As filed with the U.S. Securities and Exchange Commission on June 21, 2019

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

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended: March 31, 2019

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)
Nobukazu Takano
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	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares*	**TM**	**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: **2,832,439,167 shares of common stock (including 45,459,183 shares of common stock in the form of American Depositary Shares) and 47,100,000 First Series Model AA class shares as of March 31, 2019**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes ☒ 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 ☒

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files): Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐
Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act: ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

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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.

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Written forward-looking statements may appear in documents filed with the U.S. 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," "hope," "intend," "may," "plan," "predict," "probability," "risk," "should," "will," "would," and similar expressions, are used as they relate to Toyota or its management, to 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), stock prices 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;

(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.

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,				
	2015	2016	2017	2018	2019
	(Yen in millions, except share and per share data)				
Consolidated Statement of Income Data:					
Automotive:					
Revenues	25,062,129	25,977,416	25,081,847	26,397,940	27,079,077
Operating income	2,325,310	2,448,998	1,692,973	2,011,135	2,038,884
Financial Services:					
Revenues	1,661,149	1,896,224	1,823,600	2,017,008	2,153,547
Operating income	361,833	339,226	222,428	285,546	322,821
All Other:					
Revenues	1,255,791	1,177,387	1,321,052	1,646,118	1,676,377
Operating income	65,650	66,507	81,327	100,812	105,538
Elimination of intersegment:					
Revenues	(744,548)	(647,909)	(629,306)	(681,556)	(683,320)
Operating income	(2,229)	(760)	(2,356)	2,369	302
Total Company:					
Revenues	27,234,521	28,403,118	27,597,193	29,379,510	30,225,681
Operating income	2,750,564	2,853,971	1,994,372	2,399,862	2,467,545
Income before income taxes and equity in earnings of affiliated companies	2,892,828	2,983,381	2,193,825	2,620,429	2,285,465
Net income attributable to Toyota Motor Corporation	2,173,338	2,312,694	1,831,109	2,493,983	1,882,873
Net income attributable to Toyota Motor Corporation per common share (yen):					
Basic	688.02	741.36	605.47	842.00	650.55
Diluted	687.66	735.36	599.22	832.78	645.11
Shares used in computing net income attributable to Toyota Motor Corporation per common share, basic (in thousands)	3,158,851	3,111,306	3,008,088	2,947,365	2,871,534
Shares used in computing net income attributable to Toyota Motor Corporation per common share, diluted (in thousands)	3,160,429	3,144,947	3,055,826	2,994,766	2,918,674

	Year Ended March 31,				
	2015	2016	2017	2018	2019
	(Yen in millions, except per share and numbers of vehicles sold data)				
Consolidated Balance Sheet Data (end of period):					
Total Assets:	47,729,830	47,427,597	48,750,186	50,308,249	51,936,949
Short-term debt, including current portion of long-term debt	8,963,492	8,521,088	9,244,131	9,341,190	9,599,233
Long-term debt, less current portion	10,014,395	9,772,065	9,911,596	10,006,374	10,550,945
Toyota Motor Corporation shareholders' equity	16,788,131	16,746,935	17,514,812	18,735,982	19,348,152
Common stock	397,050	397,050	397,050	397,050	397,050
Other Data:					
Dividends per share (yen)	¥ 200.0	¥ 210.0	¥ 210.0	¥ 220.0	¥ 220.0
Number of vehicles sold					
Japan	2,153,694	2,059,093	2,273,962	2,255,313	2,226,177
North America	2,715,173	2,839,229	2,837,334	2,806,467	2,745,047
Europe	859,038	844,412	924,560	968,077	994.060
Asia	1,488,922	1,344,836	1,587,822	1,542,806	1,684,494
Other*	1,755,037	1,593,758	1,347,182	1,391,731	1,327,017
Worldwide total	8,971,864	8,681,328	8,970,860	8,964,394	8,976,795

* "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. Toyota's articles of incorporation provide that retained earnings can be distributed as dividends pursuant to a resolution of its board of directors. Toyota's board of directors resolves to pay year-end dividends to holders of common shares and registered pledgees of common shares of record as of March 31, the record date, in 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 currently 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 a resolution of its board of directors. The articles of incorporation currently 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.

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. 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 per common share 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, 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
September 30, 2015	100.0	0.83
March 31, 2016	110.0	0.97
September 30, 2016	100.0	0.98
March 31, 2017	110.0	0.98
September 30, 2017	100.0	0.88
March 31, 2018	120.0	1.12
September 30, 2018	100.0	0.88
March 31, 2019	120.0	1.08

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 on its common shares aiming at a consolidated dividend payout ratio, defined as dividends per common share divided by net income attributable to Toyota Motor Corporation per common share, of 30%. Toyota will pay dividends on the First Series Model AA Class Shares in accordance with a prescribed calculation method.

In order to successfully compete in this highly competitive industry, Toyota plans to utilize its internal funds for the early commercialization of technologies for next-generation environment and safety giving priority to customer safety and sense of security. Considering these factors, with respect to the dividends for fiscal 2019, Toyota has determined to pay a year-end dividend of 120 yen per common share by a resolution of the board of directors pursuant to Toyota's articles of incorporation. As a result, combined with the interim dividend of 100 yen per common share, the annual dividend will be 220 yen per common share, and the total amount of the dividends on common shares for the year will be 626.8 billion yen. Furthermore, Toyota will flexibly repurchase shares with the aim to promote capital efficiency by comprehensively taking into consideration cash reserves, stock price levels and the like.

In fiscal 2019, Toyota repurchased 36 million common shares, for an aggregate purchase price of 249.9 billion yen, in order to return to shareholders the profits derived from Toyota's business operations in the interim period.

Furthermore, Toyota has determined to repurchase 50 million common shares (maximum), for an aggregate purchase price of 300.0 billion yen (maximum), in order to return to shareholders the profits for the fiscal year ended March 31, 2019 by a resolution of the board of directors on May 8, 2019.

3.B CAPITALIZATION AND INDEBTEDNESS

Not applicable.

3.C REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

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.

