TOYOTA MOTOR CREDIT CORPORATION

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January 31, 2011

Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Re: Discussion Paper - Effective Dates and Transition Methods (File Reference No. 1890-100)

Dear Sir or Madam:

Toyota Motor Credit Corporation ("TMCC" or the "Company") appreciates the opportunity to comment on the Discussion Paper on Effective Dates and Transition Methods (the "Discussion Paper"), recently issued by the Financial Accounting Standards Board (the "FASB").

TMCC provides automotive financial services, offering an extensive line of financing plans and vehicle and payment protection products to Toyota customers and dealers in the United States and Puerto Rico. The Company also provides wholesale financing, term loans, revolving lines of credit and real estate financing to vehicle and industrial equipment dealers in the United States and Puerto Rico.

TMCC is an indirect subsidiary of Toyota Motor Corporation ("TMC"), a Japanese corporation. The Company prepares its financial statements in accordance with United States ("U.S.") GAAP and maintains a shelf registration statement with the Securities and Exchange Commission ("SEC") for the issuance of debt securities in the U.S. capital markets to retail and institutional investors. We also maintain a Euro Medium Term Note program for the issuance of debt securities in the international capital markets. We have approximately 3,250 full-time employees. For our most recently completed fiscal year ended March 31, 2010, total financing revenues and net income totaled approximately \$8.2 billion and \$1.1 billion, respectively.

TMCC is supportive of the FASB's goal to converge U.S. GAAP accounting standards with International Financial Reporting Standards ("IFRS"). However, we are concerned with the pace at which the FASB and International Accounting Standards Board ("IASB") are attempting to reach this goal. Given the broad changes the FASB and IASB are proposing to existing accounting standards, both the FASB and IASB should reconsider their path to convergence, specifically with regard to the method of transition for new standards. While comparability between years is the primary advantage of the retrospective transition method, we suggest that the FASB and IASB take a more balanced cost-benefit approach by allowing the prospective transition method for proposed new accounting standards that require the development of new operating systems in order to implement (for example, Leases and Accounting for

Financial Instruments). While comparability between prior periods will be lost in the year of transition, subsequent years will be comparable.

The timing of implementation of the proposed new accounting standards must also be evaluated in connection with the potential adoption of IFRS in the U.S. Guidance on adoption of IFRS is expected from the SEC during the latter half of 2011. If the SEC allows U.S. companies to adopt IFRS, then implementation of the proposed new standards ought to be coordinated with the SEC's IFRS adoption guidelines. The FASB and IASB should also consider the interconnection between adoption of each of the proposed new standards and the requirement for SEC registrants to file Forms 10-K and 10-Q using XBRL.

Our answers to selected questions in the Discussion Paper are attached in the appendix to this letter. We appreciate the opportunity to express our opinion on this matter and would be pleased to discuss our comments in greater detail.

Sincerely,

Ron Chu

Vice President, Accounting and Tax

Question 1e: Please describe the degree to which each of the proposed new standards will likely affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors might explain the significance of the transactions to the particular industries or sectors they follow).

The proposed new standards will have far-reaching effects to TMCC as there will be extensive changes in accounting for certain transactions, particularly those governed by the proposed new standards Leases and Accounting for Financial Instruments. Furthermore, the level and complexity of financial statement disclosures will dramatically increase. The proposed new standards will require significant expenditures of time, money and resources to plan, develop and implement or change systems within both the accounting and reporting environment as well as within business operations. Additionally, implementing the proposed new standards will require significant resources for educating and training employees about the new accounting guidance, for system and process changes and for developing and implementing new internal controls procedures.

TMCC wrote a comment letter in response to the Leases Exposure Draft' a standard we believe will have the most significant impact on our organization. The following summarizes the projects listed in the Discussion Paper that we believe will have a significant effect on TMCC, as well as their impact:

- Leases: As previously discussed, this proposed new standard will have the greatest impact to TMCC. The proposed new standard, as it applies to lessors, is not expected to significantly change our overall financial results relating to our leases, however, it would result in substantial costs to us because it would require changes to our lease accounting systems.
 - Currently, the majority of our leases are classified and accounted for as operating leases. The proposed changes would result in recording a right-of-use asset and a related liability for each lease. Additionally, each lease would have to be individually reviewed and the cost of reassessing an enormous number of leases on a lease-by-lease basis at each reporting date will be unduly burdensome, especially for entities like TMCC that have a large volume of leases. We currently lack lease systems that will allow us to implement and perform the ongoing accounting for the proposed changes in lessor accounting and therefore would need time to develop and implement such systems. We believe the proposed standard would not provide investors with more useful information that could not otherwise be provided more cost effectively through additional disclosures.
- Accounting for Financial Instruments: TMCC is a party to both financial assets and liabilities that will require measurement under the proposed new guidance. This change will require the development of new systems and processes to comply with the standard. Furthermore, as the FASB and IASB have not agreed on a uniform statement, preliminary implementation planning cannot begin, further delaying our assessment of the impact to the organization.

