800	
December 1, 2014 December 31, 2014	4,749	7,503.12	9,221,600	
January 1, 2015 January 31, 2015	2,159	7,559.22		
February 1, 2015 February 28, 2015	3,811	7,837.14		
March 1, 2015 March 31, 2015	5,178	8,260.70		
Total	34,388		55,521,900	

(1) A portion of the above purchases were made as a result of holders of shares constituting less than one unit, which is 100 shares of common stock, requesting Toyota to purchase shares that are a fraction of a unit, in accordance with Toyota s share handling regulations. Toyota is required to comply with such requests pursuant to the Companies Act. See Additional Information Memorandum and Articles of Association Japanese Unit Share System .

(2) As announced on April 28, 2015, following the issuance of First Series Model AA Class Shares, Toyota plans to repurchase its own common shares in substantially the same number as the number of shares of

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First Series Model AA Class Shares issued. In addition, as announced on May 8, 2015, after the issuance of First Series Model AA Class Shares until March 31, 2016, Toyota plans to repurchase up to 40,000,000 shares of its own common shares for up to ¥300 billion.

ITEM 16F. CHANGE IN REGISTRANT S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Significant Differences in Corporate Governance Practices between Toyota and U.S. Companies Listed on the NYSE

Pursuant to home country practices exemptions granted by the NYSE, Toyota is permitted to follow certain corporate governance practices complying with Japanese laws, regulations and stock exchange rules in lieu of the NYSE s listing standards. The SEC approved changes to the NYSE s listing standards related to corporate governance practices of listed companies (the NYSE Corporate Governance Rules) in November 2003, as further amended in November 2004. Toyota is exempt from the approved changes, except for requirements that (a) Toyota s audit & supervisory board satisfies the requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act), (b) Toyota must disclose significant differences in its corporate governance practices as compared to those followed by domestic companies under the NYSE listing standards, (c) Toyota s principal executive officer must notify the NYSE in writing after any executive officer of Toyota becomes aware of any non-compliance with (a) and (b), and (d) Toyota must submit annual and interim written affirmations to the NYSE. Toyota s corporate governance practices and those followed by domestic companies under the NYSE Corporate Governance Rules have the following significant differences:

1. Members of the Board of Directors. Toyota currently does not have any members of the board of directors who will be deemed an independent director as required under the NYSE Corporate Governance Rules for U.S. listed companies. Unlike the NYSE Corporate Governance Rules, the Companies Act does not require Japanese companies with an audit & supervisory board such as Toyota to have any independent directors on its board of directors. While the NYSE Corporate Governance Rules require that the non-management directors of each listed company meet at regularly scheduled executive sessions without management, Toyota currently has no non-management member on its board of directors. Unlike the NYSE Corporate Governance Rules, the Companies Act does not require, and accordingly Toyota does not have, an internal corporate organ or committee comprised solely of independent directors.

Toyota currently has three outside members of the board of directors under the Companies Act. An outside member of the board of directors refers to:

(a) the person who is not, and has never been during the 10 year period before becoming an outside member of the board of directors, an executive director (a member of the board of directors who engages in the execution of business), executive officer, manager or employee (collectively, Executive Director, etc.) of Toyota or its subsidiaries;

(b) if the person was a member of the board of directors, accounting counselor (in the case that an accounting counselor is a legal entity, an employee of such entity who is in charge of its affairs) or audit & supervisory board member (excluding those who have ever been Executive Directors, etc.) of Toyota or any of its subsidiaries at any time during the 10 year period before becoming an outside member of the board of directors, such person who has not been an Executive Director, etc. of Toyota or any of its subsidiaries during the 10 year period before becoming a member of the board of directors, accounting counselor or audit & supervisory board member; and

(c) the person who is not a spouse or relative within the second degree of kinship of any member of the board of directors or manager or other key employee of Toyota.

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Such qualifications for an outside member of the board of directors are different from the director independence requirements under the NYSE Corporate Governance Rules.

In addition, pursuant to the regulations of the Japanese stock exchanges, Toyota is required to have one or more independent director(s)/audit & supervisory board member(s), defined under the relevant regulations of the Japanese stock exchanges as outside directors or outside audit & supervisory board members (as defined under the Companies Act), who are unlikely to have any conflicts of interests with Toyota s general shareholders, and is also required to make efforts to have at least one independent director(s)/audit & supervisory board member(s) who is also a director. Each of the outside members of the board of directors of Toyota satisfies the independent director/audit & supervisory board member requirements under the regulations of the Japanese stock exchanges. Japan s Corporate Governance Code provides that companies should appoint at least two independent outside directors as defined based on the criteria for assessing director independence established by Toyota in line with the independence standards of the Japanese stock exchanges. Each of the outside members of the board of directors of Toyota satisfies the independent outside director requirements under the criteria for assessing director independence established by Toyota. The definition of independent director/audit & supervisory board member and independent outside director is different from that of the definition of independent director under the NYSE Corporate Governance Rules.

2. Committees. Under the Companies Act, Toyota has elected to structure its corporate governance system as a company with audit & supervisory board members who are under a statutory duty to monitor, review and report on the management of the affairs of Toyota. Toyota, as with other Japanese companies with an audit & supervisory board, does not have certain committees that are required of U.S. listed companies subject to the NYSE Corporate Governance Rules, including those that are responsible for director nomination, corporate governance and executive compensation.

Pursuant to the Companies Act, Toyota s board of directors nominates and submits a proposal for the appointment of members of the board of directors for shareholder approval. The shareholders vote on such nomination at the general shareholders meeting. The Companies Act requires that the limits or calculation formula and kind (in case that the remuneration, bonus and any other benefits in compensation for the execution of duties (remuneration, etc.) are to be paid in other than cash) of remuneration, etc. to be paid to directors as well as limits of remuneration, etc. to be paid to audit & supervisory board members must be determined by a resolution of the general shareholders meeting, unless their remuneration, etc. is provided for in the articles of incorporation. The distribution of remuneration, etc. among each member of the board of directors is broadly delegated to the board of directors and the distribution of remuneration among each audit & supervisory board member is determined by consultation among the audit & supervisory board members.

3. Audit Committee. Toyota avails itself of paragraph (c)(3) of Rule 10A-3 of the Exchange Act, which provides a general exemption from the audit committee requirements to a foreign private issuer with an audit & supervisory board, subject to certain requirements which continue to be applicable under Rule 10A-3.

Pursuant to the requirements of the Companies Act, Toyota elects its audit & supervisory board members through a resolution adopted at a general shareholders meeting. Toyota currently has six audit & supervisory board members, which exceeds the minimum number of audit & supervisory board members required pursuant to the Companies Act.

Unlike the NYSE Corporate Governance Rules, the Companies Act, among others, does not require audit & supervisory board members to establish an expertise in accounting or financial management nor are they required to present other special knowledge and experience. Therefore, none of Toyota s audit & supervisory board members has an expertise in accounting or financial management as set forth in the NYSE Corporate Governance Rules. The Japanese Corporate Governance Code indicates that one or more audit & supervisory board members who have appropriate knowledge of finance and accounting matters should be appointed. Toyota has appointed persons who are able to provide opinions and advice regarding management based on their broader experience and discretion beyond finance and accounting. Under the Companies Act, the audit & supervisory board may determine the auditing policies and methods of investigating the conditions of Toyota s business and assets, and may resolve other matters concerning the execution of the audit & supervisory board member s duties. The audit & supervisory board also prepares auditors reports, gives consent to proposals of the nomination of audit & supervisory board members and makes decisions concerning proposals relating to the appointment and dismissal of accounting auditors.

Toyota currently has three outside audit & supervisory board members under the Companies Act. Under the Companies Act, at least half of the audit & supervisory board members must be an outside audit & supervisory board member, which is any person who satisfies all of the following requirements:

(a) the person has never been a member of the board of directors, accounting counselor (in the case that an accounting counselor is a legal entity, an employee of such entity who is in charge of its affairs), executive officer, manager or employee of Toyota or its subsidiaries during the 10 year period before becoming an outside audit & supervisory board member;

(b) if the person was an audit & supervisory board member of Toyota or any of its subsidiaries at any time during the 10 year period before becoming an outside audit & supervisory board member, such person has not been a member of the board of directors, accounting counselor (in the case that an accounting counselor is a legal entity, an employee of such entity who is in charge of its affairs), executive officer, manager or employee of Toyota or any of its subsidiaries during the 10 year period before becoming an audit & supervisory board member of Toyota or any of its subsidiaries; and

(c) the person is not a spouse or relative within the second degree of kinship of any member of the board of directors or manager or other key employee of Toyota.

Such qualifications for an outside audit & supervisory board member are different from the audit committee independence requirement under the NYSE Corporate Governance Rules.

Each of the outside audit & supervisory board members of Toyota satisfies the independent director/audit & supervisory board member requirements under the regulations of the Japanese stock exchanges, as described above in 1. Members of the Board of Directors.

4. Corporate Governance Guidelines. Unlike the NYSE Corporate Governance Rules, Toyota is not required to adopt Japan s Corporate Governance Code under Japanese laws and regulations, including the Companies Act, the Financial Instruments and Exchange Law of Japan and stock exchange rules. However, if Toyota does not comply with Japan s Corporate Governance Code, it is required to explain the reasons why it does not do so in accordance with the regulations of the Japanese stock exchanges. In addition, Toyota is required to resolve at the board of directors matters relating to a system, which is required under the ordinance of the Ministry of Justice (internal control system or *naibu-tosei*), to ensure the execution of duties of the members of the board of directors to comply with laws, regulations and articles of incorporation, and any other systems to ensure the adequacy of the business, and to disclose such matters resolved, policies and the present status of its corporate governance in its business reports, annual securities report and certain other disclosure documents in accordance with the regulations under the Financial Instruments and Exchange Law and stock exchange rules in respect of timely disclosure.

5. Code of Business Conduct and Ethics. Similar to the NYSE Corporate Governance Rules, under Japan s Corporate Governance Code, Toyota is encouraged to adopt a code of conduct regarding ethical business activities for members of the board of directors, officers and employees. Toyota has resolved matters relating to maintenance of an internal control system , or *naibu-tosei,* in order to ensure its employees comply with laws, regulations and the articles of incorporation, etc. pursuant to the Companies Act, and Toyota maintains guidelines and internal regulations such as Guiding Principles at Toyota , Toyota Code of Conduct and a code of ethics pursuant to Section 406 of the Sarbanes-Oxley Act. Please see Code of Ethics for additional information.

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6. Shareholder Approval of Equity Compensation Plans. Unlike the NYSE Corporate Governance Rules, under which material revisions to equity-compensation plans of listed companies are subject to shareholder approval, pursuant to the Companies Act, generally, the adoption of equity compensation plans for members of the board of directors is required to be approved by a majority of shareholders at the general shareholders meeting for remuneration, etc. other than in cash. In addition to such approval, if Toyota desires to adopt an equity-compensation plan under which stock acquisition rights are granted on specially favorable terms to the recipient (except where such rights are granted to all of its shareholders on a pro-rata basis at the same time), Toyota obtains approval by super-majority (as defined in the Companies Act) at the ordinary general shareholders meeting. Such approval is applicable only to stock acquisition rights to be granted within one year from the date of the approval.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

The following financial statements are filed as part of this annual report on Form 20-F.

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TOYOTA MOTOR CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

All financial statements schedules are omitted because they are not applicable or the required information is shown in the financial statements or the notes thereto.

Financial statements of 50% or less owned persons accounted for by the equity method have been omitted because the registrant s proportionate share of the income from continuing operations before income taxes is less than 20% of consolidated income from continuing operations before income taxes and the investment in and advances to each company is less than 20% of consolidated total assets.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of

Toyota Jidosha Kabushiki Kaisha

(Toyota Motor Corporation)

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Toyota Motor Corporation and its subsidiaries at March 31, 2014 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2015, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Annual Report on Internal Control Over Financial Reporting appearing under Item 15(b). Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers Aarata

Nagoya, Japan

June 24, 2015

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TOYOTA MOTOR CORPORATION

CONSOLIDATED BALANCE SHEETS

	Yen in millions March 31,	
	2014	**2015**
Assets		
Current assets		
Cash and cash equivalents	2,041,170	2,284,557
Time deposits	180,207	149,321
Marketable securities	2,046,877	2,782,099
Trade accounts and notes receivable, less allowance for doubtful accounts of ¥18,780 million in 2014 and ¥40,849 million in 2015	2,036,232	2,108,660
Finance receivables, net	5,628,934	6,269,862
Other receivables	351,182	420,708
Inventories	1,894,704	2,137,618
Deferred income taxes	866,386	978,179
Prepaid expenses and other current assets	672,014	805,393
Total current assets	15,717,706	17,936,397
Noncurrent finance receivables, net	8,102,294	9,202,531
Investments and other assets		
Marketable securities and other securities investments	6,765,043	7,632,126
Affiliated companies	2,429,778	2,691,460
Employees receivables	44,966	45,206
Other	736,388	926,391
Total investments and other assets	9,976,175	11,295,183
Property, plant and equipment		
Land	1,314,040	1,354,815
Buildings	4,073,335	4,282,839
Machinery and equipment	10,381,285	10,945,377
Vehicles and equipment on operating leases	3,709,560	5,199,986
Construction in progress	286,571	581,412
Total property, plant and equipment, at cost	19,764,791	22,364,429
Less - Accumulated depreciation	(12,123,493)	(13,068,710)
Total property, plant and equipment, net	7,641,298	9,295,719
Total assets	41,437,473	47,729,830

The accompanying notes are an integral part of these consolidated financial statements.