Reviewing the general economic environment for the fiscal year ended March 2019, although there were some weaknesses, the world economy, as a whole, showed moderate recovery. The Japanese economy has been on a moderate recovery due to improvements in employment and income conditions. For the automotive markets, although markets have progressed in a steady manner in developed countries, markets in China, which had experienced continued growth, and some resource-rich countries have slowed down.

The changes 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 changes 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.

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 prices, an increase in the ratio of credit losses and increased funding costs are additional 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, shutdowns due to unauthorized access or 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. In particular, cyber-attacks or other intentional malfeasance are increasing in terms of intensity, sophistication and frequency, and Toyota may be the subject of such attacks. Such attacks 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 21 and 22 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.

Regulatory, Legal, Political and Other Risks

The automotive industry is subject to various governmental regulations and actions.

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 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. If Toyota launches products that result in safety measures such as recalls, Toyota may incur various costs including significant costs for free repairs. Many governments also impose tariffs and other trade barriers, taxes and levies, or enact price or exchange controls. Toyota has incurred significant costs in response to governmental regulations and actions, including costs relating to changes in global trade dynamics and policies, and expects to incur such costs in the future. Furthermore, new legislation or regulations or changes in existing legislation or regulations may also subject Toyota to additional costs in the future. If Toyota incurs significant costs related to implementing safety measures or responding to laws, regulations and governmental actions, 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 in August 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, 2019, Toyota operated through 608 consolidated subsidiaries (including variable interest entities) and 201 affiliated companies, of which 63 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, 2016 and March 31, 2019 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.

The SEC maintains a website (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Toyota also maintains a website (https://global.toyota/en/) through which its annual reports on Form 20-F and certain of its other SEC filings may be accessed. Information contained on or accessible through Toyota's website is not part of this annual report on Form 20-F.

4.B BUSINESS OVERVIEW

Toyota primarily conducts business in the automotive industry. Toyota also conducts business in finance and other industries. Toyota sold 8,977 thousand vehicles in fiscal 2019 on a consolidated basis. Toyota had net revenues of ¥30,225.6 billion and net income attributable to Toyota Motor Corporation of ¥1,882.8 billion in fiscal 2019.

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,		
	2017	2018	2019
Automotive	25,032,229	26,347,229	27,034,492
Financial Services	1,783,697	1,959,234	2,120,343
All Other	781,267	1,073,047	1,070,846

Toyota's automotive operations include the design, manufacture, assembly and sale of passenger vehicles, 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 business also provides mainly retail installment credit and leasing through the purchase of installment and lease contracts originated by Toyota dealers. Related to Toyota's automotive operations, Toyota is working towards having all of its vehicles become connected vehicles, creating new value and reforming businesses by utilizing big data obtained from those connected vehicles, and establishing new mobility services. Toyota's all other operations business segment includes the design and manufacture of prefabricated housing and information technology related businesses including a web portal for automobile information called GAZOO.com, etc. Please see "— Automotive Operations — Realizing a Smart Mobility Society that expands through connected car technologies — Connected with people (COMFORT) — Connected Service" for details on GAZOO.com.

Toyota sells its vehicles in approximately 190 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,		
	2017	2018	2019
Japan	8,798,903	9,273,672	9,520,148
North America	10,033,419	10,347,266	10,585,934
Europe	2,517,601	2,940,243	3,055,654
Asia	4,279,617	4,497,374	4,832,392
Other*	1,967,653	2,320,955	2,231,553

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

During fiscal 2019, 24.8% of Toyota's automobile unit sales on a consolidated basis were in Japan, 30.6% were in North America, 11.1% were in Europe and 18.7% were in Asia. The remaining 14.8% of consolidated unit sales were in other markets.

The Worldwide Automotive Market

Toyota estimates that annual worldwide vehicle sales totaled approximately 97 million units in 2018.

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.

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 2019, the U.S. saw steady employment growth which supported consumer spending, economies in Europe remained solid under monetary easing measures, and Japan continued to experience a favorable employment environment supporting consumption. On the other hand, China slowed down due to credit contraction triggered by interest-rate hikes in the U.S., and emerging countries in Asia and other regions also saw a slowdown in consumption owing to a concern over a possible recession.

In the automotive industry during 2018, with respect to developed countries, the automotive market remained unchanged from the previous year in the United States mainly due to the effect of interest-rate hikes, while it also remained flat in Europe as the U.K. market shrank. In Japan, demand expanded due primarily to the introduction of new models. The automotive market in China shrank for the first time in 20 years, and as a result, even though India and other emerging countries saw their markets expand, the automotive markets as a whole remained unchanged from the previous year.

In the medium- to long-term, Toyota expects the automotive market to continue growing driven principally by growth in China and other emerging markets. Global competition is expected to be severe, as competition in compact and low-price vehicles intensifies, and the pace of technological advancement and development of new products quickens, including in response to a heightened global awareness of the environment and more stringent fuel economy standards.

In 2018, 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 29% for China, 22% for North America (21% excluding Mexico and Puerto Rico), 22% for Europe and 11% for Asia. In China, new vehicle sales decreased to approximately 28.2 million units. In North America, new vehicle sales were approximately 21.2 million units, largely unchanged from the previous year. In Europe, new vehicle sales also remained largely flat at approximately 21.3 million units. In Asia (including India but excluding Japan and China), new vehicle unit sales increased from the previous year to approximately 10.7 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, as well as 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 or otherwise burden an automaker's operations. Government laws and 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.

Over the years, 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 address excessive global capacity in the production of automobiles, and 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.

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:

Toyota Global Vision

Toyota will lead the way to the future of mobility, enriching lives around the world with the safest and most responsible ways of moving people.

Through our commitment to quality, constant innovation and respect for the planet, we aim to exceed expectations and be rewarded with a smile.

We will meet challenging goals by engaging the talent and passion of people, who believe there is always a better way.

"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.

"Respect for the planet"

- Toyota will continue working to minimize environmental impact in its manufacturing and other operations, as well as in its products.
- Toyota's activities will include conserving energy and reducing output of carbon dioxide, as well as conserving material resources through recycling; it will also include establishing mindsets and production methods appropriate 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.

