

TOYOTA MOTOR CREDIT CORPORATION

September 24, 2012

Technical Director
Financial Accounting Standards Board
File Reference No. 2012-200

Re: Exposure Draft – Proposed Accounting Standards Update, *Financial Instruments (Topic 825): Disclosures about Liquidity Risk and Interest Rate Risk*

Dear Sir or Madam:

Toyota Motor Credit Corporation (TMCC, we, our) appreciates the opportunity to comment on the Proposed Accounting Standards Update, *Financial Instruments (Topic 825): Disclosures about Liquidity Risk and Interest Rate Risk* (the Exposure Draft), recently issued by the Financial Accounting Standards Board (the Board or FASB).

We support the Board's overall objective of providing the users of public company financial statements with more decision-useful information about an entity's exposure to liquidity risk and interest rate risk. However, there are some areas where the disclosure requirements could be more effectively articulated for the financial statement user, require additional clarification for preparers, will be challenging to apply, or do not appear to be cost-beneficial. Our key comments, and the more significant areas where we believe clarity could be added, are explained below. Additionally, we have included our response to the Board's questions in Appendix A.

The Proposed Disclosures Should Be Reported Within Management's Discussion and Analysis

The Securities and Exchange Commission (SEC) requires registrants to provide quantitative information about liquidity and market risk, in accordance with its specified disclosure requirements. Should users of financial statements desire additional quantitative information related to these risks, the expanded disclosures should be included within Management's Discussion and Analysis (MD&A), which is subject to the purview of the SEC and is protected by the safe harbors for forward-looking statements.

We believe the proposed interest rate disclosures are inappropriate for footnote disclosure. Unlike credit or liquidity risk, in which the entity can exert significant control, interest rate risk is primarily an external market force and is forward-looking in nature. To the extent the proposed disclosures include existing, factual interest rate information associated with an entity's financial instruments, we would agree that footnote disclosure is appropriate. However, disclosures that include management's expectations of future interest rate movements or the effects of hypothetical scenarios should not be included in the footnotes to the financial statements.

We believe the inclusion of these assumptions within the context of the footnotes would mislead the financial statement user. For example, the interest rate sensitivity analysis would require us to disclose, within the footnotes to our financial statements, the effect of specified hypothetical, instantaneous shifts in interest rates. These shifts are not anticipated by management, they are not indications of likely future cash flows, nor are they a reality that we would actually experience in the market. These sensitivity metrics are used to provide users with a sense of the direction and extent of our exposure to interest rate

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fluctuations. While this information is both meaningful and useful, it is more appropriately addressed by management within the MD&A, where it is currently disclosed.

We are also concerned that the specified tabular requirements will require us to provide information about our interest rate risk that is not relevant, while at the same time obscuring relationships and excluding information that is meaningful. The way each entity assesses interest rate risk is unique and often complex, with multiple strategies at play. As such, we believe the proposed disclosures associated with interest rate risk would be most effectively explained in the framework of MD&A, which would allow management to explain its entity-specific risks and strategies and would provide users with only the information that is relevant to its business. This would give financial statement users the perspective of the business through the eyes of management, which we believe is the most relevant information for financial statement users.

The Proposed Disclosures are Inflexible

We appreciate the Board's desire to have consistency across all entities in applying the proposed standard's objectives. However, we believe the prescribed form of the tabular disclosures is inflexible and not consistently aligned with the way we assess our exposure to liquidity and interest rate risk or how we make decisions to mitigate those risks. Specifically:

1) Liquidity Gap Table

The prescribed table would require us to show cash flows associated with the maturities of financial instruments within prescribed time intervals based on expected maturities. In order to achieve the desired consistency of practice and application across entities, and to provide factual data to support an audited footnote, we believe the use of contractual maturities would be more appropriate.

However, we highlight to the Board that neither contractual maturities nor expected maturities, as defined by the proposed standard, give the user of the financial statements the full picture of our expected cash flows. The proposed standard requires us to present only cash flows associated with the maturity of our financial instruments. However, management assesses liquidity risk considering voluntary prepayments (i.e. early customer pay-offs) and involuntary prepayments (i.e. charge-offs) as well as cash flows associated with interest payments and the residual values of vehicles. We believe this inclusive cash flow information is more meaningful to financial statement users as it provides transparency regarding the way management assesses liquidity risk and provides clarity with respect to the basis for operational decisions. Again, this type of analysis is more appropriate for the MD&A.