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TOYOTA MOTOR CORPORATION

CONSOLIDATED BALANCE SHEETS

	Yen in millions March 31,	
	2014	**2015**
Liabilities		
Current liabilities		
Short-term borrowings	4,830,820	5,048,188
Current portion of long-term debt	2,949,663	3,915,304
Accounts payable	2,213,218	2,410,588
Other payables	845,426	913,013
Accrued expenses	2,313,160	2,668,666
Income taxes payable	594,829	348,786
Other current liabilities	933,569	1,126,951
Total current liabilities	14,680,685	16,431,496
Long-term liabilities		
Long-term debt	8,546,910	10,014,395
Accrued pension and severance costs	767,618	880,293
Deferred income taxes	1,811,846	2,298,469
Other long-term liabilities	411,427	457,848
Total long-term liabilities	11,537,801	13,651,005
Total liabilities	26,218,486	30,082,501
Shareholders equity		
Toyota Motor Corporation shareholders equity		
Common stock, no par value, authorized: 10,000,000,000 shares in 2014 and 2015; issued: 3,447,997,492 shares in 2014 and 3,417,997,492 shares in 2015	397,050	397,050
Additional paid-in capital	551,308	547,054
Retained earnings	14,116,295	15,591,947
Accumulated other comprehensive income (loss)	528,161	1,477,545
Treasury stock, at cost, 278,231,473 shares in 2014 and 271,183,861 shares in 2015	(1,123,666)	(1,225,465)
Total Toyota Motor Corporation shareholders equity	14,469,148	16,788,131
Noncontrolling interests	749,839	859,198
Total shareholders equity	15,218,987	17,647,329
Commitments and contingencies		
Total liabilities and shareholders equity	41,437,473	47,729,830

The accompanying notes are an integral part of these consolidated financial statements.

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TOYOTA MOTOR CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

	Yen in millions		
	For the years ended March 31,		
	2013	**2014**	**2015**
Net revenues			
Sales of products	20,914,150	24,312,644	25,612,836
Financing operations	1,150,042	1,379,267	1,621,685
Total net revenues	22,064,192	25,691,911	27,234,521
Costs and expenses			
Cost of products sold	18,010,569	19,988,245	20,916,362
Cost of financing operations	630,426	812,894	925,314
Selling, general and administrative	2,102,309	2,598,660	2,642,281
Total costs and expenses	20,743,304	23,399,799	24,483,957
Operating income	1,320,888	2,292,112	2,750,564
Other income (expense)			
Interest and dividend income	98,673	115,410	147,122
Interest expense	(22,967)	(19,630)	(22,871)
Foreign exchange gain, net	5,551	50,260	88,140
Other income (loss), net	1,504	2,928	(70,127)
Total other income (expense)	82,761	148,968	142,264
Income before income taxes and equity in earnings of affiliated companies	1,403,649	2,441,080	2,892,828
Provision for income taxes	551,686	767,808	893,469
Equity in earnings of affiliated companies	231,519	318,376	308,545
Net income	1,083,482	1,991,648	2,307,904
Less - Net income attributable to noncontrolling interests	(121,319)	(168,529)	(134,566)
Net income attributable to Toyota Motor Corporation	962,163	1,823,119	2,173,338
		Yen	
Net income attributable to Toyota Motor Corporation per share			
- Basic	303.82	575.30	688.02
- Diluted	303.78	574.92	687.66
Cash dividends per share	90.00	165.00	200.00

The accompanying notes are an integral part of these consolidated financial statements.

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TOYOTA MOTOR CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Yen in millions For the years ended March 31,		
	2013	**2014**	**2015**
Net income	1,083,482	1,991,648	2,307,904
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	461,754	301,889	404,352
Unrealized gains (losses) on securities	374,209	499,560	577,703
Pension liability adjustments	14,711	99,404	4,316
Total other comprehensive income (loss)	850,674	900,853	986,371
Comprehensive income	1,934,156	2,892,501	3,294,275
Less - Comprehensive income attributable to noncontrolling interests	(149,283)	(185,098)	(171,553)
Comprehensive income attributable to Toyota Motor Corporation	1,784,873	2,707,403	3,122,722

The accompanying notes are an integral part of these consolidated financial statements.

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TOYOTA MOTOR CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

	Yen in millions							
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total Toyota Motor Corporation shareholders equity	Noncontrolling interests	Total shareholders equity
Balances at March 31, 2012	397,050	550,650	11,917,074	(1,178,833)	(1,135,680)	10,550,261	516,217	11,066,478
Equity transaction with noncontrolling interests and other		675				675	4,961	5,636
Comprehensive income								
Net income			962,163			962,163	121,319	1,083,482
Other comprehensive income (loss)								
Foreign currency translation adjustments				434,638		434,638	27,116	461,754
Unrealized gains (losses) on securities				368,507		368,507	5,702	374,209
Pension liability adjustments				19,565		19,565	(4,854)	14,711
Total comprehensive income						1,784,873	149,283	1,934,156
Dividends paid to Toyota Motor Corporation shareholders			(190,008)			(190,008)		(190,008)
Dividends paid to noncontrolling interests							(45,640)	(45,640)
Repurchase and reissuance of treasury stock		(285)	(23)		2,542	2,234		2,234
Balances at March 31, 2013	397,050	551,040	12,689,206	(356,123)	(1,133,138)	12,148,035	624,821	12,772,856
Equity transaction with noncontrolling interests and other		528				528	2,985	3,513
Comprehensive income								
Net income			1,823,119			1,823,119	168,529	1,991,648
Other comprehensive income (loss)								
Foreign currency translation adjustments				296,942		296,942	4,947	301,889
Unrealized gains (losses) on securities				493,750		493,750	5,810	499,560
Pension liability adjustments				93,592		93,592	5,812	99,404
Total comprehensive income						2,707,403	185,098	2,892,501
Dividends paid to Toyota Motor Corporation shareholders			(396,030)			(396,030)		(396,030)
Dividends paid to noncontrolling interests							(63,065)	(63,065)
Repurchase and reissuance of treasury stock		(260)			9,472	9,212		9,212
Balances at March 31, 2014	397,050	551,308	14,116,295	528,161	(1,123,666)	14,469,148	749,839	15,218,987

The accompanying notes are an integral part of these consolidated financial statements.

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TOYOTA MOTOR CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (CONTINUED)

	Yen in millions							
	Common stock	**Additional paid-in capital**	**Retained earnings**	**Accumulated other comprehensive income (loss)**	**Treasury stock, at cost**	**Total Toyota Motor Corporation shareholders equity**	**Noncontrolling interests**	**Total shareholders equity**
Balances at March 31, 2014	397,050	551,308	14,116,295	528,161	(1,123,666)	14,469,148	749,839	15,218,987
Equity transaction with noncontrolling interests and other		(422)				(422)	7,101	6,679
Comprehensive income								
Net income			2,173,338			2,173,338	134,566	2,307,904
Other comprehensive income (loss)								
Foreign currency translation adjustments				380,448		380,448	23,904	404,352
Unrealized gains (losses) on securities				567,002		567,002	10,701	577,703
Pension liability adjustments				1,934		1,934	2,382	4,316
Total comprehensive income						3,122,722	171,553	3,294,275
Dividends paid to Toyota Motor Corporation shareholders			(554,933)			(554,933)		(554,933)
Dividends paid to noncontrolling interests							(69,295)	(69,295)
Repurchase of treasury stock					(360,233)	(360,233)		(360,233)
Reissuance of treasury stock		(2,136)	(23,290)		137,275	111,849		111,849
Retirement of treasury stock		(1,696)	(119,463)		121,159			
Balances at March 31, 2015	397,050	547,054	15,591,947	1,477,545	(1,225,465)	16,788,131	859,198	17,647,329

The accompanying notes are an integral part of these consolidated financial statements.

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TOYOTA MOTOR CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Yen in millions		
	For the years ended March 31,		
	2013	2014	2015
Cash flows from operating activities			
Net income	1,083,482	1,991,648	2,307,904
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	1,105,109	1,250,853	1,409,075
Provision for doubtful accounts and credit losses	27,367	49,718	78,969
Pension and severance costs, less payments	(20,429)	20,654	(3,161)
Losses on disposal of fixed assets	32,221	28,657	31,625
Unrealized losses on available-for-sale securities, net	2,104	6,197	2,578
Deferred income taxes	160,008	(56,279)	(26,887)
Equity in earnings of affiliated companies	(231,519)	(318,376)	(308,545)
Changes in operating assets and liabilities, and other			
Increase in accounts and notes receivable	(168,260)	(121,926)	(69,477)
(Increase) decrease in inventories	50,483	(110,819)	(171,001)
Increase in other current assets	(47,033)	(77,645)	(43,355)
Increase (decrease) in accounts payable	(209,284)	65,312	150,058
Increase (decrease) in accrued income taxes	22,127	438,527	(246,043)
Increase in other current liabilities	280,083	277,659	494,254
Other	364,857	201,855	79,759
Net cash provided by operating activities	2,451,316	3,646,035	3,685,753
Cash flows from investing activities			
Additions to finance receivables	(10,004,928)	(11,953,064)	(13,126,596)
Collection of finance receivables	9,063,011	10,990,546	12,426,475
Proceeds from sales of finance receivables	39,845	34,807	23,913
Additions to fixed assets excluding equipment leased to others	(854,561)	(970,021)	(1,146,318)
Additions to equipment leased to others	(1,119,591)	(1,708,670)	(2,211,250)
Proceeds from sales of fixed assets excluding equipment leased to others	39,191	39,191	41,547
Proceeds from sales of equipment leased to others	533,441	744,339	803,423
Purchases of marketable securities and security investments	(3,412,423)	(4,738,278)	(3,194,294)
Proceeds from sales of marketable securities and security investments	35,178	538,894	113,348
Proceeds upon maturity of marketable securities and security investments	2,633,913	2,780,433	2,569,653
Payment for additional investments in affiliated companies, net of cash acquired	16,216	6,603	
Changes in investments and other assets, and other	3,396	(101,028)	(113,391)
Net cash used in investing activities	(3,027,312)	(4,336,248)	(3,813,490)
Cash flows from financing activities			
Proceeds from issuance of long-term debt	3,191,223	3,890,310	5,029,018
Payments of long-term debt	(2,682,136)	(2,988,923)	(3,462,237)
Increase (decrease) in short-term borrowings	201,261	467,976	(288,724)
Dividends paid to Toyota Motor Corporation shareholders	(190,008)	(396,030)	(554,933)
Dividends paid to noncontrolling interests	(45,640)	(63,065)	(69,295)
Reissuance (repurchase) of treasury stock	2,542	9,212	(347,784)
Net cash provided by financing activities	477,242	919,480	306,045

Effect of exchange rate changes on cash and cash equivalents	137,851	93,606	65,079
Net increase in cash and cash equivalents	39,097	322,873	243,387
Cash and cash equivalents at beginning of year	1,679,200	1,718,297	2,041,170
Cash and cash equivalents at end of year	1,718,297	2,041,170	2,284,557

The accompanying notes are an integral part of these consolidated financial statements.

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TOYOTA MOTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of operations:

Toyota and its affiliated companies are primarily engaged in the design, manufacture, and sale of sedans, minivans, compact cars, sport-utility vehicles, trucks and related parts and accessories throughout the world. In addition, Toyota and its affiliated companies provide financing, vehicle and equipment leasing and certain other financial services primarily to its dealers and their customers to support the sales of vehicles and other products manufactured by Toyota and its affiliated companies.

2. Summary of significant accounting policies:

The parent company and its subsidiaries in Japan and its foreign subsidiaries maintain their records and prepare their financial statements in accordance with Japanese generally accepted accounting principles and those of their countries of domicile. Certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements to conform to U.S.GAAP.