Based on these initiatives, the Toyota group 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 establishment of a stable business base. The automotive industry is facing a time of profound transformation that could happen only once in a hundred years in response to significant technological innovation such as electrification, connected vehicles and automated driving. Toyota is committed to realizing a mobility society of the future that enables everyone to enjoy freedom of movement beyond the conventional concept of vehicles.

Toyota Environmental Challenge 2050

Positioning responding to environmental issues as one of the most prioritized challenges for management, Toyota has tackled head-on activities such as the development and promotion of next-generation vehicles including hybrid vehicles ("HVs") and fuel cell vehicles ("FCVs"), efficient production that puts less of a burden on the environment, the recycling of end-of-life vehicles and hybrid vehicle batteries, planting trees for the coexistence of humans and nature in harmony, and conservation of ecosystems.

However, in recent years, the seriousness and reach of environmental issues has increased, as evidenced by global warming, water shortages, resource depletion, and degradation of biodiversity. In response to the situation, Toyota believes it is necessary to take on new challenges that consider the world 20 or 30 years in the future, in order to remain closely aligned with the global environment. Accordingly, Toyota announced Toyota Environmental Challenge 2050 in October 2015.

In order to contribute to the realization of a sustainable society, the Toyota Environmental Challenge 2050 has set forth the following six challenges for Toyota to address. Those challenges are to reduce CO2 emissions from driving and producing, as well as throughout the lifecycle of, vehicles, and to ensure a net positive impact on the Earth and society toward 2050.

1. New Vehicle Zero CO2 Emissions Challenge
2. Life Cycle Zero CO2 Emissions Challenge
3. Plant Zero CO2 Emissions Challenge
4. Challenge of Minimizing and Optimizing Water Usage
5. Challenge of Establishing a Recycling-Based Society and Systems
6. Challenge of Establishing a Future Society in Harmony with Nature

Further strengthening collaboration with the Toyota group and all other stakeholders, Toyota will consolidate new ideas, dynamism and technology to tackle together the realization of a truly sustainable society from a long-term perspective.

Automotive Operations

Toyota's revenues from its automotive operations were ¥27,079.0 billion in fiscal 2019, ¥26,397.9 billion in fiscal 2018 and ¥25,081.8 billion in fiscal 2017.

Toyota produces and sells passenger vehicles, 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.

Vehicle Models

Toyota's vehicles (produced by Toyota, Daihatsu and Hino) can be classified into three categories: HVs, conventional engine vehicles, and FCVs. 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.

Toyota has set, as a milestone to strive towards in seeking to realize a low-carbon, sustainable society, a target of "annual global sales of more than 5.5 million electrified vehicles by 2030."

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 Auris HV in April 2016, Prius PHV and the new model C-HR HV in October 2016, the new model LC HV in March 2017, the fully remodeled Camry HV in June 2017, the fully remodeled LS HV in October 2017 and JPN TAXI, which employs a newly developed LPG HV, in October 2017, as well as adding the fully remodeled Avalon HV in April 2018, the fully remodeled Corolla Sport in May 2018, the fully remodeled Crown HV and Century HV in June 2018, the new model ES HV in October 2018, the new model UX HV in November 2018, the fully remodeled RAV4 HV in December 2018 and the fully remodeled Corolla SD and WG HV in February 2019. In the area of HVs, where strong growth is seen, Toyota aims to continue its efforts to offer a diverse line-up of HVs, enhance engine power while improving fuel economy and otherwise work towards increasing the sales of HVs.

Fuel Cell Vehicles

Toyota began limited sales of a fuel cell vehicle in Japan and the United States in December 2002. Since then, 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, in the United States beginning in June 2015 and in Europe beginning in September 2015. Toyota also launched "SORA," the first production model fuel cell bus to receive vehicle type certification in Japan, in March 2018.

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 Corolla in January 2019. In Japan, Toyota introduced, in addition to the Corolla Sport and Yaris (named Vitz in Japan) which was introduced in May 2018, the Prius C (named Aqua in Japan), as well as Passo, Roomy and Tank, which three vehicles are OEM vehicles supplied by Daihatsu. In India, Asia, China and other markets, Toyota introduced the Etios and Vios, as well as the AGYA and Rush, which are designed and manufactured by Daihatsu, and Yaris iA, which is designed and manufactured by Mazda Motor Corporation ("Mazda").

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 vehicles, vans or trucks with engine displacements of 660 cubic centimeters or less. Daihatsu sold approximately 577 thousand mini-vehicles and 242 thousand automobiles on a consolidated basis during fiscal 2019. Daihatsu's largest market is Japan, which accounted for approximately 80% of Daihatsu's unit sales during fiscal 2019. 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 21 of the past 22 calendar years (from 1997 to present) and also for the last 17 consecutive years. The Camry was fully remodeled in June 2017. Camry sales in the United States for 2018 were approximately 343 thousand units (including Camry hybrids). In addition, Toyota's other mid-size models include the REIZ for the Chinese market.

Luxury and 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 CT, the LC and the RC. Lexus models also include the LX, the GX, the RX, the NX and the UX 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, 2019, the Lexus brand lineup in Japan includes the LS, the GS, the ES, the IS, the CT, the LX, the RX, the NX, the UX, the LC and the RC. The Toyota brand's full-size luxury car, the Avalon, was remodeled in April 2018, and the Crown was fully remodeled in June 2018. The Lexus brand's passenger vehicle ES was fully remodeled in October 2018. Toyota also fully remodeled the Century limousine in Japan in June 2018.

Sports and Specialty

In March 2017, Toyota introduced LC, the new model flagship coupe for Lexus. Furthermore, in May 2019, Toyota introduced a new Supra for the first time in 17 years.

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 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 five types of sport-utility vehicles under the Lexus brand, including the LX, the GX, the RX, the NX and the UX. 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 May 2015, Toyota introduced the fully remodeled Hilux and in September 2015, it introduced the fully remodeled RX of the Lexus brand. In October 2016, Toyota introduced C-HR, a model with a focus on both design and drive. Toyota introduced the Lexus brand's new model UX in November 2018 and the fully remodeled RAV4 in January 2019.