Comprehensive Income: The proposed new standard related to comprehensive income will have an impact on the preparation of our financial statements as the current presentation format will be

changing. Historically, the only items that have significantly impacted other comprehensive income for TMCC have been gains/losses on available-for-sale marketable securities. Depending on the final standard issued regarding Accounting for Financial Instruments, TMCC may have additional items impacting other comprehensive income. We believe this standard should be issued only when other standards that impact it are finalized.

• Other proposed new accounting standards: We have not commented on the other new accounting standards in the Discussion Paper as either we anticipate the degree of impact on the Company to be minimal or the exposure draft has not yet been issued.

Question 2: Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):

- (a) How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each the new standard?
- (b) What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

The amount of time and cost to implement the proposals is difficult to assess owing to the extensive nature of the accounting guidance and the fact that the guidance are being re-deliberated. However, in general, the adoption of any new accounting standard requires several phases – education, assessment, planning, data gathering, system analysis, developing accounting policies and procedures, determining company impact, internal control development, implementation and integration to name a few. Our expectations as to how much time we will need to implement certain new accounting standards and our preliminary estimates of costs to implement, based on these phases, are discussed below.

Leases: Lease financing to retail and commercial consumers represents a significant portion of our business, therefore, TMCC expects the proposed standard related to lease accounting to have a material and pervasive impact on our accounting, reporting and business operations. The proposed standard represents an overhaul of the current accounting for leases, for both lessors and lessees and TMCC expects building subject matter expertise in this area will be an involved process. Further, for our lease financing business, the new guidance will require substantial changes to our processes, as well as implementation of new accounting and operating systems to provide the requisite capabilities. The planning for these process changes and systems implementation, including the review of our current processes and controls and the assessment of potential accounting systems, will require a considerable amount of time to ensure that we have evaluated all of the potential implications of the changes. The accounting system implementation will require a great deal of time and both internal and external resources to install, sufficiently test the functionality, and finally implement and integrate the system within the Company. Training

personnel on the key points of the accounting guidance as well as the processes and controls surrounding the use of the new accounting and/or operating systems will require a significant amount of time to complete. Based on the considerable time and resource requirement, TMCC estimates five years would be an adequate amount of time to successfully implement the new guidance. The assessment of the types of costs, primary drivers of those costs and the significance of each of these cost components cannot be estimated at this time given that software vendors are awaiting the issuance of the final standard prior to developing a lease system compliant with the proposed new standard.

- Accounting for Financial Instruments: The proposed standard has broad application within TMCC impacting a significant number of our financial assets and liabilities such as loans, derivatives and debt. We expect our subject matter experts to spend a significant amount of time learning and developing their knowledge of the proposed accounting standard prior to beginning the implementation process. Additionally, we believe the standard will impact a number of areas in both our finance and accounting operations; assessing the changes to processes, systems and controls required by the new guidance will be a substantial hurdle requiring additional resources. Implementing the required changes to systems and processes, and appropriately training our personnel to execute these changes, will require additional time to ensure the accuracy of such a wide-ranging project. Therefore, TMCC expects that it would take up to three years to complete all phases in implementing the new accounting standard including, but not limited to, learning the proposal, training personnel and developing new systems to implement the proposed standard related to accounting for financial instruments. Furthermore, the FASB and IASB have not agreed on a uniform statement, therefore, an assessment of the types of costs, primary drivers of those costs and the significance of each of those cost components cannot be estimated at this time.
- Comprehensive Income: The impact of the proposed new standard related to the statement of comprehensive income will be limited to our financial reporting process. TMCC anticipates a limited period of time to understand key points of the standard. Our financial reporting staff will need to understand the new standard and its application. While our accounting systems may not require revision, the financial reporting personnel will need to revamp their processes to draft the new statement of comprehensive income, as well as supporting footnotes. Owing to the limited impact of the proposed standard, TMCC estimates we would require no more than one year to implement the guidance. We expect the costs to implement this proposed new standard to be minimal.