Significant accounting policies after reflecting adjustments for the above are as follows:

Basis of consolidation and accounting for investments in affiliated companies -

The consolidated financial statements include the accounts of the parent company, its majority-owned subsidiary companies and variable interest entities of which Toyota is the primary beneficiary. All significant intercompany transactions and accounts have been eliminated. Investments in affiliated companies in which Toyota exercises significant influence, but which it does not control, are stated at cost plus equity in undistributed earnings. Consolidated net income includes Toyota s equity in current earnings of such companies, after elimination of unrealized intercompany profits. Investments in such companies are reduced to net realizable value if a decline in market value is determined other-than-temporary. Investments in non-public companies in which Toyota does not exercise significant influence (generally less than a 20% ownership interest) are stated at cost.

Estimates -

The preparation of Toyota s consolidated financial statements in conformity with U.S.GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The more significant estimates include: product warranties, liabilities accrued for recalls and other safety measures, allowance for doubtful accounts and credit losses, residual values for leased assets, impairment of long-lived assets, pension costs and obligations, fair value of derivative financial instruments, other-than-temporary losses on marketable securities, litigation liabilities and valuation allowance for deferred tax assets.

Translation of foreign currencies -

All asset and liability accounts of foreign subsidiaries and affiliated companies are translated into Japanese yen at appropriate year-end current exchange rates and all income and expense accounts of those subsidiaries are translated at the average exchange rates for each period. The foreign currency translation adjustments are included as a component of accumulated other comprehensive income.

Foreign currency receivables and payables are translated at appropriate year-end current exchange rates and the resulting transaction gains or losses are recorded in operations currently.

TOYOTA MOTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Revenue recognition -

Revenues from sales of vehicles and parts are generally recognized upon delivery which is considered to have occurred when the dealer has taken title to the product and the risk and reward of ownership have been substantively transferred, except as described below.

Toyota s sales incentive programs principally consist of cash payments to dealers calculated based on vehicle volume or a model sold by a dealer during a certain period of time. Toyota accrues these incentives as revenue reductions upon the sale of a vehicle corresponding to the program by the amount determined in the related incentive program.

Revenues from the sales of vehicles under which Toyota conditionally guarantees the minimum resale value are recognized on a pro rata basis from the date of sale to the first exercise date of the guarantee in a manner similar to operating lease accounting. The underlying vehicles of these transactions are recorded as assets and are depreciated in accordance with Toyota s depreciation policy.

Revenues from retail financing contracts and finance leases are recognized using the effective yield method. Revenues from operating leases are recognized on a straight-line basis over the lease term.

The sale of certain vehicles includes a determinable amount for the contract, which entitles customers to free vehicle maintenance. Such revenues from free maintenance contracts are deferred and recognized as revenue over the period of the contract, which approximates the pattern of the related costs.

Other costs -

Advertising and sales promotion costs are expensed as incurred. Advertising costs were ¥330,870 million, ¥419,409 million and ¥435,150 million for the years ended March 31, 2013, 2014 and 2015, respectively.

Toyota generally warrants its products against certain manufacturing and other defects. Provisions for product warranties are provided for specific periods of time and/or usage of the product and vary depending upon the nature of the product, the geographic location of the sale and other factors. Toyota records a provision for estimated product warranty costs at the time the related sale is recognized based on estimates that Toyota will incur to repair or replace product parts that fail while under warranty. The amount of accrued estimated warranty costs is primarily based on historical experience as to product failures as well as current information on repair costs. The amount of warranty costs accrued also contains an estimate of warranty claim recoveries to be received from suppliers.

In addition to product warranties above, Toyota accrues for costs of recalls and other safety measures based on management s estimates when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. Toyota employs an estimation model, to accrue at the time of vehicle sale, an amount that represents management s best estimate of expenses related to future recalls and other safety measures. The estimation model for recalls and other safety measures takes into account Toyota s historical experience of recalls and other safety measures.

Litigation liabilities are established to cover probable losses on various lawsuits based on the information currently available. Attorneys fees are expensed as incurred.

Research and development costs are expensed as incurred. Research and development costs were ¥807,454 million, ¥910,517 million and ¥1,004,547 million for the years ended March 31, 2013, 2014 and 2015, respectively.

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TOYOTA MOTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cash and cash equivalents -

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

Marketable securities -

Marketable securities consist of debt and equity securities. Debt and equity securities designated as available-for-sale are carried at fair value with unrealized gains or losses included as a component of accumulated other comprehensive income in shareholders equity, net of applicable taxes. Individual securities classified as available-for-sale are reduced to net realizable value for other-than-temporary declines in market value. In determining if a decline in value is other-than-temporary, Toyota considers the length of time and the extent to which the fair value has been less than the carrying value, the financial condition and prospects of the company and Toyota s ability and intent to retain its investment in the company for a period of time sufficient to allow for any anticipated recovery in market value. Realized gains and losses, which are determined on the average-cost method, are reflected in the consolidated statements of income when realized.

Security investments in non-public companies -

Security investments in non-public companies are carried at cost as fair value is not readily determinable. If the value of a non-public security investment is estimated to have declined and such decline is judged to be other-than-temporary, Toyota recognizes the impairment of the investment and the carrying value is reduced to its fair value. Determination of impairment is based on the consideration of such factors as operating results, business plans and estimated future cash flows. Fair value is determined principally through the use of the latest financial information.

Finance receivables -

Finance receivables recorded on Toyota s consolidated balance sheets are comprised of the unpaid principal balance, plus accrued interest, less charge-offs, net of any unearned income and deferred origination costs and the allowance for credit losses. Deferred origination costs are amortized so as to approximate a level rate of return over the term of the related contracts.

The determination of portfolio segments is based primarily on the qualitative consideration of the nature of Toyota s business operations and finance receivables. The three portfolio segments within finance receivables are as follows:

Retail receivables portfolio segment -

The retail receivables portfolio segment consists of retail installment sales contracts acquired mainly from dealers (auto loans) including credit card loans. These contracts acquired must first meet specified credit standards. Thereafter, Toyota retains responsibility for contract collection and administration.

The contract periods of auto loans primarily range from 2 to 7 years. Toyota acquires security interests in the vehicles financed and has the right to repossess vehicles if customers fail to meet their contractual obligations. Almost all auto loans are non-recourse, which relieves the dealers from financial responsibility in the event of repossession.

TOYOTA MOTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Toyota classifies retail receivables portfolio segment into one class based on common risk characteristics associated with the underlying finance receivables, the similarity of the credit risks, and the quantitative materiality.

Finance lease receivables portfolio segment -

Toyota acquires new vehicle lease contracts originated primarily through dealers. The contract periods of these primarily range from 2 to 5 years. Lease contracts acquired must first meet specified credit standards after which Toyota assumes ownership of the leased vehicle. Toyota is responsible for contract collection and administration during the lease period.

Toyota is generally permitted to take possession of the vehicle upon a default by the lessee. The residual value is estimated at the time the vehicle is first leased. Vehicles returned to Toyota at the end of their leases are sold by auction.

Toyota classifies finance lease receivables portfolio segment into one class based on common risk characteristics associated with the underlying finance receivables and the similarity of the credit risks.

Wholesale and other dealer loan receivables portfolio segment -

Toyota provides wholesale financing to qualified dealers to finance inventories. Toyota acquires security interests in vehicles financed at wholesale. In cases where additional security interests would be required, Toyota takes dealership assets or personal assets, or both, as additional security. If a dealer defaults, Toyota has the right to liquidate any assets acquired and seek legal remedies.

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

Toyota classifies wholesale and other dealer loan receivables portfolio segment into three classes of wholesale, real estate and working capital, based on the risk characteristics associated with the underlying finance receivables.

A receivable account balance is considered impaired when, based on current information and events, it is probable that Toyota will be unable to collect all amounts due according to the terms of the contract. Factors such as payment history, compliance with terms and conditions of the underlying loan agreement and other subjective factors related to the financial stability of the borrower are considered when determining whether a loan is impaired. Impaired finance receivables include certain nonaccrual receivables for which a specific reserve has been assessed. An account modified as a troubled debt restructuring is considered to be impaired. A troubled debt restructuring occurs when an account is modified through a concession to a borrower experiencing financial difficulty.

All classes of wholesale and other dealer loan receivables portfolio segment are placed on nonaccrual status when full payment of principal or interest is in doubt, or when principal or interest is 90 days or more contractually past due, whichever occurs first. Collateral dependent loans are placed on nonaccrual status if collateral is insufficient to cover principal and interest. Interest accrued but not collected at the date a receivable is placed on nonaccrual status is reversed against interest income. In addition, the amortization of net deferred fees is suspended.

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TOYOTA MOTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Interest income on nonaccrual receivables is recognized only to the extent it is received in cash. Accounts are restored to accrual status only when interest and principal payments are brought current and future payments are reasonably assured. Receivable balances are written-off against the allowance for credit losses when it is probable that a loss has been realized. Retail receivables class and finance lease receivables class are not placed generally on nonaccrual status when principal or interest is 90 days or more past due. However, these receivables are generally written-off against the allowance for credit losses when payments due are no longer expected to be received or the account is 120 days contractually past due, whichever occurs first.

As of March 31, 2014 and 2015, finance receivables on nonaccrual status are as follows:

	Yen in millions March 31,	
	2014	**2015**
Retail	5,962	7,629
Finance leases	780	5,562
Wholesale	1,406	11,573
Real estate	4,035	8,592
Working capital	46	446
	12,229	33,802

As of March 31, 2014 and 2015, finance receivables 90 days or more past due and accruing are as follows:

	Yen in millions March 31,	
	2014	**2015**
Retail	23,352	28,147
Finance leases	3,504	3,954
	26,856	32,101

Allowance for credit losses -

Allowance for credit losses is established to cover probable losses on finance receivables and vehicles and equipment on operating leases, resulting from the inability of customers to make required payments. Provision for credit losses is included in selling, general and administrative expenses.

The allowance for credit losses is based on a systematic, ongoing review and evaluation performed as part of the credit-risk evaluation process, historical loss experience, the size and composition of the portfolios, current economic events and conditions, the estimated fair value and adequacy of collateral and other pertinent factors. Vehicles and equipment on operating leases are not within the scope of accounting guidance governing the disclosure of portfolio segments.

Retail receivables portfolio segment -

Toyota calculates allowance for credit losses to cover probable losses on retail receivables by applying reserve rates to such receivables. Reserve rates are calculated mainly by historical loss experience, current economic events and conditions and other pertinent factors.

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TOYOTA MOTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Finance lease receivables portfolio segment -

Toyota calculates allowance for credit losses to cover probable losses on finance lease receivables by applying reserve rates to such receivables. Reserve rates are calculated mainly by historical loss experience, current economic events and conditions and other pertinent factors such as used car markets.

Wholesale and other dealer loan receivables portfolio segment -

Toyota calculates allowance for credit losses to cover probable losses on wholesale and other dealer loan receivables by applying reserve rates to such receivables. Reserve rates are calculated mainly by financial conditions of the dealers, terms of collateral setting, current economic events and conditions and other pertinent factors.

Toyota establishes specific reserves to cover the estimated losses on individually impaired receivables within the wholesale and other dealer loan receivables portfolio segment. Specific reserves on impaired receivables are determined by the present value of expected future cash flows or the fair value of collateral when it is probable that such receivables will be unable to be fully collected. The fair value of the underlying collateral is used if the receivable is collateral-dependent. The receivable is determined collateral-dependent if the repayment of the loan is expected to be provided by the underlying collateral. For the receivables in which the fair value of the underlying collateral was in excess of the outstanding balance, no allowance was provided.

Troubled debt restructurings in the retail receivables and finance lease receivables portfolio segments are specifically identified as impaired and aggregated with their respective portfolio segments when determining the allowance for credit losses. Impaired loans in the retail receivables and finance lease receivables portfolio segments are insignificant for individual evaluation and Toyota has determined that allowance for credit losses for each of the retail receivables and finance lease receivables portfolio segments would not be materially different if they had been individually evaluated for impairment.

Specific reserves on impaired receivables within the wholesale and other dealer loan receivables portfolio segment are recorded by an increase to the allowance for credit losses based on the related measurement of impairment. Related collateral, if recoverable, is repossessed and sold and the account balance is written-off.

Any shortfall between proceeds received and the carrying cost of repossessed collateral is charged to the allowance. Recoveries are reversed from the allowance for credit losses.