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 Noah/Voxy was remodeled in January 2014 and the new model Esquire was introduced in October 2014 in Japan. The new model Calya, an original equipment manufacturing ("OEM") vehicle by Daihatsu, was introduced in July 2016 in Indonesia. Toyota's other minivan models include, in Japan, the Estima and the Sienta, 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. Toyota launched "SORA," a production model fuel cell bus, in Japan in March 2018. 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, as well as small buses and micro-buses.

Product Development

New cars introduced in Japan during fiscal 2019 and thereafter include the new Supra. The remodeled car in Japan during fiscal 2019 and thereafter is the RAV4. New cars introduced outside of Japan during fiscal 2019 and thereafter include the Lexus UX. Remodeled cars outside of Japan during fiscal 2019 and thereafter include the Corolla, the RAV4, the Hiace, and the Lexus ES.

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, 2019, the Hilux, Fortuner, and Innova, one or all of which are available in all regions.

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,									
	2015		2016		2017		2018		2019	
	Units	%	Units	%	Units	%	Units	%	Units	%
Market										
Japan	2,153,694	24.0%	2,059,093	23.7%	2,273,962	25.4%	2,255,313	25.2%	2,226,177	24.8%
North America	2,715,173	30.3	2,839,229	32.7	2,837,334	31.6	2,806,467	31.3	2,745,047	30.6
Europe	859,038	9.6	844,412	9.7	924,560	10.3	968,077	10.8	994,060	11.1
Asia	1,488,922	16.6	1,344,836	15.5	1,587,822	17.7	1,542,806	17.2	1,684,494	18.7
Other*	1,755,037	19.5	1,593,758	18.4	1,347,182	15.0	1,391,731	15.5	1,327,017	14.8
Total	8,971,864	100.0%	8,681,328	100.0%	8,970,860	100.0%	8,964,394	100.0%	8,976,795	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,				
	2015	2016	2017	2018	2019
Japan:					
Total market sales (excluding mini-vehicles)	3,126	3,126	3,360	3,340	3,339
Toyota sales (retail basis, excluding mini-vehicles)	1,439	1,462	1,607	1,565	1,532
Toyota market share	46.0%	46.8%	47.8%	46.9%	45.9%

	(Thousands of Units)				
	Calendar Year Ended December 31,				
	2014	2015	2016	2017	2018
North America:					
Total market sales	19,597	20,804	21,191	20,887	21,186
Toyota sales (retail basis)	2,670	2,817	2,798	2,791	2,798
Toyota market share	13.6%	13.5%	13.2%	13.4%	13.2%
Europe:					
Total market sales	18,397	18,971	19,968	20,721	21,324
Toyota sales (retail basis)	888	874	928	1,002	1,035
Toyota market share	4.8%	4.6%	4.6%	4.8%	4.9%
Asia (excluding China):					
Total market sales	8,785	9,287	9,541	10,078	10,710
Toyota sales (retail basis)	1,324	1,249	1,305	1,318	1,365
Toyota market share	15.1%	13.4%	13.7%	13.1%	12.7%

Japan

Japan is one of the leading countries with respect to technological advancements and improvements in the automotive industry 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, FCVs, plug-in hybrid vehicles ("PHVs") and HVs, vehicles with 3-seat rows and mini-vehicles. Toyota's consolidated vehicle sales in Japan in fiscal 2019 was 2,226 thousand units, a decrease of 29 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 47.8% in fiscal 2017, 46.9% in fiscal 2018 and 45.9% in fiscal 2019.

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 continue 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. Toyota also plans to close the Higashi Fuji plant of Toyota Motor East Japan, Inc. at the end of December 2020 and consolidate its production in northeastern Japan so that the competitiveness of the Japanese "manufacturing (*monozukuri*)" will be further strengthened on a continuing basis.

Since Toyota formed an alliance with SUBARU CORPORATION ("SUBARU") in 2005, Toyota and SUBARU have utilized each other's resources in development and production. In July 2008, SUBARU transferred 61 million SUBARU shares owned by SUBARU to Toyota with the aim to promote smooth collaboration. As a result of this transfer, Toyota owns 16.5% of SUBARU issued shares. While Toyota vehicles had been manufactured at SUBARU's North American production center, Subaru of Indiana Automotive, Inc. ("SIA"), since 2007, Toyota and SUBARU ceased such production in May 2016, and the collaboration between Toyota and SUBARU shifted to collaboration focusing on products and technology.

In 2011, Toyota and the BMW Group agreed to conduct collaborative research in the field of next-generation lithium-ion battery technologies and for BMW to supply diesel engines to Toyota Motor Europe, Toyota's European subsidiary. In 2013, as part of their strategic long-term cooperation in the field of sustainable mobility, Toyota and BMW Group entered into agreements for the joint development of a fuel cell system, joint development of architecture and components for sports vehicles and joint research and development of lightweight technologies. The two companies completed collaborative research on lithium-air batteries, a post-lithium-battery solution as planned by conducting the second phase of collaborative research into next-generation lithium-ion battery cells. The supply of diesel engines by BMW from 2014 through 2018 was completed as planned under the agreement. As a result of the joint development of sports vehicles, the production of new Supra commenced in March 2019.

Toyota and Mazda have been engaged in collaboration such as the licensing of Toyota's hybrid technologies to Mazda and the production of compact cars for Toyota at Mazda's plant in Mexico. In May 2015, towards the goal of making cars with more appeal, Toyota and Mazda entered into an agreement to build a long-term partnership that would create synergies for both companies through such means as leveraging the resources of both companies and complementing each other's products and technologies. After subsequent discussions, Toyota signed an agreement to enter into a business and capital alliance with Mazda in August 2017. As part of this business and capital alliance, the companies agreed to mutually acquire shares of the other company with the aim of advancing and strengthening their long-term collaboration, as well as to: 1) establish a joint venture that produces vehicles in the United States, 2) jointly develop technologies for electric vehicles ("EVs"), 3) jointly develop connected-car technology, 4) collaborate on advanced safety technologies and 5) expand replenishment of products. Pursuant to this agreement, in October 2017 Toyota and Mazda mutually acquired 50 billion yen worth of shares of each other. Toyota also established EV C.A. Spirit Corporation with Mazda and Denso Corporation ("Denso") to jointly develop basic structural technologies for EVs. Furthermore, in March 2018, Toyota and Mazda established Mazda Toyota Manufacturing, U.S.A., Inc., a new joint venture company, to produce vehicles in the United States starting in 2021.