2) Repricing Gap Table

As a business, we look at our derivative positions and the underlying financial instruments on a net basis, irrespective of their accounting treatment; management's intent is to identify the net economic impact of the combined transactions which is also, ultimately, the financial statement result. Under the prescribed repricing gap table, a debt instrument and its related interest rate derivative would be presented separately. We believe this presentation misleads the financial statement user and is inconsistent with the overall purpose and result of entering into a derivative transaction. For example, if a debt instrument with a duration of 3 years is hedged with an interest rate swap, the duration associated with the debt will be presented, but not the duration of

the associated interest rate derivative; therefore, the economic interest rate effect will not be presented. We believe the net impact of hedged positions (hedge accounting or non-hedge accounting) should be presented within the proposed repricing gap table to give the financial statement user the most accurate view of a company's risk to changes in market interest rates.

With respect to our exposure to interest rate risk, our business strategy is to be market interest rate neutral; thus, we utilize derivatives to convert fixed rate assets and liabilities to floating rate. Given this strategy, the yield associated with our financial instruments, as prescribed by the repricing gap table, is irrelevant. While this information is available, it is not the way management evaluates our interest rate risk; therefore, we do not believe this information is meaningful or should be interpreted as an accurate way for financial statement users to assess our exposure to interest rate risk.

We are concerned that prescribed tables will not effectively achieve the stated objectives of the proposed standard as entities are exposed to liquidity and interest rate risks in different ways and the interplay between these risks are complex and entity-specific. Instead, we looked to the Board's recent Disclosure Framework Discussion Paper, which embraces flexible and entity-relevant disclosures, as well as the less prescriptive disclosure requirements found within IFRS 7, *Financial Instruments: Disclosures*. We ask the Board to consider less prescriptive tables that allow entities to present liquidity and interest rate information as it is reviewed by management, which we believe is more meaningful to the financial statement user.

Operational Concerns

Of the required tables proposed by the Exposure Draft for a financial institution, we believe the interest rate sensitivity analysis will be the most difficult to prepare. We have the operational capability to calculate the effect of specified hypothetical, instantaneous interest rate changes on net interest income, which we currently disclose in our MD&A. However, the proposed standard will require us to present the effect of shifts in interest rates on net income. The Exposure Draft states that no forward-looking expectations regarding non-interest revenues or expenses should be incorporated into this analysis. However, should a shift in interest rates occur, a corresponding change in credit assumptions and other items impacting net income would also occur; we currently lack the capability to calculate this impact. It is unclear, and there appears to be divergence in interpretation, as to whether the effect of these corresponding, non-interest rate changes should be included in the sensitivity analysis to arrive at a comprehensive view of the total impact on net income. We believe the proposed standard should be revised to more clearly specify the components of net income to be included in the calculation of the effect on net income.

We are also concerned with the application of the proposed liquidity gap maturity analysis for financial instruments with either no stated maturity, or instruments with a stated maturity but which are continually renewed. The proposed standard requires companies to classify each class of financial instrument within a specified time interval, based on its expected maturity. While the proposed standard allows an entity to build in certain prepayment assumptions in arriving at "expected maturity" there is no provision for assumptions related to renewals. This seems somewhat inconsistent and we believe the resulting presentation could be misleading to the reader. For example, we offer wholesale financing to our dealers in the form of revolving lines of credit. These lines have a stated one year maturity, but they are regularly renewed each year. To present these loans according to their one year maturity would be misleading as

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these lines of credit are expected to continue into the future. Therefore, we ask the Board to clarify the presentation for financial instruments with rolling or unspecified maturities.

The Proposed Interest Rate Disclosures are not Cost-Beneficial

As we consider the proposed interest rate tabular disclosures, we believe the costs we will incur to prepare the required information will be excessive when compared to the benefits to the users. The proposed financial statement disclosures will require us to significantly expand the scope of Sarbanes-Oxley procedures currently performed over our treasury and valuation systems and data. Today we perform validations of key fields and rely on compensating controls, whereas under the proposed standard we will be required to implement IT general controls and perform documentation and testing of prescribed controls. We utilize a number of systems with various input and source data and we currently do not have the structure and headcount necessary to complete the documentation, review, assessment, and testing of these systems. In order to become compliant we will be forced to incur third party fees and add significant internal costs. Additionally, the compliance constraints that this proposed standard introduces will affect our ability to maintain an agile risk management strategy.