Allowance for residual value losses -

Toyota is exposed to risk of loss on the disposition of off-lease vehicles to the extent that sales proceeds are not sufficient to cover the carrying value of the leased asset at lease termination. Toyota maintains an allowance to cover probable estimated losses related to unguaranteed residual values on its owned portfolio. The allowance is evaluated considering projected vehicle return rates and projected loss severity. Factors considered in the determination of projected return rates and loss severity include historical and market information on used vehicle sales, trends in lease returns and new car markets, and general economic conditions. Management evaluates the foregoing factors, develops several potential loss scenarios, and reviews allowance levels to determine whether reserves are considered adequate to cover the probable range of losses.

The allowance for residual value losses is maintained in amounts considered by Toyota to be appropriate in relation to the estimated losses on its owned portfolio. Upon disposal of the assets, the allowance for residual losses is adjusted for the difference between the net book value and the proceeds from sale.

TOYOTA MOTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Inventories -

Inventories are valued at cost, not in excess of market, cost being determined on the average-cost basis, except for the cost of finished products carried by certain subsidiary companies which is determined on the specific identification basis or last-in, first-out (LIFO) basis. Inventories valued on the LIFO basis totaled ¥323,249 million and ¥402,180 million at March 31, 2014 and 2015, respectively. Had the first-in, first-out basis been used for those companies using the LIFO basis, inventories would have been ¥46,244 million and ¥39,165 million higher than reported at March 31, 2014 and 2015, respectively.

Property, plant and equipment -

Property, plant and equipment are stated at cost. Major renewals and improvements are capitalized; minor replacements, maintenance and repairs are charged to current operations. Depreciation of property, plant and equipment is mainly computed on the declining-balance method for the parent company and Japanese subsidiaries and on the straight-line method for foreign subsidiary companies at rates based on estimated useful lives of the respective assets according to general class, type of construction and use. The estimated useful lives range from 2 to 65 years for buildings and from 2 to 20 years for machinery and equipment.

Vehicles and equipment on operating leases to third parties are originated by dealers and acquired by certain consolidated subsidiaries. Such subsidiaries are also the lessors of certain property that they acquire directly. Vehicles and equipment on operating leases are depreciated primarily on a straight-line method over the lease term, generally from 2 to 5 years, to the estimated residual value. Incremental direct costs incurred in connection with the acquisition of operating lease contracts are capitalized and amortized on a straight-line method over the lease term.

Long-lived assets -

Toyota reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset group exceeds the estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the carrying value of the asset group over its fair value. Fair value is determined mainly using a discounted cash flow valuation method.

Goodwill and intangible assets -

Goodwill is not material to Toyota s consolidated balance sheets.

Intangible assets consist mainly of software. Intangible assets with a definite life are amortized on a straight-line basis with estimated useful lives mainly of 5 years. Intangible assets with an indefinite life are tested for impairment whenever events or circumstances indicate that a carrying amount of an asset (asset group) may not be recoverable.

An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted cash flows used in determining the fair value of the asset. The amount of the impairment loss to be recorded is generally determined by the difference between the fair value of the asset using a discounted cash flow valuation method and the current book value.

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TOYOTA MOTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Employee benefit obligations -

Toyota has both defined benefit and defined contribution plans for employees retirement benefits. Retirement benefit obligations are measured by actuarial calculations in accordance with U.S.GAAP. The funded status of the defined benefit postretirement plans is recognized on the consolidated balance sheets as prepaid pension and severance costs or accrued pension and severance costs, and the funded status change is recognized in the year in which it occurs through other comprehensive income.

Environmental matters -

Environmental expenditures relating to current operations are expensed or capitalized as appropriate. Expenditures relating to existing conditions caused by past operations, which do not contribute to current or future revenues, are expensed. Liabilities for remediation costs are recorded when they are probable and reasonably estimable, generally no later than the completion of feasibility studies or Toyota s commitment to a plan of action. The cost of each environmental liability is estimated by using current technology available and various engineering, financial and legal specialists within Toyota based on current law. Such liabilities do not reflect any offset for possible recoveries from insurance companies and are not discounted. There were no material changes in these liabilities for all periods presented.

Income taxes -

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

Derivative financial instruments -

Toyota employs derivative financial instruments, including forward foreign currency exchange contracts, foreign currency options, interest rate swaps, interest rate currency swap agreements and interest rate options to manage its exposure to fluctuations in interest rates and foreign currency exchange rates. All derivative financial instruments are recorded on the consolidated balance sheets at fair value, taking into consideration the effects of legally enforceable master netting agreements that allow us to net settle positive and negative positions and offset cash collateral held with the same counterparty on a net basis. Toyota does not use derivatives for speculation or trading purposes. Changes in the fair value of derivatives are recorded each period in current earnings or through other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction. The ineffective portion of all hedges is recognized currently in operations.

Net income attributable to Toyota Motor Corporation per share -

Basic net income attributable to Toyota Motor Corporation per common share is calculated by dividing net income attributable to Toyota Motor Corporation by the weighted-average number of shares outstanding during the reported period. The calculation of diluted net income attributable to Toyota Motor Corporation per common share is similar to the calculation of basic net income attributable to Toyota Motor Corporation per share, except that the weighted-average number of shares outstanding includes the additional dilution from the assumed exercise of dilutive stock options.

TOYOTA MOTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock-based compensation -

Toyota measures compensation expense for its stock-based compensation plan based on the grant-date fair value of the award, and accounts for the award.

Other comprehensive income -

Other comprehensive income refers to revenues, expenses, gains and losses that, under U.S.GAAP are included in comprehensive income, but are excluded from net income as these amounts are recorded directly as an adjustment to shareholders equity. Toyota s other comprehensive income is primarily comprised of unrealized gains/losses on marketable securities designated as available-for-sale, foreign currency translation adjustments and adjustments attributed to pension liabilities associated with Toyota s defined benefit pension plans.

Accounting changes -

In July 2013, the FASB issued updated guidance on uncertain tax positions. This guidance requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward for tax purposes, a similar tax loss, or a tax credit carryforward. Toyota adopted this guidance on April 1, 2014. The adoption of this guidance did not have a material impact on Toyota s consolidated financial statements.

Recent pronouncements to be adopted in future periods -

In May 2014, the FASB issued updated guidance on the recognition of revenue from contracts with customers. This guidance will supersede the current revenue recognition guidance. This guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Management is evaluating the impact of adopting this guidance on Toyota s consolidated financial statements.

In February 2015, the FASB issued updated guidance that amends the analysis a reporting entity must perform to determine whether it should consolidate certain legal entities. This guidance is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Management is evaluating the impact of adopting this guidance on Toyota s consolidated financial statements.

In April 2015, the FASB issued updated guidance that requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. This guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Management is evaluating the impact of adopting this guidance on Toyota s consolidated financial statements.

In April 2015, the FASB issued updated guidance to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement. This guidance is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Management is evaluating the impact of adopting this guidance on Toyota s consolidated financial statements.

Reclassifications -

Certain prior year amounts have been reclassified to conform to the presentations as of and for the year ended March 31, 2015.

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TOYOTA MOTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Supplemental cash flow information:

Cash payments for income taxes were ¥331,007 million, ¥411,133 million and ¥1,145,808 million for the years ended March 31, 2013, 2014 and 2015, respectively. Interest payments during the years ended March 31, 2013, 2014 and 2015 were ¥325,575 million, ¥352,590 million and ¥369,770 million, respectively.

Capital lease obligations of ¥3,749 million, ¥3,422 million and ¥3,709 million were incurred for the years ended March 31, 2013, 2014 and 2015, respectively.

4. Acquisitions and dispositions:

During the years ended March 31, 2013, 2014 and 2015, Toyota made several acquisitions and dispositions, however the assets and liabilities acquired or transferred were not material.

5. Marketable securities and other securities investments:

Marketable securities and other securities investments include public and corporate bonds and common stocks for which the aggregate cost, gross unrealized gains and losses and fair value are as follows:

	Yen in millions March 31, 2014			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale				
Public and corporate bonds	5,879,336	290,964	5,377	6,164,923
Common stocks	619,811	1,377,653	268	1,997,196
Other	538,306	34,076	49	572,333
Total	7,037,453	1,702,693	5,694	8,734,452
Securities not practicable to determine fair value				
Public and corporate bonds	433			
Common stocks	77,035			
Total	77,468			

	Yen in millions March 31, 2015			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale				
Public and corporate bonds	6,848,348	337,341	4,738	7,180,951
Common stocks	621,750	2,083,164	100	2,704,814
Other	387,085	43,649	12	430,722

Total	7,857,183	2,464,154	4,850	10,316,487
Securities not practicable to determine fair value				
Public and corporate bonds	20,404			
Common stocks	77,334			
Total	97,738			

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TOYOTA MOTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Public and corporate bonds included in available-for-sale represent 50% of Japanese bonds, and 50% of U.S., European and other bonds as of March 31, 2014, and 43% of Japanese bonds, and 57% of U.S., European and other bonds as of March 31, 2015. Listed stocks on the Japanese stock markets represent 86% and 88% of common stocks which are included in available-for-sale as of March 31, 2014 and 2015, respectively. Public and corporate bonds include government bonds, and Other includes investment trusts.

Unrealized losses continuing over a 12 month period or more in the aggregate were not material at March 31, 2014 and 2015.

As of March 31, 2014 and 2015, maturities of public and corporate bonds included in available-for-sale are mainly from 1 to 10 years.

Proceeds from sales of available-for-sale securities were ¥35,178 million, ¥538,894 million and ¥113,348 million for the years ended March 31, 2013, 2014 and 2015, respectively. On those sales, gross realized gains were ¥1,048 million, ¥25,099 million and ¥17,912 million and gross realized losses were ¥31 million, ¥404 million and ¥161 million, respectively.

During the years ended March 31, 2013, 2014 and 2015, Toyota recognized impairment losses on available-for-sale securities of ¥2,104 million, ¥6,197 million and ¥2,578 million, respectively, which are included in Other income (loss), net and other in the accompanying consolidated statements of income.

In the ordinary course of business, Toyota maintains long-term investment securities, included in Marketable securities and other securities investments and issued by a number of non-public companies which are recorded at cost, as their fair values were not readily determinable. Management employs a systematic methodology to assess the recoverability of such investments by reviewing the financial viability of the underlying companies and the prevailing market conditions in which these companies operate to determine if Toyota s investment in each individual company is impaired and whether the impairment is other-than-temporary. Toyota periodically performs this impairment test for significant investments recorded at cost. If the impairment is determined to be other-than-temporary, the carrying value of the investment is written-down by the impaired amount and the losses are recognized currently in operations.

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TOYOTA MOTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Finance receivables:

Finance receivables consist of the following:

	Yen in millions March 31, 2014	Yen in millions March 31, 2015
Retail	10,523,364	12,015,844
Finance leases	1,071,179	1,158,361
Wholesale and other dealer loans	2,875,650	3,124,079
	14,470,193	16,298,284
Deferred origination costs	161,956	179,905
Unearned income	(754,539)	(837,124)
Allowance for credit losses		
Retail	(89,439)	(109,316)
Finance leases	(30,585)	(29,303)
Wholesale and other dealer loans	(26,358)	(30,053)
Total allowance for credit losses	(146,382)	(168,672)
Total finance receivables, net	13,731,228	15,472,393
Less - Current portion	(5,628,934)	(6,269,862)
Noncurrent finance receivables, net	8,102,294	9,202,531

Finance receivables were geographically distributed as follows: in North America 57.1%, in Asia 11.4%, in Europe 10.8%, in Japan 8.9% and in Other 11.8% as of March 31, 2014, and in North America 59.3%, in Asia 12.8%, in Europe 9.5%, in Japan 7.9% and in Other 10.5% as of March 31, 2015.

The contractual maturities of retail receivables, the future minimum lease payments on finance leases and the contractual maturities of wholesale and other dealer loans at March 31, 2015 are summarized as follows:

	Yen in millions		
Years ending March 31,	Retail	Finance leases	Wholesale and other dealer loans
2016	3,990,339	305,178	2,284,565
2017	2,947,412	225,863	282,667
2018	2,303,402	171,359	193,257
2019	1,548,457	94,781	145,660
2020	792,183	30,905	96,535
Thereafter	434,051	7,405	121,395
	12,015,844	835,491	3,124,079

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TOYOTA MOTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Finance leases consist of the following:

	Yen in millions March 31, 2014	2015
Minimum lease payments	781,736	835,491
Estimated unguaranteed residual values	289,443	322,870
	1,071,179	1,158,361
Deferred origination costs	4,592	4,791
Less - Unearned income	(89,627)	(98,915)
Less - Allowance for credit losses	(30,585)	(29,303)
Finance leases, net	955,559	1,034,934

Toyota is exposed to credit risk on Toyota s finance receivables. Credit risk is the risk of loss arising from the failure of customers or dealers to meet the terms of their contracts with Toyota or otherwise fail to perform as agreed. Toyota estimates allowance for credit losses by variety of credit-risk evaluation process to cover probable and estimable losses above.