In February 2017, Toyota and Suzuki Motor Corporation ("Suzuki"), aiming to contribute jointly to resolution of social issues and achievement of the sound and sustainable development of an automobile-based society, entered into a memorandum of understanding on beginning concrete examination of a business partnership. In November 2017, the two companies agreed to move forward in considering a cooperative structure for introducing EVs in India, and in March 2018, concluded a basic agreement toward the mutual supply of products. In May 2018, Toyota and Suzuki agreed that Toyota will provide Suzuki development support for a compact, ultrahigh-efficiency powertrain, to have Toyota Kirloskar Motor Private Ltd. ("TKM") produce models developed by Suzuki and to collaborate with respect to African markets. In addition, in March 2019, Toyota and Suzuki began considering the concrete details of collaboration in new areas, such as collaboration in the area of production and promotion of the widespread use of electrified vehicles, by bringing together Toyota's strength in technologies for electrification and Suzuki's strength in technologies for compact vehicles.

In December 2017, Toyota and Panasonic entered into an agreement to study the feasibility of a joint automotive prismatic battery business. Having repeatedly held discussions since then on the concrete details of their collaboration to achieve high-capacity and high-output automotive prismatic batteries that lead the industry in terms of both performance and cost as well as to contribute to the popularization of Toyota's and other automakers' electrified vehicles, in January 2019, Toyota and Panasonic agreed to establish a joint venture related to the automotive prismatic battery business. Specifically, the two companies agreed that the scope of the joint venture's business operations will cover research, development, manufacturing and others, related to automotive prismatic lithium-ion batteries, solid-state batteries and next-generation batteries and that the joint venture will integrate management and other resources from both companies. Toyota and Panasonic are working to establish the joint venture (pending approval from competition-law authorities in relevant countries and regions) by the end of 2020.

In June 2018, Toyota and Denso agreed to begin to consider consolidating the core electronic component operations of both companies within Denso, and entered into a formal agreement concerning this in April 2019. On April 1, 2020, the production of electronic components at Toyota's Hirose Plant, as well as the electronic components development functions, will be consolidated within Denso. In doing so, the companies aim to establish a speedy and competitive development and production structure.

In April 2019, as part of the initiative to further promote the widespread use of EVs, Toyota announced that it will grant royalty-free licenses on the patents it holds (including some pending applications) for vehicle electrification-related technologies, such as electric motors, power control units (PCUs), and system controls. Toyota also announced that it will provide technical support to other manufacturers developing and manufacturing electrified vehicles when they utilize Toyota's power train systems.

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 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. Toyota has 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 main market, Toyota has a wide product lineup (excluding large trucks and buses), and sold 2,745 thousand vehicles on a consolidated basis in fiscal 2019. This represents approximately 31% of Toyota's total unit sales on a consolidated basis. The U.S., in particular, is the largest market in the North American region, which accounts for 86% of the retail sales of Toyota in such region. Sales figures for fiscal 2019 were 97.8% of those in the prior 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 continued further expansion of its environmentally friendly vehicles with the introduction of models such as, the fully remodeled all-new Prius and the all-new fuel cell vehicle MIRAI in 2015, the Prius PHV in 2016, the Camry HV in 2017 and the fully remodeled Avalon HV and RAV4 HV in 2018.

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. Toyota sold 311 thousand units through the introduction of the new NX and RC models in 2014, 344 thousand units through the introduction of the new RX model in 2015, 352 thousand units in 2016, 305 thousand units in 2017 and 298 thousand units in 2018, when the new model UX and the fully remodeled ES were introduced.

Toyota is continuing to revise its vehicle models and North American production capacities in response to changes in market conditions. Through the business alliance with Mazda Motor Corporation, the production of Toyota brand compact cars for sale mainly in North America began at Mazda's plant in Mexico in June 2015. In addition, Toyota commenced production of the Lexus ES350 at its Kentucky plant for sale in the North America market starting in October 2015. Toyota also launched the all-new Camry with the first TNGA platform in North America at the Kentucky plant in 2017 and redesigned Avalon into an all-new model in 2018. Toyota plans to increase the production capacity of the Tacoma from 100,000 to 160,000 in Baja California, Mexico in 2018 and of the Highlander at its Indiana plant in 2019. Toyota's Mississippi plant started production of the remodeled new Corolla with the TNGA platform in 2019. In the meantime, consignment production that started at SIA in 2007 ceased in May 2016.

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 to produce the Tacoma. Furthermore, production of the Corolla is planned to commence at a new plant in Alabama that will be established by the joint venture with Mazda around 2021. In addition to the plant in Mississippi, compact cars will also be produced at the new plant in Alabama. Toyota will focus its production of mid-sized vehicles in the plant in Canada, along with the plants in Indiana and Kentucky, by commencing production of the mid-sized SUV RAV4 instead of the Corolla in Canada starting in 2019. Toyota is also considering production of the RAV4 at the Kentucky plant in order to catch up with the expanding SUV market. For powertrains, Toyota plans to start producing 120,000 hybrid transaxles (hybrid vehicle transmissions) per year at its West Virginia plant starting in 2020 and further increase the production capacity by 120,000 units per year in 2021. Toyota also plans to raise the production capacity of four-cylinder engines and V6 engines by 230,000 units by 2021.

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 July 2017, Toyota launched its new North American headquarters in Plano, Texas and unified its North American manufacturing, sales and marketing, financial services and other functions. 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.

Europe

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.

While competition in Europe continues to intensify, Toyota has expanded its lineup of hybrid models to further strengthen its sales operations, and has entered into supply agreements with PSA for light commercial vehicles. To strengthen its business setup so that it is less likely to be affected by exchange rates, Toyota launched RAV4 for Russia at OOO "TOYOTA MOTOR" ("TMR") and C-HR at Toyota Motor Manufacturing Turkey Inc. ("TMMT") in 2016 in the form of local production. 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 2018, the European automotive market remained unchanged from the previous year as the growth of the Russian, French, Spanish, Polish and other European markets made up for the sluggish market in Turkey and the United Kingdom.