As previously discussed, the proposed tabular requirements are not aligned with our internal business process. The proposed standard will result in the additional burden of preparing information for public disclosure along with the information that management actually utilizes for our business operations.

We do not believe this excessive cost and recourse allocation is in the best interest of our financial statement users. Again, we believe this information is better served as MD&A disclosures. This would provide the users of financial statements with relevant decision-useful information while mitigating the significant costs and resource constraints that result when disclosures of this type are housed within the audited financial statements.

Other Concerns

Our issuance of new debt is based on a variety of factors, including our ability to take advantage of favorable market conditions to achieve the lowest cost of funding. The granular time intervals required by the proposed standard could compromise our ability to achieve these favorable rates. These disclosures will essentially allow others to predict, within a narrow timeframe, our likely marketing of new debt issuances and could impede our ability to achieve favorable pricing.

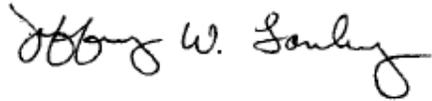
Timing

As the proposed standard exists, we would need significant time to prepare the audited information required in the Exposure Draft. The most significant hurdle will be the assessment, documentation, and testing of controls associated with the systems and data used to prepare the required tabular disclosures. We estimate that a normal and orderly implementation of Sarbanes-Oxley compliant controls and procedures will take a minimum of two years. At least one year will be needed to design and implement the required processes and controls, and another year will be required to complete validation and testing of the controls. This estimate is subject to our ability to acquire the necessary resources, both internal and external, with the specific technology and requisite systems expertise.

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

Sincerely,

A handwritten signature in cursive script that reads "Jeffrey W. Lankey". The signature is written in black ink and is positioned above the printed name.

Jeffrey Lankey

Financial Controller

APPENDIX A

Questions for Preparers and Auditors—Liquidity Risk

Question 1: For a financial institution, the proposed amendments would require a liquidity gap table that includes the expected maturities of an entity's financial assets and financial liabilities. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

TMCC Response: As previously discussed, we ask the Board to clarify the presentation of certain financial instruments with either no maturity or instruments subject to regular renewals. Otherwise we do not foresee any additional operational concerns or constraints in complying with this requirement.

Question 2: For an entity that is not a financial institution, the proposed amendments would require a cash flow obligations table that includes the expected maturities of an entity's obligations. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

TMCC Response: Not applicable.

Question 3: The proposed amendments would require information about expected maturities for financial assets and financial liabilities to highlight liquidity risk. Expected maturity is the expected settlement of the instrument resulting from contractual terms (for example, call dates, put dates, maturity dates, and prepayment expectations) rather than an entity's expected timing of the sale or transfer of the instrument. Do you agree that the term expected maturity is more meaningful than the term contractual maturity in the context of the proposed liquidity risk disclosures? If not, please explain the reasons and suggest an alternative approach.

TMCC Response: For footnote disclosure, we believe contractual maturity is more supportable and would be more in line with the stated objective of greater consistency across entities. However, should the FASB determine that expected maturity is preferable; we believe limiting the table to expected maturity, as currently defined, is much too restrictive. In our business we consider forecasts associated with interest, voluntary and involuntary terminations and residual value cash flows. To be the most meaningful, the FASB should allow entities to identify and disclose all relevant cash flow inputs utilized by management related to an entity's financial assets and financial liabilities as all are critical components in cash flow forecasting and assessing liquidity requirements.

Question 4: The proposed amendments would require a quantitative disclosure of an entity's available liquid funds, as discussed in paragraphs 825-10-50-23S through 50-23V. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

TMCC Response: We do not foresee any operational concerns.

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Question 5: For depository institutions, the proposed Update would require a time deposit table that includes the issuances and acquisitions of brokered deposits during the previous four fiscal quarters. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

TMCC Response: Not applicable.

Question 6: As a preparer, do you feel that the proposed amendments would provide sufficient information for users of your financial statements to develop an understanding of your entity's exposure to liquidity risk? If not, what other information would better achieve this objective?

TMCC Response: As previously discussed, we believe the table should reflect cash flows as viewed by management and not cash flows based solely on maturities. We believe total cash flows, inclusive of all management's expectations, is the most meaningful to users of the financial statements as this is the information that management uses to assess the liquidity needs of the business and mitigate liquidity risk. We acknowledge this would result in some discrepancy between the carrying value of the financial instrument per the financial statements and the cash flow analysis, which is why we propose that these disclosures be addressed within the MD&A; nonetheless, we believe providing users with a complete cash flow picture is more meaningful.