The table below shows the amount of the finance receivables segregated into aging categories based on the number of days outstanding as of March 31, 2014 and 2015:

	Yen in millions March 31, 2014				
	Retail	Finance leases	Wholesale	Real estate	Working capital
Current	10,366,261	1,062,194	1,434,534	739,659	700,819
30-59 days past due	105,056	3,396	8	525	
60-89 days past due	22,824	1,490		70	
90 days or greater past due	29,223	4,099	20		15
Total	10,523,364	1,071,179	1,434,562	740,254	700,834

	Yen in millions March 31, 2015				
	Retail	Finance leases	Wholesale	Real estate	Working capital
Current	11,821,070	1,147,488	1,540,395	854,791	728,689
30-59 days past due	129,649	4,179	2	70	
60-89 days past due	29,552	1,985			
90 days or greater past due	35,573	4,709		26	106
Total	12,015,844	1,158,361	1,540,397	854,887	728,795

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The tables below show the recorded investment for each credit quality of the finance receivable within the wholesale and other dealer loan receivables portfolio segment in the United States and other regions as of March 31, 2014 and 2015:

United States

The wholesale and other dealer loan receivables portfolio segment is primarily segregated into credit qualities below based on internal risk assessments by dealers.

Performing: Account not classified as either Credit Watch, At Risk or Default

Credit Watch: Account designated for elevated attention

At Risk: Account where there is an increased likelihood that default may exist based on qualitative and quantitative factors
Default: Account is not currently meeting contractual obligations or we have temporarily waived certain contractual requirements

	Yen in millions March 31, 2014			
	Wholesale	Real estate	Working capital	Total
Performing	836,703	390,218	169,027	1,395,948
Credit Watch	131,934	88,032	16,233	236,199
At Risk	2,441	1,247	2,556	6,244
Default	58		616	674
Total	971,136	479,497	188,432	1,639,065

	Yen in millions March 31, 2015			
	Wholesale	Real estate	Working capital	Total
Performing	960,542	454,451	197,369	1,612,362
Credit Watch	136,537	101,221	21,197	258,955
At Risk	7,230	4,476	3,806	15,512
Default	4,340	482	273	5,095
Total	1,108,649	560,630	222,645	1,891,924

Other regions

Credit qualities of the wholesale and other dealer loan receivables portfolio segment in other regions are also monitored based on internal risk assessments by dealers on a consistent basis as in the United States. These accounts classified as Credit Watch or At Risk were not significant in other regions, and consequently the tables below summarize information for two categories, Performing and Default .

	Yen in millions March 31, 2014			
	Wholesale	Real estate	Working capital	Total
Performing	460,946	259,056	511,855	1,231,857

Default	2,480	1,701	547	4,728
Total	463,426	260,757	512,402	1,236,585

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Yen in millions March 31, 2015			
	Wholesale	Real estate	Working capital	Total
Performing	428,889	292,007	505,675	1,226,571
Default	2,859	2,250	475	5,584
Total	431,748	294,257	506,150	1,232,155

The tables below summarize information about impaired finance receivables:

	Yen in millions					
	Recorded investment March 31,		Unpaid principal balance March 31,		Individually evaluated allowance March 31,	
	2014	2015	2014	2015	2014	2015
Impaired account balances individually evaluated for impairment with an allowance:						
Wholesale	4,745	11,810	4,745	11,810	483	2,387
Real estate	4,476	8,136	4,476	8,136	1,421	2,054
Working capital	2,977	4,881	2,977	4,881	2,720	4,376
Total	12,198	24,827	12,198	24,827	4,624	8,817
Impaired account balances individually evaluated for impairment without an allowance:						
Wholesale	5,217	13,644	5,217	13,644		
Real estate	9,257	10,935	9,257	10,935		
Working capital	384	312	384	312		
Total	14,858	24,891	14,858	24,891		
Impaired account balances aggregated and evaluated for impairment:						
Retail	34,179	32,907	33,661	32,541		
Finance leases	177	118	168	104		
Total	34,356	33,025	33,829	32,645		
Total impaired account balances:						
Retail	34,179	32,907	33,661	32,541		
Finance leases	177	118	168	104		
Wholesale	9,962	25,454	9,962	25,454		
Real estate	13,733	19,071	13,733	19,071		
Working capital	3,361	5,193	3,361	5,193		
Total	61,412	82,743	60,885	82,363		

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Yen in millions			
	Average impaired finance receivables For the years ended March 31,		Interest income recognized For the years ended March 31,	
	2014	2015	2014	2015
Total impaired account balances:				
Retail	37,997	33,722	2,760	2,389
Finance leases	175	155	6	4
Wholesale	14,464	13,977	100	110
Real estate	15,201	14,634	501	439
Working capital	4,591	3,813	200	110
Total	72,428	66,301	3,567	3,052

The amount of finance receivables modified as a troubled debt restructuring for the year ended March 31, 2015 was not significant for all classes of finance receivables. Finance receivables modified as troubled debt restructurings for the year ended March 31, 2015 and for which there was a payment default were not significant for all classes of such receivables.

7. Other receivables:

Other receivables relate to arrangements with certain component manufacturers whereby Toyota procures inventory for these component manufactures and is reimbursed for the related purchases.

8. Inventories:

Inventories consist of the following:

	Yen in millions March 31,	
	2014	2015
Finished goods	1,159,762	1,365,818
Raw materials	384,635	401,040
Work in process	258,133	270,113
Supplies and other	92,174	100,647
Total	1,894,704	2,137,618

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Vehicles and equipment on operating leases:

Vehicles and equipment on operating leases consist of the following:

	Yen in millions March 31,	
	2014	2015
Vehicles	3,674,969	5,169,524
Equipment	129,029	163,195
Less - Deferred income and other	(94,438)	(132,733)
	3,709,560	5,199,986
Less - Accumulated depreciation	(808,764)	(1,080,936)
Less - Allowance for credit losses	(7,220)	(9,366)
Vehicles and equipment on operating leases, net	2,893,576	4,109,684

Rental income from vehicles and equipment on operating leases was ¥476,935 million, ¥586,983 million and ¥726,515 million for the years ended March 31, 2013, 2014 and 2015, respectively. Future minimum rentals from vehicles and equipment on operating leases are due in installments as follows:

Years ending March 31,	Yen in millions
2016	728,864
2017	461,905
2018	200,318
2019	50,092
2020	11,587
Thereafter	1,633
Total minimum future rentals	1,454,399

The future minimum rentals as shown above should not be considered indicative of future cash collections.

10. Allowance for doubtful accounts and credit losses:

The net changes in the allowance for doubtful accounts relating to trade accounts and notes receivable for the years ended March 31, 2013, 2014 and 2015 are as follows:

	Yen in millions For the years ended March 31,		
	2013	2014	2015
Allowance for doubtful accounts at beginning of year	44,097	46,144	47,518

Provision for doubtful accounts, net of reversal	1,745	3,405	(1,598)
Write-offs	(457)	(1,162)	(289)
Other	759	(869)	4,779
Allowance for doubtful accounts at end of year	46,144	47,518	50,410

Other includes the impact of currency translation adjustments for the years ended March 31, 2013, 2014 and 2015.

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A portion of the allowance for doubtful accounts balance at March 31, 2014 and 2015 totaling ¥28,738 million and ¥9,561 million, respectively, is attributed to certain non-current receivable balances which are reported as Other assets in the consolidated balance sheets.

The net changes in the allowance for credit losses relating to finance receivables and vehicles and equipment on operating leases for the years ended March 31, 2013, 2014 and 2015 are as follows:

	Yen in millions For the years ended March 31, 2013	 2014	 2015
Allowance for credit losses at beginning of year	140,363	147,049	153,602
Provision for credit losses, net of reversal	25,622	46,313	80,567
Charge-offs	(56,701)	(65,359)	(84,310)
Recoveries	14,690	16,662	18,173
Other	23,075	8,937	10,006
Allowance for credit losses at end of year	147,049	153,602	178,038

Other primarily includes the impact of currency translation adjustments for the years ended March 31, 2013, 2014 and 2015.

The net changes in the allowance for credit losses above relating to retail receivables portfolio segment, finance lease receivables portfolio segment and wholesale and other dealer loan receivables portfolio segment for the years ended March 31, 2013, 2014 and 2015 are as follows:

	Yen in millions For the year ended March 31, 2013 Retail	 Finance leases	 Wholesale and other dealer loans
Allowance for credit losses at beginning of year	77,353	30,637	24,238
Provision for credit losses, net of reversal	29,079	(4,063)	(2,006)
Charge-offs	(48,528)	(2,775)	(110)
Recoveries	12,795	590	3
Other	13,159	4,539	4,118
Allowance for credit losses at end of year	83,858	28,928	26,243

	Yen in millions For the year ended March 31, 2014 Retail	 Finance leases	 Wholesale and other dealer loans
Allowance for credit losses at beginning of year	83,858	28,928	26,243
Provision for credit losses, net of reversal	42,055	1,847	(807)
Charge-offs	(55,733)	(2,554)	(626)
Recoveries	14,051	587	16
Other	5,208	1,777	1,532

Allowance for credit losses at end of year	89,439	30,585	26,358

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Yen in millions		
	For the year ended March 31, 2015		
	Retail	Finance leases	Wholesale and other dealer loans
Allowance for credit losses at beginning of year	89,439	30,585	26,358
Provision for credit losses, net of reversal	70,129	(858)	2,531
Charge-offs	(71,403)	(2,568)	(603)
Recoveries	15,008	497	78
Other	6,143	1,647	1,689
Allowance for credit losses at end of year	109,316	29,303	30,053

11. Affiliated companies and variable interest entities:

Investments in and transactions with affiliated companies -

Summarized financial information for affiliated companies accounted for by the equity method is shown below:

	Yen in millions	
	March 31,	
	2014	2015
Current assets	10,813,254	11,380,649
Noncurrent assets	10,172,524	11,890,150
Total assets	20,985,778	23,270,799
Current liabilities	7,120,877	7,330,762
Long-term liabilities and noncontrolling interests	5,217,723	5,965,242
Affiliated companies accounted for by the equity method shareholders equity	8,647,178	9,974,795
Total liabilities and shareholders equity	20,985,778	23,270,799
Toyota s share of affiliated companies accounted for by the equity method shareholders equity	2,429,576	2,691,222
Number of affiliated companies accounted for by the equity method at end of period	54	54

	Yen in millions		
	For the years ended March 31,		
	2013	2014	2015
Net revenues	24,242,046	28,289,687	30,163,457
Gross profit	2,620,892	3,385,048	3,614,946
Net income attributable to affiliated companies accounted for by the equity method	705,249	963,003	966,133

Equity in earnings of affiliated companies attributable to Toyota Motor Corporation	231,519	318,376	308,545

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Entities comprising a significant portion of Toyota s investment in affiliated companies and percentage of ownership are presented below:

Name of affiliated companies	Percentage of ownership March 31, 2014	2015
Denso Corporation	24.9%	24.9%
Toyota Industries Corporation	24.7%	24.6%
Aisin Seiki Co., Ltd.	23.4%	23.3%
Toyota Tsusho Corporation	22.0%	22.0%
Toyoda Gosei Co., Ltd.	43.0%	43.0%

Certain affiliated companies accounted for by the equity method with carrying amounts of ¥1,811,245 million and ¥2,010,249 million at March 31, 2014 and 2015, respectively, were quoted on various established markets at an aggregate value of ¥2,320,128 million and ¥2,889,079 million, respectively. Toyota evaluated its investments in affiliated companies, considering the length of time and the extent to which the quoted market prices have been less than the carrying amounts, the financial condition and near-term prospects of the affiliated companies and Toyota s ability and intent to retain those investments in the companies for a period of time. Toyota did not recognize any impairment loss for the years ended March 31, 2013, 2014 and 2015.

Account balances and transactions with affiliated companies are presented below:

	Yen in millions March 31, 2014	2015
Trade accounts and notes receivable, and other receivables	253,312	266,999
Accounts payable and other payables	599,334	635,878

	Yen in millions For the years ended March 31, 2013	2014	2015
Net revenues	1,926,854	1,854,708	1,785,238
Purchases	4,020,138	4,289,583	5,065,613

Dividends from affiliated companies accounted for by the equity method for the years ended March 31, 2013, 2014 and 2015 were ¥126,977 million, ¥147,039 million and ¥174,485 million, respectively.