Toyota sales in 2018 in Europe exceeded the previous year due to an increase in units sold for the Camry and the Fortuner in Russia as well as higher sales in principal markets such as France and Spain from the sales expansion of hybrid core models including C-HR and Yaris. Sales in Poland, Baltic countries, Hungary and Kazakhstan hit a new record. Toyota's consolidated vehicle sales in Europe in fiscal 2019 was 994 thousand units, an increase of 2.7% from fiscal 2018.

Toyota has increased European production capacity in response to sales growth. For example, in August 2016, Toyota increased the production capacity in Russia to 100,000 units and the production of the RAV4 commenced in addition to the Camry. Also, Toyota commenced production of the compact crossover C-HR by increasing the annual production capacity of TMMT from 150,000 units to 280,000 units (three-shift) in September 2016.

In terms of model change, Toyota Motor Manufacturing (UK) Ltd. ("TMUK") and TMMT implemented a model change for the Corolla in 2018 and 2019, respectively. Also, in Russia, Toyota redesigned the Camry into an all-new model with the TNGA platform in April 2018.

In terms of auto parts, in October 2016, Toyota decided to produce hybrid transaxles and gasoline engines in Poland. Toyota started production of hybrid transaxles in 2018 at Toyota Motor Manufacturing Poland ("TMMP"), a production plant for transmissions and engines, and add two gasoline engines — a 1.5L in 2017 and a 2.0L in 2019 — at Toyota Motor Industries, Poland ("TMIP"), a production plant for diesel engines. In concert with the enhancement of the gasoline engine business, the two companies were integrated in April 2017.

Asia

Toyota's consolidated vehicle sales in Asia (including China) in fiscal 2019 was 1,684 thousand units, an increase of 9.2% from fiscal 2018.

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.

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

In Thailand, Toyota has three plants capable of producing approximately 800 thousand units per year, not only to meet domestic demands but to serve as a production base for regions inside and outside the ASEAN region, and produces and exports the Hilux, the Hiace, the Corolla, the Camry and the Vios. In February 2018, Toyota started production of the C-HR at its second Gateway plant, in response to the diversification of market needs. Regarding the existing models, Toyota implemented a model change for the Camry in 2018 and for the Hiace in 2019, and is steadily working on the redesigning of such models.

In India, Toyota constructed a second plant with an annual production capacity of 70 thousand units in 2011 and has increased the production capacity as necessary up to 210 thousand units. In 2018, Toyota newly launched the Yaris compact model in such second plant. Moreover, in line with the global redesigning of the Camry, Toyota implemented a model change in India and began producing the TNGA model as well.

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. Currently, Toyota is producing the Vios, the Yaris and the Sienta, and the initial production capacity of 70 thousand units per year has become 120 thousand units per year. Similar to the plant in Thailand, PT Toyota Motor Manufacturing Indonesia ("TMMIN") is positioned as a production base for regions inside and outside of the ASEAN region, including the production of Innova and the Fortuner at the first plant. Toyota also constructed a passenger vehicle engine plant that commenced production in February 2016.

In Malaysia, Toyota built a new plant dedicated to passenger vehicles to transfer the production of the Vios thereto in 2019. The existing plant was converted into a plant dedicated to commercial vehicles and the production framework was reorganized accordingly. In addition, in 2016 Toyota began production and sales of the Sienta in Taiwan in response to diversifying demands.

In March 2019, Toyota implemented a model change for Corolla in Taiwan.

China

Toyota has been conducting 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, namely, China FAW Group Corporation and Guangzhou Automobile Group Co., Ltd. First, with respect to the joint venture with China FAW Group Corporation, from when production and sales of the Vios started in 2002, production and sales of the Land Cruiser Prado, the Corolla, the Crown, the Coaster and the RAV4 has expanded to include such models. The joint venture has developed production bases in three regions, namely, Tianjin, Changchun and Sichuan, and in Tianjin, the joint venture completed the construction of a new production line to replace an aging existing line in the Teda area in June 2018, and introduced the new-model SUV IZOA, which is a TNGA platform vehicle. In Changchun, where the new plant was launched in 2012, the initial production capacity of 100 thousand units per year has now become 130 thousand units per year. The joint venture 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, and is steadily increasing its production capacity of these three plants, which on an aggregate basis is currently approximately 690 thousand units per year. In addition, the joint venture sought to improve production efficiency by closing small, aging production lines at the Changchun East Plant of Sichuan FAW Toyota Motor Co., Ltd. in December 2016 and the Xiqing Plant of Tianjin FAW Toyota Motor Co., Ltd. in February 2017.

GAC Toyota Motor Co., Ltd. ("GAC Toyota"), a joint venture between Toyota and Guangzhou Automobile Group Co., Ltd., expanded the production and sales of the Camry, the Yaris, the Highlander, the Levin, etc. With regard to production capacity, GAC Toyota has an annual production capacity of approximately 560 thousand units in total due to starting a third plant in early 2018 in addition to the existing first and second plant. GAC Toyota redesigned the Camry in 2017 and the C-HR in 2018 into an all-new model with the TNGA platform as well as launched new models.

In terms of auto parts, in 2014, Toyota opened a plant in Changshu in Jiangsu, China for the production of the Continuously Variable Transmission ("CVT") as the first CVT plant outside of Japan and in September 2015, Toyota also began production of HV Transaxles at the CVT plant. Toyota also launched a plant to produce hybrid vehicle batteries in October 2015.

Total vehicle sales in the Chinese market decreased 4% from 29.28 million in 2017 to 28.23 million in 2018. In this market, Toyota's sales in 2018 were 1.48 million vehicles, up 14% from the previous year. In the domestically produced passenger vehicle market in mainland China (22.85 million units), Toyota had a market share of 6%. In 2018, sales of SUVs 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. In addition, as the market in China develops and becomes more sophisticated, Toyota plans to promote the so-called "Value Chain" businesses such as used cars, services, financing and insurance so as to contribute to the development of a mobility society.

