TOYOTA MOTOR CREDIT CORPORATION

19001 South Western Avenue Torrance, CA 90501

March 8, 2012

Technical Director
File Reference No. 2011-230
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Exposure Draft - Proposed Accounting Standards Update, Revenue Recognition (Topic 605): Revenue from Contracts with Customers

Dear Sir or Madam:

Toyota Motor Credit Corporation ("TMCC", "we", "our") appreciates the opportunity to comment on the Proposed Accounting Standards Update (Revised), *Revenue Recognition (Topic 605): Revenue from Contracts with Customers* (the "Exposure Draft"), recently issued by the Financial Accounting Standards Board (the "FASB").

We support the efforts on the part of the FASB and the International Accounting Standards Board (jointly, "the Boards") to reach agreement on guidance to clarify the principles for recognizing revenue and to develop a common revenue standard under accounting principles generally accepted in the United States ("U.S. GAAP") and International Financial Reporting Standards ("IFRS"). We believe the elimination of these differences would significantly improve the comparability of financial statements prepared in accordance with either U.S. GAAP or IFRS, and thus improve the quality of information for users of the financial statements.

In reading the Exposure Draft, we have identified two key areas of concern that we respectfully request the Boards to consider:

Revenue recognition when related party financing arrangements exist

TMCC, a wholly-owned subsidiary of Toyota Motor Corporation, our parent, offers an extensive line of financing plans to independently owned Toyota and Lexus dealers and their customers in the United States and Puerto Rico. Retail leasing contracts (either in the form of direct financing leases or operating leases) are acquired directly from the dealers. Currently the captive finance industry looks to ASC 605-15-25-5 in accounting for lease financing arrangements, which provides specific criteria for the recognition of revenue by a manufacturing arm (referred to as the original equipment manufacturer, or "OEM") when a dealer leases a vehicle, financed by its affiliate, to the end customer. In evaluating the Exposure Draft, we noted that this criterion has not been specifically included in the proposed standard.

Based on our review of the Exposure Draft, we do not expect a change in revenue recognition for these arrangements as:

- (1) We do not believe the separate contracts between the OEM and the dealer, and the dealer and TMCC, meet the criteria for being combined under the proposed guidance, and
- (2) If a transaction between an OEM and dealer satisfies the revenue recognition criteria specified under the existing U.S. GAAP guidance, we believe sufficient evidence exists to assert that under the proposed guidance control has transferred, taking into consideration the control indicators included in the proposed standard. As such, an OEM would continue to recognize revenue upon sale to the dealer, even if that vehicle was later financed by TMCC.

We believe the deletion of this industry-specific guidance could have the unintended consequence of creating confusion, and potential divergence in practice, related to transactions of this type specific to the captive finance industry. We look to the Boards to confirm that this Exposure Draft was not intended to change the timing of revenue recognition upon an OEM's vehicle sale to the dealer. If a change in revenue recognition was intended, we ask the Boards to provide additional clarification in the final standard.

Related party warranty contracts

In drafting a converged standard, we agree with the Boards' charted course of action in excluding those contracts for which the proposed revenue recognition principles would not provide decision-useful information, including lease contracts and insurance contracts. We highlight that the proposed revenue standard is fundamentally interlinked with the expected lease and insurance standards as contracts that are excluded from the scope of these standards could be, by default, subject to the accounting prescribed in the revenue recognition standard. This is of particular concern to us as we consider the interplay of the expected insurance standard.

In addition to our financing activities, we offer various insurance products and services through our wholly-owned insurance operation, including extended warranty-type service agreements. Our insurance operation is a related party to, and heavily dependent upon, the manufacturing operation of our parent. We are unclear whether the warranty contracts written by our insurance business would be included in the scope of the insurance standard or would be excluded under the manufacturer warranty exclusion, and therefore be accounted for under the proposed revenue recognition standard.

This is especially important to us as the ultimate application of the warranty scope exclusion could result in two key unintended consequences:

(1) Since we are a wholly-owned subsidiary, our insurance operation is currently viewed by state regulators as an extension of the manufacturer. If we are not viewed as being part of the manufacturer for revenue recognition purposes under U.S. GAAP, there would be a fundamental disconnect between how we are viewed by our regulators, and other users of our financial statements, and how we report under U.S. GAAP.

(2) We could potentially be forced to apply a different accounting guidance in our standalone financial statements from that in our parent's consolidated financial statements should the manufacturer warranty scope exclusion only apply to our parent.

Consistent with the Boards' objective to eliminate different accounting treatment for products that are similar in nature, and in order to achieve a single accounting model throughout the organization, we believe the guidance should be clarified to include affiliates of manufacturers in the scope of the applicable warranty guidance within the proposed revenue recognition standard.

As such, we recommend that the proposed amendment to ASC 460-10-15-9(a) be revised to read:

"Product warranties issued by the guarantor, or an affiliate, regardless of whether the guarantor or affiliate is required to make payment in services or cash"

We appreciate the opportunity to express our opinion on this matter and would be pleased to discuss our comments in greater detail.

Sincerely,

Jeffrey Lankey

Financial Controller

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