Toyota does not have any significant related party transactions other than transactions with affiliated companies in the ordinary course of business.

Variable Interest Entities -

Toyota enters into securitization transactions using special-purpose entities, that are considered variable interest entities (VIEs). Although the finance receivables and vehicles on operating leases related to securitization transactions have been legally sold to the VIEs, Toyota has both the power to direct the activities of the VIEs that most significantly impact the VIEs economic performance and the obligation to absorb losses of the VIEs or the right to receive benefits from the VIEs that could potentially be significant to the VIEs. As a result, Toyota is considered the primary beneficiary of the VIEs and therefore consolidates the VIEs.

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Related to securitization transactions, ¥1,439,796 million and ¥1,845,092 million retail finance receivables, ¥16,447 million and ¥144,729 million vehicles on operating leases, ¥84,052 million and ¥112,004 million restricted cash and ¥1,205,293 million and ¥1,572,185 million secured debt were included in Toyota s consolidated financial statements as of March 31, 2014 and 2015, respectively. The creditors of the VIEs do not have recourse to Toyota s general credit with the exception of debts guaranteed by Toyota. Risks to which Toyota is exposed including credit, interest rate, and/or prepayment risks are not incremental compared with the situation before Toyota enters into securitization transactions.

As for VIEs other than those specified above, neither the aggregate size nor Toyota s involvements are material to Toyota s consolidated financial statements.

12. Short-term borrowings and long-term debt:

Short-term borrowings at March 31, 2014 and 2015 consist of the following:

	Yen in millions March 31,	
	2014	**2015**
Loans, principally from banks, with a weighted-average interest at March 31, 2014 and March 31, 2015 of 2.57% and of 2.83% per annum, respectively	1,165,580	1,167,792
Commercial paper with a weighted-average interest at March 31, 2014 and March 31, 2015 of 0.49% and of 0.41% per annum, respectively	3,665,240	3,880,396
	4,830,820	5,048,188

As of March 31, 2015, Toyota has unused short-term lines of credit amounting to ¥2,070,086 million of which ¥729,454 million related to commercial paper programs. Under these programs, Toyota is authorized to obtain short-term financing at prevailing interest rates for periods not in excess of 360 days.

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Long-term debt at March 31, 2014 and 2015 comprises the following:

	Yen in millions March 31,	
	2014	**2015**
Unsecured loans, representing obligations principally to banks, due 2014 to 2029 in 2014 and due 2015 to 2029 in 2015 with interest ranging from 0.00% to 39.50% per annum in 2014 and from 0.01% to 39.50% per annum in 2015	3,368,711	3,712,598
Secured loans, representing obligations principally to finance receivables securitization due 2014 to 2030 in 2014 and due 2015 to 2030 in 2015 with interest ranging from 0.10% to 12.00% per annum in 2014 and from 0.10% to 2.92% per annum in 2015	1,226,080	1,594,489
Medium-term notes of consolidated subsidiaries, due 2014 to 2047 in 2014 and due 2015 to 2047 in 2015 with interest ranging from 0.10% to 9.40% per annum in 2014 and from 0.13% to 9.40% per annum in 2015	5,355,176	6,740,355
Unsecured notes of parent company, due 2014 to 2023 in 2014 and due 2015 to 2024 in 2015 with interest ranging from 0.19% to 3.00% per annum in 2014 and from 0.19% to 3.00% per annum in 2015	400,000	380,000
Unsecured notes of consolidated subsidiaries, due 2014 to 2031 in 2014 and due 2015 to 2032 in 2015 with interest ranging from 0.08% to 41.79% per annum in 2014 and from 0.03% to 41.79% per annum in 2015	1,124,810	1,469,218
Secured notes of consolidated subsidiaries, due 2016 to 2018 in 2015 with interest ranging from 8.40% to 9.55% per annum in 2015		13,580
Long-term capital lease obligations, due 2014 to 2030 in 2014 and due 2015 to 2030 in 2015 with interest ranging from 0.50% to 14.73% per annum in 2014 and from 0.50% to 14.73% per annum in 2015	21,796	19,459
	11,496,573	13,929,699
Less - Current portion due within one year	(2,949,663)	(3,915,304)
	8,546,910	10,014,395

As of March 31, 2015, approximately 48%, 12%, 8% and 32% of long-term debt are denominated in U.S. dollars, Japanese yen, Australian dollars and other currencies, respectively.

As of March 31, 2015, property, plant and equipment with a book value of ¥192,329 million and other assets aggregating ¥1,875,174 million were pledged as collateral mainly for certain debt obligations of subsidiaries. These other assets principally consist of securitized finance receivables.

The aggregate amounts of annual maturities of long-term debt during the next five years are as follows:

Years ending March 31,	**Yen in millions**
2016	3,915,304
2017	2,380,969
2018	2,867,620
2019	1,690,587
2020	1,718,136

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Standard agreements with certain banks include provisions that collateral (including sums on deposit with such banks) or guarantees will be furnished upon the banks request and that any collateral furnished, pursuant to such agreements or otherwise, will be applicable to all present or future indebtedness to such banks. During the year ended March 31, 2015, Toyota has not received any significant requests from these banks.

As of March 31, 2015, Toyota has unused long-term lines of credit amounting to ¥8,980,430 million.

13. Product warranties and recalls and other safety measures:

Toyota provides product warranties for certain defects mainly resulting from manufacturing based on warranty contracts with its customers at the time of sale of products. Toyota accrues estimated warranty costs to be incurred in the future in accordance with the warranty contracts. In addition to product warranties, Toyota initiates recalls and other safety measures to repair or to replace parts which might be expected to fail from products safety perspectives or customer satisfaction standpoints. Toyota accrues for costs of recalls and other safety measures at the time of vehicle sale based on the amount estimated from historical experience.

Liabilities for product warranties and liabilities for recalls and other safety measures have been combined into a single table showing an aggregate liability for quality assurances due to the fact that both are liabilities for costs to repair or replace defects of vehicles and the amounts incurred for recalls and other safety measures may affect the amounts incurred for product warranties and vice versa.

Liabilities for quality assurances are included in Accrued expenses in the consolidated balance sheets.

The net changes in liabilities for quality assurances above for the years ended March 31, 2013, 2014 and 2015 consist of the following:

	Yen in millions For the years ended March 31,		
	2013	2014	2015
Liabilities for quality assurances at beginning of year	839,834	1,003,023	1,154,021
Payments made during year	(344,279)	(383,572)	(509,488)
Provision for quality assurances	491,542	524,442	686,006
Changes relating to pre-existing quality assurances	(8,383)	(7,248)	(25,619)
Other	24,309	17,376	23,996
Liabilities for quality assurances at end of year	1,003,023	1,154,021	1,328,916

Other primarily includes the impact of currency translation adjustments and the impact of consolidation and deconsolidation of certain entities due to changes in ownership interest.

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The table below shows the net changes in liabilities for recalls and other safety measures which are comprised in liabilities for quality assurances above for the years ended March 31, 2013, 2014 and 2015.

	Yen in millions For the years ended March 31,		
	2013	2014	2015
Liabilities for recalls and other safety measures at beginning of year	468,697	566,406	680,475
Payments made during year	(180,925)	(207,652)	(357,447)
Provision for recalls and other safety measures	270,883	315,574	421,618
Other	7,751	6,147	10,404
Liabilities for recalls and other safety measures at end of year	566,406	680,475	755,050

14. Other payables:

Other payables are mainly related to purchases of property, plant and equipment and non-manufacturing purchases.

15. Income taxes:

The components of income before income taxes comprise the following:

	Yen in millions For the years ended March 31,		
	2013	2014	2015
Income before income taxes:			
Parent company and domestic subsidiaries	651,852	1,621,013	1,685,909
Foreign subsidiaries	751,797	820,067	1,206,919
	1,403,649	2,441,080	2,892,828

The provision for income taxes consists of the following:

	Yen in millions For the years ended March 31,		
	2013	2014	2015
Current income tax expense:			
Parent company and domestic subsidiaries	178,662	634,458	552,122
Foreign subsidiaries	213,016	189,629	368,234
Total current	391,678	824,087	920,356
Deferred income tax expense (benefit):			

Parent company and domestic subsidiaries	140,041	(122,898)	(77,653)
Foreign subsidiaries	19,967	66,619	50,766
Total deferred	160,008	(56,279)	(26,887)
Total provision	551,686	767,808	893,469

Toyota is subject to a number of different income taxes which, in the aggregate, indicate a statutory rate in Japan of approximately 37.6%, 37.6% and 35.2% for the years ended March 31, 2013, 2014 and 2015, respectively. The statutory tax rates in effect for the year in which the temporary differences are expected to

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reverse are used to calculate the tax effects of temporary differences which are expected to reverse in the future years. Reconciliation of the differences between the statutory tax rate and the effective income tax rate is as follows:

	For the years ended March 31,		
	2013	**2014**	**2015**
Statutory tax rate	37.6%	37.6%	35.2%
Increase (reduction) in taxes resulting from:			
Non-deductible expenses	0.6	2.2	1.5
Deferred tax liabilities on undistributed earnings of foreign subsidiaries	1.8	1.5	1.0
Deferred tax liabilities on undistributed earnings of affiliated companies accounted for by the equity method	4.1	3.0	2.5
Valuation allowance	1.7	(4.3)	(0.5)
Tax credits	(3.1)	(6.5)	(5.3)
The difference between the statutory tax rate in Japan and that of foreign subsidiaries	(4.8)	(3.2)	(2.4)
Unrecognized tax benefits adjustments	0.1	0.0	3.2
Revision to reduce deferred tax assets and liabilities at the fiscal year-end due to changes in tax rates	0.0	0.9	(1.9)
Other	1.3	0.3	(2.4)
Effective income tax rate	39.3%	31.5%	30.9%

Unrecognized tax benefits adjustments for the year ended March 31, 2015 reflects a charge for the settlement of a pre 2012 tax position in a foreign jurisdiction.

Significant components of deferred tax assets and liabilities are as follows:

	Yen in millions	
	March 31,	
	2014	**2015**
Deferred tax assets		
Accrued pension and severance costs	179,159	184,215
Accrued expenses and liabilities for quality assurances	523,473	573,246
Other accrued employees compensation	126,721	126,366
Operating loss carryforwards for tax purposes	164,070	259,896
Tax credit carryforwards	51,046	42,059
Property, plant and equipment and other assets	213,799	220,226
Other	307,443	288,012
Gross deferred tax assets	1,565,711	1,694,020
Less - Valuation allowance	(189,894)	(169,811)
Total deferred tax assets	1,375,817	1,524,209
Deferred tax liabilities		
Unrealized gains on securities, net	(608,428)	(810,192)

Undistributed earnings of foreign subsidiaries	(37,556)	(27,692)
Undistributed earnings of affiliated companies accounted for by the equity method	(663,249)	(686,692)
Basis difference of acquired assets	(35,261)	(31,946)
Lease transactions	(828,911)	(1,162,540)
Other	(39,286)	(21,597)
Gross deferred tax liabilities	(2,212,691)	(2,740,659)
Net deferred tax liability	(836,874)	(1,216,450)

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The deferred tax assets and liabilities above that comprise the net deferred tax liability are included in the consolidated balance sheets as follows:

	Yen in millions March 31, 2014	2015
Deferred tax assets		
Deferred income taxes (Current assets)	866,386	978,179
Investments and other assets - Other	133,537	132,548
Deferred tax liabilities		
Other current liabilities	(24,951)	(28,708)
Deferred income taxes (Long-term liabilities)	(1,811,846)	(2,298,469)
Net deferred tax liability	(836,874)	(1,216,450)

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.

The accounting for deferred tax assets represents Toyota s current best estimate based on all available evidence. Unanticipated events or changes could result in re-evaluating the realizability of deferred tax assets.

Operating loss carryforwards for tax purposes as of March 31, 2015 in Japan and foreign countries were ¥22,162 million and ¥758,890 million, respectively, and are available as an offset against future taxable income. The majority of these carryforwards in Japan and foreign countries expire in years 2016 to 2024 and expire in years 2016 to 2034, respectively. Tax credit carryforwards as of March 31, 2015 in Japan and foreign countries were ¥24,453 million and ¥17,606 million, respectively, and the majority of these carryforwards in Japan and foreign countries expire in years 2016 to 2018 and expire in years 2016 to 2035, respectively.