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 2019 were 1,327 thousand units, a decrease of 4.6% from fiscal 2018.

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.

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 increased annual production capacity of the plant in Argentina to 140 thousand units per year at the end of 2015. 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 compact vehicles. Starting from the beginning of 2016, Toyota increased production capacity to 110 thousand units per year and started production of the Yaris from June 2018.

Moreover, in terms of auto parts, Toyota commenced production at a plant in Brazil for passenger vehicle engines in February 2016.

Production

Toyota and its affiliated companies produce automobiles and related parts and components through more than 50 overseas manufacturing companies in 27 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, Argentina and Brazil. Daihatsu brand vehicles are produced at four factories in Japan and two manufacturing companies in two other countries of Indonesia and Malaysia. Hino brand vehicles are produced at four factories in Japan and 11 manufacturing companies in 11 countries, including Indonesia and Thailand, and Toyota is planning to increase the bases in the U.S. and Russia. 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 in countries or regions 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 2017, 75.9% of Toyota vehicles sold in overseas markets were manufactured in overseas plants by Toyota and its unconsolidated affiliated companies. In 2017, approximately 71.1% of Toyota vehicles sold in North America were produced in North America. Of the vehicles sold in Europe in 2017, approximately 81.5% were produced in Europe. In fiscal 2019, Toyota produced on a consolidated basis 4,309 thousand vehicles in Japan and 4,676 thousand vehicles overseas, compared to 4,286 thousand vehicles in Japan and 4,678 thousand vehicles overseas in fiscal 2018.

The following table shows Toyota's worldwide vehicle unit production by geographic market 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,				
	2015	**2016**	**2017**	**2018**	**2019**
Units Produced					
Japan	4,124,593	3,980,576	4,109,038	4,285,844	4,308,903
North America	1,932,618	1,970,053	2,062,862	1,902,304	1,840,502
Europe	556,462	564,934	637,352	681,048	679,380
Asia	1,829,048	1,605,345	1,674,468	1,601,473	1,681,783
Other*	487,166	454,991	491,789	493,464	474,618
Total	8,929,887	8,575,899	8,975,509	8,964,133	8,985,186

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

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" ("TPS"). The TPS 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*."

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 TPS 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 TPS 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 TPS, 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 January 2018, Toyota established the TPS Group, and in order to stay true to itself, Toyota has gone back to its roots, positioning TPS as the bedrock of its management, and is moving forward with initiatives to ensure that TPS is passed on to the future as part of Toyota's DNA. Specifically, Toyota will have the concepts of "*Just-in-Time*" and "*jidoka,*" which are the two main pillars of the TPS, spread within the entire company and have all divisions, including technical and administrative divisions, work to reduce lead time and ensure that abnormalities are made visible, through which Toyota will achieve results by both cost reduction through improved productivity as well as improved work quality.

Toyota is currently working towards producing even better cars across the company. With the aim of realizing "cars that offer a rewarding experience for customers" through "truly competitive manufacturing" in terms of production technology and manufacturing, Toyota is developing innovative production systems, equipment and processing technology and introducing them to its mass-production line in due course.

Distribution

Toyota's automotive sales distribution network is the largest in Japan. As of March 31, 2019, this network consisted of 279 dealers employing approximately 32 thousand sales personnel and operating approximately 4.7 thousand sales and service outlets. Toyota owns 13 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 introduced the Lexus brand to the Japanese market in August 2005, and currently distributes the Lexus brand vehicles through a network of 168 sales outlets in order to enhance its competitiveness in the domestic luxury automotive market. The following table provides information for each channel as of March 31, 2019.

In April 2019, Toyota merged four dealers that were wholly owned subsidiaries in Tokyo, with the merged company being renamed "Toyota Mobility Tokyo Co., Ltd." ("TMT") At the same time, Toyota abolished the sales channels system in Tokyo; TMT has started, ahead of other areas in Japan, distributing all Toyota vehicle models.

	Dealers			
Channel	Toyota Owned	Independent	Total	Market Focus
Toyota	3	46	49	Luxury channel for Toyota brand vehicles
Toyopet	4	48	52	Leading channel for the medium market
Corolla	3	70	73	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	168	Premium brand

Outside Japan, Toyota vehicles are sold through approximately 169 distributors in approximately 194 countries and regions. Through these distributors, Toyota maintains networks of dealers. The chart below shows the number of Toyota distributors as of March 31, 2019 by country and region:

Country/Region	Number of Countries	Number of Distributors
North America	3	5
Europe	53	29
China	1	4
Asia (excluding China)	19	13
Oceania	17	15
Middle East	16	14
Africa	55	49
Central and South America	30	40

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;
- reinforcing and promoting 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;
- "developing a real cost-competitive structure" by working together with suppliers;

- applying advanced information technologies to improve efficiency throughout the product development and production processes;
- globally reinforcing 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 and carried out product development under this new way of doing business. As a result, Toyota realized high basic performance and marketability in the Prius that was introduced in Japan in December 2015. Toyota subsequently applied the TNGA initiatives to the Camry, Lexus LC and LS in 2017 and the Crown and Corolla Sport in 2018. Toyota has rolled out, and plans to continue to roll out, the results of such development to other vehicles as well.

Realizing a Smart Mobility Society that expands through connected car technologies

In the midst of rapidly changing societies, including the falling birth rate and aging populations in developed nations, an increasingly diverse range of energy sources and the evolution of IoT, among others, the automotive industry is facing a time of profound transformation that could happen only once in a hundred years. As a company responsible for the freedom of mobility, which is one aspect of social infrastructure, Toyota is firmly determined to contribute to solving social issues by changing the very ways in which people, things, and information flow through the world. Based on this commitment, Toyota is moving forward with initiatives striving to realize a smart mobility society, in which people can "enjoy freedom of movement and feel at ease and excited," by connecting vehicles, people and communities with its connected car technologies.

Our Connected Strategy for Realizing Connected Platforms

Connecting cars is not only providing new value and services to customers, but creating new modes of use and new roles in society for cars. To stay at the forefront of this evolution, Toyota established an in-house Connected Company in April 2016 and announced its Connected Strategy in November of the same year. This strategy comprises three pillars that we initiated almost simultaneously.