Question 3: Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

With the adoption of any new accounting standard, there is always the risk of adverse consequences from a regulatory or tax compliance perspective, particularly when specific rules and regulations are either derived from or rely on U.S. GAAP concepts. Successful implementation of any new accounting standard requires time to identify and mitigate such risks. For example, as it relates to TMCC, the leasing standard may have considerable tax and regulatory consequences in that the current distinction between operating and capital leases is embedded in many laws and regulations.

Question 4: In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their affect on the cost of adapting to the new reporting requirements.

Transition method should be addressed based on the complexity surrounding the implementation of the standard, considering such factors as changes to business operations and the level of support by software vendors. The following response to selected proposed new standards is based on the premise that comparability between reporting periods is a priority. Absent comparability, we would arrive at different conclusions as to the respective transition methods.

- Leases: The transition guidance in the Exposure Draft states that the date of initial application is the beginning of the first comparative period presented in the first financial statements in which the entity applies this guidance. Our consolidated income statement that is included within our financial statements provides three years of financial information, whereas our selected financial data provides five years of income statement and balance sheet information.
 - We would like further clarification from the FASB as to whether the simplified retrospective approach would require us to recognize and measure all outstanding contracts from the beginning of the third year presented in our consolidated statement of income or the fifth year as presented in our selected financial data. Should the FASB decide that a five-year retrospective application is appropriate, the cost-benefit of performing a full retrospective transition will be no different from the simplified five-year retrospective approach and as such, we would prefer a full retrospective transition. However, if the FASB requires that all outstanding contracts be recognized and measured from the beginning of third year presented, we agree with the simplified retrospective approach on transition.
- Accounting for Financial Instruments: The transition guidance in the Exposure Draft states that
 the proposed guidance is to be applied retrospectively by means of a cumulative-effect
 adjustment to the statement of financial position for the reporting period immediately preceding

the effective date. As there is continued disparity in the proposed standards issued by the FASB and IASB, it is difficult to weigh in on the preferable method of transition.

• *Comprehensive Income*: The transition guidance in the Exposure Draft states that the proposed guidance shall be applied retrospectively. TMCC takes no exception to the transition method proposed in the exposure draft.

Question 5: In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:

- (a) Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits).
- (b) Under a single date approach, what should the mandatory effective date be and why?
- (c) Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new standards.
- (d) Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

Adoption of far reaching accounting standards such as leases and financial instruments will significantly impact both the accounting, reporting and business operations of TMCC and will require significant resources to implement. As such, we favor the sequential approach. The sequential approach will minimize the resource constraints for companies when implementing new standards. The sequential approach allows companies to focus on a high quality implementation, enables the development of transferable skills and promotes learning from one accounting standard implementation project to another. Regardless of which approach is deemed preferable, the FASB should allow companies to early adopt new standards before their mandatory effective data (as discussed in our response to question six below) since this will allow companies to implement new standards in the most efficient manner.

Re-deliberations on many of the major proposed new standards have yet to be completed; therefore, we are unable to fully assess the aggregate impact of adoption and cannot provide a recommendation on the mandatory effective date. The answer to the mandatory effective date question is further complicated by the delay in SEC guidance on the timeframe for adoption of IFRS.

Question 6: Should the Board give companies the option of adopting some or all of the new standards before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?

The FASB and IASB should allow companies to early adopt any of the new standards before their mandatory effective date. Early adoption would allow companies to implement new standards in the most efficient manner either by grouping implementation into a single reporting period or staggering implementation among various reporting periods.

Question 7: For which standards, if any, should the Board provide particular types of entities a delayed effective date? How long should such a delay be and to which entities should it apply? What would be the primary advantages and disadvantages of the delay to each class of stakeholders (financial statement preparers, financial statement users, and auditors)? Should companies eligible for a delayed effective date have the option of adopting the requirements as of an earlier date?

We do not believe the FASB or IASB should allow a particular type of entity a delayed effective date. Rather, we believe all entities should have the same effective date with early adoption permitted as discussed in our response to question six above.

Question 8: Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?

The FASB and IASB should have the same effective dates and transition method for new standards. Having the same effective date for implementing new standards will provide investors with comparable information, make it easier for investors to understand the impact of the new requirements, minimize confusion and will fulfill the FASB's goal of converging U.S. GAAP accounting standards with IFRS.