The valuation allowance mainly relates to deferred tax assets of operating loss and foreign tax credit carryforwards for tax purposes that are not expected to be realized. The net changes in the total valuation allowance for deferred tax assets for the years ended March 31, 2013, 2014 and 2015 consist of the following:

	Yen in millions For the years ended March 31, 2013	2014	2015
Valuation allowance at beginning of year	309,268	284,835	189,894
Additions	38,285	23,390	34,485
Deductions	(70,986)	(128,928)	(50,247)
Other	8,268	10,597	(4,321)
Valuation allowance at end of year	284,835	189,894	169,811

Other includes the impact of consolidation and deconsolidation of certain entities due to changes in ownership interest and currency translation adjustments during the years ended March 31, 2013, 2014 and 2015.

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Because management intends to reinvest undistributed earnings of foreign subsidiaries to the extent not expected to be remitted in the foreseeable future, management has made no provision for income taxes on those undistributed earnings aggregating ¥3,174,864 million as of March 31, 2015. Toyota estimates an additional tax provision of ¥151,989 million would be required if the full amount of those undistributed earnings were remitted.

A summary of the gross unrecognized tax benefits changes for the years ended March 31, 2013, 2014 and 2015 is as follows:

	Yen in millions		
	For the years ended March 31,		
	2013	2014	2015
Balance at beginning of year	16,901	22,447	19,393
Additions based on tax positions related to the current year	2,401	310	593
Additions for tax positions of prior years	4,339	491	94,852
Reductions for tax positions of prior years	(1,619)	(1,273)	(4,015)
Reductions for tax positions related to lapse of statute of limitations			(58)
Reductions for settlements	(2,776)	(3,771)	(98,929)
Other	3,201	1,189	1,808
Balance at end of year	22,447	19,393	13,644

The amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was not material at March 31, 2013, 2014 and 2015, respectively. Toyota does not believe it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next twelve months.

Interest and penalties related to income tax liabilities are included in Other income (loss), net . The amounts of interest and penalties accrued as of and recognized for the years ended March 31, 2013, 2014 and 2015, were not material.

Toyota remains subject to income tax examination for the tax returns related to the years beginning on and after April 1, 2008 and January 1, 2000, with various tax jurisdictions in Japan and foreign countries, respectively.

16. Shareholders equity:

Changes in the number of shares of common stock issued have resulted from the following:

	For the years ended March 31,		
	2013	2014	2015
Common stock issued			
Balance at beginning of year	3,447,997,492	3,447,997,492	3,447,997,492
Issuance during the year			
Purchase and retirement			(30,000,000)
Balance at end of year	3,447,997,492	3,447,997,492	3,417,997,492

The Companies Act provides that an amount equal to 10% of distributions from surplus paid by the parent company and its Japanese subsidiaries be appropriated as a capital reserve or a retained earnings reserve. No further appropriations are required when the total amount of the capital reserve and the retained earnings reserve reaches 25% of stated capital.

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The retained earnings reserve included in retained earnings as of March 31, 2014 and 2015 were ¥180,177 million and ¥186,555 million, respectively. The Companies Act provides that the retained earnings reserve of the parent company and its Japanese subsidiaries is restricted and unable to be used for dividend payments, and is excluded from the calculation of the profit available for dividend.

The amounts of statutory retained earnings of the parent company available for dividend payments to shareholders were ¥6,890,426 million and ¥7,635,250 million as of March 31, 2014 and 2015, respectively. In accordance with customary practice in Japan, the distributions from surplus are not accrued in the financial statements for the corresponding period, but are recorded in the subsequent accounting period after shareholders approval has been obtained. Retained earnings at March 31, 2015 include amounts representing year-end cash dividends of ¥393,352 million, ¥125 per share, which were approved at the Ordinary General Shareholders Meeting, held on June 16, 2015.

Retained earnings at March 31, 2015 include ¥1,880,835 million relating to equity in undistributed earnings of affiliated companies accounted for by the equity method.

At the Meeting of the Board of Directors held on March 26, 2014, Toyota Motor Corporation (TMC) resolved to reissue 30,000 thousand shares of treasury stock at ¥1 per share by way of third-party allotment, to repurchase up to 60,000 thousand shares of TMC s common stock at a total purchase price of up to ¥360,000 million and to retire 30,000 thousand shares of treasury stock.

The reissuance of treasury stock was subject to the approval at Ordinary General Shareholders Meeting held in June 2014, and the repurchase of TMC s common stock and retirement of treasury stock were each subject to the approval of the reissuance of treasury stock at such Ordinary General Shareholders Meeting. The delegation to TMC s Board of Directors of the power to decide the terms of such reissuance was approved at such Ordinary General Shareholders Meeting held on June 17, 2014.

Presented below is additional information regarding the reissuance, repurchase and retirement of treasury stock.

Reissuance of treasury stock

Reason for reissuing treasury stock -

TMC resolved at the Meeting of the Board of Directors held on March 26, 2014 to establish Toyota Mobility Foundation, a General Incorporated Foundation (the Foundation). The reissuance of treasury stock was made by way of third-party allotment to a trust that was established by TMC to provide funding for the activities of the Foundation through dividends, etc. on TMC s common stock.

Details of matters relating to reissuance -

Number of shares reissued	30,000,000 shares
Price of reissuance	¥1 per share
Amount of proceeds	¥30 million

Repurchase of treasury stock

Reason for repurchasing treasury stock -

The repurchase was made to avoid the dilution of TMC s shares triggered by the reissuance of treasury stock described above, and to effect capital efficiency and agile capital policy in view of the management environment.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Details of matters relating to repurchase -

Number of shares repurchased	55,521,900 shares
Total purchase price for repurchase of shares	¥359,994 million

Retirement of treasury stock

Reason for retiring treasury stock -

The retirement was made to relieve concerns regarding the dilution of TMC s share value due to reissuance of treasury stock in the future.

Details of matters relating to retirement -

Number of shares retired	30,000,000 shares

The amount on retirement of treasury stock and the amount of the difference between fair value and book value of treasury stock on reissuance for the Foundation were treated as a reduction in additional paid-in capital and retained earnings and the amount of the difference between amount of proceeds and fair value of treasury stock on reissuance was included in Other income (expense). The fair value of treasury stock was measured using a dividend discount model due to the restrictions on transfer in the reissued stock for the Foundation. As a result, treasury stock, additional paid-in capital, retained earnings and Other income (expense) decreased by ¥246,807million, ¥4,624million, ¥142,753million and ¥99,400million, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Accumulated other comprehensive income:

Changes in accumulated other comprehensive income (loss) are as follows:

	Yen in millions			
	Foreign currency translation adjustments	Unrealized gains (losses) on securities	Pension liability adjustments	Accumulated other comprehensive income (loss)
Balance at March 31, 2012	(1,248,118)	298,306	(229,021)	(1,178,833)
Other comprehensive income (loss) before reclassifications, net of taxes of ¥(12,664) million, ¥(176,417) million, ¥(6,624) million and ¥(195,705) million	461,754	348,011	7,207	816,972
Reclassifications, net of taxes of ¥ million, ¥(17,497) million, ¥(4,335) million and ¥(21,832) million		26,198	7,504	33,702
Other comprehensive income (loss), net of tax	461,754	374,209	14,711	850,674
Less - Other comprehensive income attributable to noncontrolling interests	(27,116)	(5,702)	4,854	(27,964)
Balance at March 31, 2013	(813,480)	666,813	(209,456)	(356,123)
Other comprehensive income (loss) before reclassifications, net of taxes of ¥(25,139) million, ¥(255,959) million, ¥(44,987) million and ¥(326,085) million	301,889	507,566	91,507	900,962
Reclassifications, net of taxes of ¥ million, ¥5,209 million, ¥(4,682) million and ¥527 million		(8,006)	7,897	(109)
Other comprehensive income (loss), net of tax	301,889	499,560	99,404	900,853
Less - Other comprehensive income attributable to noncontrolling interests	(4,947)	(5,810)	(5,812)	(16,569)
Balance at March 31, 2014	(516,538)	1,160,563	(115,864)	528,161
Other comprehensive income (loss) before reclassifications, net of taxes of ¥(8,742) million, ¥(309,767) million, ¥2,853 million and ¥(315,656) million	404,352	596,417	621	1,001,390
Reclassifications, net of taxes of ¥ million, ¥11,013 million, ¥(2,153) million and ¥8,860 million		(18,714)	3,695	(15,019)
Other comprehensive income (loss), net of tax	404,352	577,703	4,316	986,371
Less - Other comprehensive income attributable to noncontrolling interests	(23,904)	(10,701)	(2,382)	(36,987)
Balance at March 31, 2015	(136,090)	1,727,565	(113,930)	1,477,545

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Reclassifications for the years ended March 31, 2014 and 2015 consist of the following:

	Yen in millions		
	For the years ended March 31,		
	2014	2015	Affected line items in the consolidated statements of income
Unrealized gains (losses) on securities:			
	(29)	(7,727)	Financing operations
	5,079	(14,552)	Foreign exchange gain, net
	(18,469)	(7,446)	Other income (loss), net
	(13,419)	(29,725)	Income before income taxes and equity in earnings of affiliated companies
	5,209	11,013	Provision for income taxes
	204	(2)	Equity in earnings of affiliated companies
	(8,006)	(18,714)	Net income
Pension liability adjustments:			
Recognized net actuarial loss	17,786	10,194	*1
Amortization of prior service costs	(5,207)	(4,346)	*1
	12,579	5,848	Income before income taxes and equity in earnings of affiliated companies
	(4,682)	(2,153)	Provision for income taxes
	7,897	3,695	Net income
Total reclassifications, net of tax	(109)	(15,019)	

Amounts of reclassifications in parentheses indicate gains in the consolidated statements of income.

*1: These components are included in the computation of net periodic pension cost. See note 19 to the consolidated financial statements for additional information.

18. Stock-based compensation:

In June 1997, the parent company s shareholders approved a stock option plan for board members. In June 2001, the shareholders approved an amendment of the plan to include both board members and key employees. Each year until June 2010, since the plans inception, the shareholders have approved the authorization for the grant of options for the purchase of the parent company s common stock. Authorized shares for each year that remain ungranted are unavailable for grant in future years. Stock options granted in and after August 2006 have terms of 8 years and an exercise price equal to 1.025 times the closing price of Toyota s common stock on the date of grant. These options generally vest 2 years from the date of grant.

For the years ended March 31, 2013 and 2014, Toyota recognized stock-based compensation expenses for stock options of ¥325 million and ¥23 million, respectively, as selling, general and administrative expenses.

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The following table summarizes Toyota s stock option activity:

	Number of shares	Yen Weighted-average exercise price	Weighted-average remaining contractual life in years	Yen in millions Aggregate intrinsic value
Options outstanding at March 31, 2012	12,530,000	4,910	4.55	1,065
Granted				
Exercised	(645,000)	3,328		
Canceled	(1,036,000)	5,907		
Options outstanding at March 31, 2013	10,849,000	4,909	3.56	5,921
Granted				
Exercised	(2,390,100)	4,043		
Canceled	(1,128,000)	6,373		
Options outstanding at March 31, 2014	7,330,900	4,965	2.52	8,646
Granted				
Exercised	(2,603,900)	4,834		
Canceled	(1,223,500)	6,200		
Options outstanding at March 31, 2015	3,503,500	4,632	2.05	13,143
Options exercisable at March 31, 2013	10,849,000	4,909	3.56	5,921
Options exercisable at March 31, 2014	7,330,900	4,965	2.52	8,646
Options exercisable at March 31, 2015	3,503,500	4,632	2.05	13,143

The total intrinsic value of options exercised for the years ended March 31, 2013, 2014 and 2015 was ¥364 million, ¥4,793 million and ¥5,313 million, respectively.

Cash received from the exercise of stock options for the years ended March 31, 2013, 2014 and 2015 was ¥2,147 million ¥9,663 million and ¥12,501 million, respectively.

The following table summarizes information for options outstanding and options exercisable at March 31, 2015:

	Outstanding			Exercisable	
Exercise price range Yen	Number of shares	Weighted-average exercise price Yen	Weighted-average remaining life Years	Number of shares	Weighted-average exercise price Yen

3,183	5,000	2,770,300	3,931	2.50	2,770,300	3,931
5,001	7,278	733,200	7,278	0.33	733,200	7,278
3,183	7,278	3,503,500	4,632	2.05	3,503,500	4,632

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19. Employee benefit plans:

Pension and severance plans -

Upon terminations of employment, employees of the parent company and subsidiaries in Japan are entitled, under the retirement plans of each company, to lump-sum indemnities or pension payments, based on current rates of pay and lengths of service or the number of points mainly determined by those. Under normal circumstances, the minimum payment prior to retirement age is an amount based on voluntary retirement. Employees receive additional benefits on involuntary retirement, including retirement at the age limit.