Questions for Preparers and Auditors—Interest Rate Risk

Question 13: The interest rate risk disclosures in this proposed Update would require a repricing gap table. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

TMCC Response: These disclosures would require significant effort for our current data and systems to be compliant with all reporting and audit requirements. In addition, as previously mentioned, we are concerned with the relevance of the information to financial statement users. We believe derivatives and hedged items should be presented together, consistent with management's intent and the financial results. Furthermore, we do not believe providing yield information is useful within our business; we manage our financial assets and liabilities to be interest rate neutral (i.e. float with the market interest rate).

Question 14: The interest rate risk disclosures in this proposed Update would include a sensitivity analysis of net income and shareholders' equity. Do you foresee any significant operational concerns or constraints in determining the effect of changes in interest rates on net income and shareholders' equity? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

TMCC Response: Yes. As previously mentioned, we do not have the capability to determine the effect of a change in interest rates on net income in its entirety. We propose the impact of changes in interest rates be limited to the impact on net interest income. If the impact of changes in interest rates is not

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limited to net interest income, please provide specific clarification or application guidance for the calculation for non-interest income changes.

Question 15: As a preparer, do you feel that the proposed amendments would provide sufficient information for users of your financial statements to understand your entity's exposure to interest rate risk? If not, what other information would better achieve this objective?

TMCC Response: We are concerned that the prescriptive nature of the tables do not provide management with the flexibility to present the most meaningful and relevant information to our financial statement users. We believe the user of the financial statements will be better served by allowing management to present the data as it is reviewed by management.

It is common practice throughout the financial industry for management to use Value at Risk (VAR) instead of an interest rate sensitivity analysis. We ask the Board to consider giving preparers the option to present either an interest rate sensitivity analysis or VAR, whichever is used by management and is most meaningful to the entity.

Questions for All Respondents

Question 20: The amendments in this proposed Update would apply to all entities. Are there any entities, such as nonpublic entities, that should not be within the scope of this proposed Update? If yes, please identify the entities and explain why.

TMCC Response: We do not believe the level of disclosure required by the proposed standard should be required for private companies. The users of private company financial statements are fundamentally different than those of public companies. Unlike public company financial statement users, who generally cannot obtain information beyond what is in the financial statements, typical private company financial statement users have direct access to management. As a result, private company financial statement users can request, and usually obtain, desired information beyond what is included in financial statements, making these strict disclosure requirements less relevant for private companies.

Additionally, many private companies will find the operational burden of these additional reporting requirements overwhelming. While the costs to implement the proposed disclosures will likely be significant for any company, private companies will be more affected as they do not have the same resources available as larger public companies. Again, these disclosures are more appropriate for the MD&A.

Question 21: Although the proposed amendments do not have an effective date, the Board intends to address the needs of users of financial statements for more information about liquidity risk and interest rate risk. Therefore, the Board will strive to make these proposed amendments effective on a timely basis. How much time do you think stakeholders would require to prepare for and implement the amendments in this proposed Update? Should nonpublic entities be provided with a delayed effective date? If so, how long of a delay should be permitted and why? Are there specific amendments that would require more time to implement than others? If so, please identify which ones and explain why.

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TMCC Response: As previously noted, we would need significant time to prepare the audited information required in the Exposure Draft. The most significant hurdle will be the assessment, documentation, and testing of controls associated with the data used to prepare the required tabular disclosures. We estimate that a normal and orderly implementation of Sarbanes-Oxley compliant controls and procedures over these systems will take a minimum of two years.

Question 22: Do you believe that any of the amendments in this proposed Update provide information that overlaps with the SEC's current disclosure requirements for public companies without providing incremental information? If yes, please identify which proposed amendments you believe overlap and discuss whether you believe that the costs in implementing the potentially overlapping amendments outweigh their benefits? Please explain why.

TMCC Response: While there are similarities, such as the interest rate sensitivity analysis and the current MD&A market risk disclosure that many companies choose to provide, we believe the information included in the disclosures proposed by the Board are largely incremental without significant overlap between the proposed disclosures and what is currently presented within MD&A.

As previously discussed, we believe the best presentation of this proposed information is within the MD&A as it allows preparers to tailor disclosures to its own business strategy to give the users of financial statements the most decision-useful information (i.e. inclusive of all cash flow assumptions), which may not readily fit within the confines of a footnote disclosure.