Effective October 1, 2004, the parent company amended its retirement plan to introduce a point based retirement benefit plan. Under the new plan, employees are entitled to lump-sum or pension payments determined based on accumulated points vested in each year of service.

There are three types of points that vest in each year of service consisting of service period points which are attributed to the length of service, job title points which are attributed to the job title of each employee, and performance points which are attributed to the annual performance evaluation of each employee. Under normal circumstances, the minimum payment prior to retirement age is an amount reflecting an adjustment rate applied to represent voluntary retirement. Employees receive additional benefits upon involuntary retirement, including retirement at the age limit.

Effective October 1, 2005, the parent company partly amended its retirement plan and introduced the quasi cash-balance plan under which benefits are determined based on the variable-interest crediting rate rather than the fixed-interest crediting rate as was in the pre-amended plan.

The parent company and most subsidiaries in Japan have contributory funded defined benefit pension plans, which are pursuant to the Corporate Defined Benefit Pension Plan Law (CDBPPL). The contributions to the plans are funded with several financial institutions in accordance with the applicable laws and regulations. These pension plan assets consist principally of common stocks, government bonds and insurance contracts.

Most foreign subsidiaries have pension plans or severance indemnity plans covering substantially all of their employees under which the cost of benefits are currently invested or accrued. The benefits for these plans are based primarily on lengths of service and current rates of pay.

Toyota uses a March 31 measurement date for its benefit plans.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Information regarding Toyota s defined benefit plans is as follows:

	Yen in millions March 31,			
	Japanese plans		Foreign plans	
	2014	2015	2014	2015
Change in benefit obligation				
Benefit obligation at beginning of year	1,594,411	1,657,520	633,160	705,583
Service cost	64,549	73,256	36,908	41,147
Interest cost	24,518	21,746	32,153	37,993
Plan participants contributions	856	871	297	575
Plan amendments	(427)	(381)	96	3,217
Net actuarial (gain) loss	35,306	51,198	(30,012)	116,787
Acquisition and other		(18,523)	48,388	91,097
Benefits paid	(61,693)	(64,462)	(15,407)	(19,469)
Benefit obligation at end of year	1,657,520	1,721,225	705,583	976,930
Change in plan assets				
Fair value of plan assets at beginning of year	1,090,258	1,244,466	479,239	580,982
Actual return on plan assets	133,964	212,908	56,300	59,800
Acquisition and other		(11,341)	42,694	74,171
Employer contributions	56,386	38,917	14,801	14,660
Plan participants contributions	856	871	297	575
Benefits paid	(36,998)	(38,019)	(12,349)	(16,660)
Fair value of plan assets at end of year	1,244,466	1,447,802	580,982	713,528
Funded status	413,054	273,423	124,601	263,402

Amounts recognized in the consolidated balance sheets as of March 31, 2014 and 2015 are comprised of the following:

	Yen in millions March 31,			
	Japanese plans		Foreign plans	
	2014	2015	2014	2015
Accrued expenses (Accrued pension and severance costs)	25,088	26,906	2,509	2,411
Accrued pension and severance costs	573,301	595,598	194,317	284,695
Investments and other assets - Other (Prepaid pension and severance costs)	(185,335)	(349,081)	(72,225)	(23,704)
Net amount recognized	413,054	273,423	124,601	263,402

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Amounts recognized in accumulated other comprehensive income (loss) as of March 31, 2014 and 2015 are comprised of the following:

	Yen in millions March 31,			
	Japanese plans		Foreign plans	
	2014	2015	2014	2015
Net actuarial loss	(248,751)	(110,948)	(46,278)	(133,594)
Prior service costs	48,221	43,879	(1,659)	(4,499)
Net transition obligation				
Net amount recognized	(200,530)	(67,069)	(47,937)	(138,093)

The accumulated benefit obligation for all defined benefit pension plans was ¥1,593,424 million and ¥1,647,345 million in Japanese plans, ¥617,042 million and ¥874,629 million in Foreign plans at March 31, 2014 and 2015, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for which the accumulated benefit obligations exceed plan assets are as follows:

	Yen in millions March 31,			
	Japanese plans		Foreign plans	
	2014	2015	2014	2015
Projected benefit obligation	792,445	838,224	175,238	341,416
Accumulated benefit obligation	732,695	805,107	153,254	324,160
Fair value of plan assets	204,343	217,738	19,136	65,533

Components of the net periodic pension cost are as follows:

	Yen in millions For the years ended March 31,					
	Japanese plans			Foreign plans		
	2013	2014	2015	2013	2014	2015
Service cost	60,261	64,549	73,256	27,943	36,908	41,147
Interest cost	27,804	24,518	21,746	24,300	32,153	37,993
Expected return on plan assets	(22,352)	(26,768)	(31,255)	(23,177)	(34,059)	(40,784)
Amortization of prior service costs	(8,033)	(5,566)	(4,723)	369	359	377
Recognized net actuarial loss	16,619	12,562	7,302	2,884	5,224	2,892
Amortization of net transition obligation						
Net periodic pension cost	74,299	69,295	66,326	32,319	40,585	41,625

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Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) are as follows:

	Yen in millions, For the years ended March 31, Japanese plans			Foreign plans		
	2013	2014	2015	2013	2014	2015
Net actuarial gain (loss)	32,122	71,890	130,455	(15,804)	52,253	(97,772)
Recognized net actuarial loss	16,619	12,562	7,302	2,884	5,224	2,892
Prior service costs	3,462	427	381	43	(96)	(3,217)
Amortization of prior service costs	(8,033)	(5,566)	(4,723)	369	359	377
Amortization of net transition obligation						
Other	(173)		46	(8,162)	(7,605)	7,564
Total recognized in other comprehensive income (loss)	43,997	79,313	133,461	(20,670)	50,135	(90,156)

Other includes the impact of consolidation and deconsolidation of certain entities due to changes in ownership interest and currency translation adjustments during the years ended March 31, 2013, 2014 and 2015.

The estimated prior service costs and net actuarial loss that will be amortized from accumulated other comprehensive income (loss) into net periodic pension cost during the year ending March 31, 2016 are ¥(4,700) million and ¥5,700 million in Japanese plans, ¥400 million and ¥6,300 million in Foreign plans, respectively.

Weighted-average assumptions used to determine benefit obligations as of March 31, 2014 and 2015 are as follows:

	March 31, Japanese plans		Foreign plans	
	2014	2015	2014	2015
Discount rate	1.4%	1.1%	4.8%	4.0%
Rate of compensation increase	2.1%	2.5%	4.5%	4.4%

As of March 31, 2014 and 2015, the parent company and certain subsidiaries in Japan employ point based retirement benefit plans and do not use the rates of compensation increase to determine benefit obligations.

Weighted-average assumptions used to determine net periodic pension cost for the years ended March 31, 2013, 2014 and 2015 are as follows:

	For the years ended March 31, Japanese plans			Foreign plans		
	2013	2014	2015	2013	2014	2015
Discount rate	2.0%	1.7%	1.4%	5.0%	4.5%	4.8%
Expected return on plan assets	2.5%	2.6%	2.5%	7.0%	6.9%	6.7%
Rate of compensation increase	2.3%	2.2%	2.1%	4.5%	4.6%	4.5%

During the years ended March 31, 2013, 2014 and 2015, the parent company and certain subsidiaries in Japan employ point based retirement benefit plans and do not use the rates of compensation increase to determine net periodic pension cost.

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The expected rate of return on plan assets is determined 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.

Toyota s policy and objective for plan asset management is to maximize returns on plan assets to meet future benefit payment requirements under risks which Toyota considers permissible. Asset allocations under the plan asset management are determined based on plan asset management policies of each plan which are established to achieve the optimized asset compositions in terms of the long-term overall plan asset management. In Japanese plans, excepting equity securities contributed by Toyota, approximately 50% of the plan assets is invested in equity securities, approximately 30% is invested in debt securities, and the rest of them is invested in insurance contracts and other products. In Foreign plans, excepting equity securities contributed by Toyota, approximately 60% of the plan assets is invested in equity securities, approximately 30% is invested in debt securities, and the rest of them is invested in other products. When actual allocations are not in line with target allocations, Toyota rebalances its investments in accordance with the policies. Prior to making individual investments, Toyota performs in-depth assessments of corresponding factors including category of products, industry type, currencies and liquidity of each potential investment under consideration to mitigate concentrations of risks such as market risk and foreign currency exchange rate risk. To assess performance of the investments, Toyota establishes bench mark return rates for each individual investment, combines these individual bench mark rates based on the asset composition ratios within each asset category, and compares the combined rates with the corresponding actual return rates on each asset category.

The following table summarizes the fair value of classes of plan assets as of March 31, 2014 and 2015. See note 26 to the consolidated financial statements for three levels of input which are used to measure fair value.

Japanese plans

	Yen in millions March 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Equity securities				
Common stocks	511,828			511,828
Commingled funds		185,599		185,599
	511,828	185,599		697,427
Debt securities				
Government bonds	90,071			90,071
Commingled funds		229,421		229,421
Other		24,028	322	24,350
	90,071	253,449	322	343,842
Insurance contracts		132,810		132,810
Other	18,838	3,789	47,760	70,387
Total	620,737	575,647	48,082	1,244,466

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	Yen in millions March 31, 2015			
	Level 1	Level 2	Level 3	Total
Equity securities				
Common stocks	603,293			603,293
Commingled funds		163,543		163,543
	603,293	163,543		766,836
Debt securities				
Government bonds	91,348			91,348
Commingled funds		247,261		247,261
Other		23,267	233	23,500
	91,348	270,528	233	362,109
Insurance contracts		175,068		175,068
Other	23,549	70,133	50,107	143,789
Total	718,190	679,272	50,340	1,447,802

Foreign plans

	Yen in millions March 31, 2014			
	Level 1	Level 2	Level 3	Total
Equity securities				
Common stocks	221,988			221,988
Commingled funds		125,840		125,840
	221,988	125,840		347,828
Debt securities				
Government bonds	54,086			54,086
Commingled funds		45,887		45,887
Other	3,004	44,964		47,968
	57,090	90,851		147,941
Insurance contracts				
Other	31,053	6,294	47,866	85,213
Total	310,131	222,985	47,866	580,982

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	Yen in millions March 31, 2015			
	Level 1	Level 2	Level 3	Total
Equity securities				
Common stocks	244,542			244,542
Commingled funds		177,115		177,115
	244,542	177,115		421,657
Debt securities				
Government bonds	67,534			67,534
Commingled funds		71,712		71,712
Other	3,691	52,501		56,192
	71,225	124,213		195,438
Insurance contracts				
Other	16,839	12,764	66,830	96,433
Total	332,606	314,092	66,830	713,528

The following is description of the assets, information about the valuation techniques used to measure fair value, key inputs and significant assumptions:

Quoted market prices for identical securities are used to measure fair value of common stocks. Common stocks include 71% of Japanese stocks and 29% of foreign stocks as of March 31, 2014, and 77% of Japanese stocks and 23% of foreign stocks as of March 31, 2015 in Japanese plans. Common stocks include mainly foreign stocks as of March 31, 2014 and 2015 in Foreign plans.

Quoted market prices for identical securities are used to measure fair value of government bonds. Government bonds include 44% of Japanese government bonds and 56% of foreign government bonds as of March 31, 2014, and 36% of Japanese government bonds and 64% of foreign government bonds as of March 31, 2015 in Japanese plans. Government bonds include mainly foreign government bonds as of March 31, 2014 and 2015 in Foreign plans.

Commingled funds are beneficial interests of collective trust. The fair values of commingled funds are measured using the net asset value (NAV) provided by the administrator of the fund, and are categorized by the ability to redeem investments at the measurement day.

The fair values of insurance contracts are measured using contracted amount with accrued interest.

Other consists of cash equivalents, other private placement investment funds and other assets. The fair values of other private placement investment funds are measured using the NAV provided by the administrator of the fund, and are categorized by the ability to redeem investments at the measurement day.

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TOYOTA MOTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables summarize the changes in Level 3 plan assets measured at fair value for the years ended March 31, 2013, 2014 and 2015:

Japanese plans

	Yen in millions								
	For the years ended March 31,								
	2013			2014			2015		
	Debt securities	Other	Total	Debt securities	Other	Total	Debt securities	Other	Total
Balance at beginning of year	591	40,065	40,656	441	41,535	41,976	322	47,760	48,082
Actual return on plan assets	3	438	441	2	3,583	3,585	2	1,169	1,171
Purchases, sales and settlements	(153)	1,032	879	(121)	2,642	2,521	(91)	1,178	1,087
Other									
Balance at end of year	441	41,535	41,976	322	47,760	48,082	233	50,107	50,340