- Pillar 1 — Connect All Cars

  The key to connecting all cars is on-board data communication modules ("DCMs"), which connect cars to data centers. In 2002, Toyota commercialized its DCMs and launched the G-BOOK service for Toyota vehicles (this service was replaced by T-Connect in 2014). In 2005, DCMs became a standard feature in Lexus cars, and Toyota launched the G-Link service in Japan before expanding it to North America and China. As the first step towards connecting all vehicles, in June 2018, Toyota also launched sales in Japan of the new Crown and Corolla Sport with DCMs as standard features for all vehicles. This marked the start of Toyota's full-scale roll out of connected cars. Toyota plans to adopt common standards worldwide for its DCMs by 2019, equip virtually all passenger vehicles it sells in Japan and the United States with DCMs by 2020, and steadily equip more vehicles with DCMs in other major markets around the world going forward.

- Pillar 2 — Creation of New Value and Business Revolution

  As the number of connected cars on the road increases, so does the big data they generate and Toyota is using this data to contribute to the good of customers and society while revolutionizing its own businesses. Aggregate route history maps were made publicly available after the Great East Japan Earthquake, and such data has subsequently been used in evacuation, response, and recovery operations following several natural disasters. Furthermore, by analyzing the diverse information collected from cars on the road using big data approaches, Toyota will be able to utilize that information to create and enhance services that provide safety and peace of mind. Making DCMs standard features also makes Toyota's online services more convenient and easier to use. The voice recognition-enabled artificial intelligence (AI) virtual agent understands passengers' natural speech and performs tasks such as setting the destination for the navigation system. Toyota also has operators standing by 24 hours a day, 365 days a year, to provide a more in-depth response to customer requests. By offering both virtual (AI) and real-world (operators) services, Toyota seeks to provide what it calls "Human Connected Services."

- Pillar 3 — Creation of New Mobility Services

  Toyota will accelerate cross-industry collaboration through the Mobility Service Platform (MSPF). Using the MSPF, Toyota is taking an open approach and working together with all kinds of service providers to contribute to the creation of new mobility services. Toyota has already begun a range of collaborative initiatives. In May 2016, Toyota and Uber Technologies, Inc. ("Uber") began to consider a partnership in ride-sharing. In 2017, Toyota conducted a pilot program for its Smart Key Box with the United States car-sharing company Getaround, Inc.; began a partnership with Grab Holdings Inc. ("Grab"), the leading ride-hailing service company in Southeast Asia; and began verification testing of connected taxis with the Tokyo Taxi-Hire Association. Going forward, Toyota will work to deepen these and other initiatives in order to create new mobility services and accelerate their commercialization.

As practical measures for realizing a Smart Mobility Society based on the Connected Platforms, Toyota is promoting: 1. "Connected with vehicles and roads (SAFETY) — Cooperative ITS, driving assistance functions and automated driving"; 2. "Connected with people (COMFORT) — Connected Service"; and 3. "Connected with society and the community (ECO & CONVENIENCE) — Maas (Mobility as a Service)."

Connected with vehicles and roads (SAFETY) — Cooperative ITS

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, "Cooperative ITS," which combines cutting edge IT and vehicle technology, is in development and has begun to be partially implemented.

- The operation of "ETC2.0" 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 via 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 general 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 peripheral information from road infrastructures to automobiles.

- Aiming at further reducing accidents, “ITS Connect,” a driving safety support system that uses a dedicated ITS frequency of 760 MHz, was introduced in the fall of 2015. Through direct and continuous exchange of information between vehicles and the road and among vehicles, this system aims to mitigate accidents near intersections, which have been difficult to mitigate to date. The system also includes Communicating Radar Cruise Control features, which supports smooth acceleration and deceleration when following behind another vehicle. In addition, from August 2017, Toyota and Mazda started a partnership in the field of advanced safety technologies and a collaboration between the two companies concerning Toyota’s vehicle-to-vehicle and vehicle-to-infrastructure technologies is undergoing. Going forward, Toyota will aim at the realization of automated driving in which all drivers can move safely, smoothly and freely by harmonizing ITS technology and vehicle control technology.

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.

Connected with vehicles and roads (SAFETY) — driving assistance functions and automated driving

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.

In 2015, Toyota commercialized the Toyota Safety Sense, a package that includes the Pre-collision System and driving assistance functions. In 2018, Toyota commercialized the new-generation Toyota Safety Sense (Toyota Safety Sense 2.0 in the United States), which has brakes capable of mitigating collision damage and advanced driving assistance functions. The most recent Toyota Safety Sense 2.0 has the following functions:

- “Pre-collision System” is a system that perceives possibilities of a crash with obstacles, cars in front, crossing pedestrians during both day and night as well as crossing bicycles in daytime, all 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 Tracing Assist” is a system that, when the Radar Cruise Control function is running, uses a camera to detect white or yellow lane markers while driving and assists the driver’s operation of the steering wheel by controlling the electric power steering in order to help keep the vehicle traveling between lane markers.
- “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 blinding the visions of drivers with bright lights, as well as to secure drivers’ forward vision at night.

Toyota has completed installation of Toyota Safety Sense on nearly all models sold in Japan, the United States and Europe at an affordable price aimed at widespread adaption. The accumulated global shipments of vehicles with Toyota Safety Sense installed exceeded 10 million vehicles (of which approximately 5 million vehicles were shipped to the United States) as of the end of October 2018.

In addition to the above, with the aim to realize the ultimate goal of zero casualties from traffic accidents, Toyota is promoting the development of technologies such as “Parking Support Brake (pedestrians),” which supports avoiding collisions by detecting pedestrians in the rear of the vehicle using a camera, and “Active Steering Assist — Pre-Collision System,” which is a system that, in situations where the system decides that a collision cannot be avoided by automatic braking alone and there is room in the driver’s lane to avoid a collision, supports avoiding collisions by automatically controlling the steering after the Pre-Collision System controls the brake.

Connected with people (COMFORT) — Connected Service

The driving experience can be enriched and its convenience can be improved through information communication technologies that add a new “connecting” function to the basic vehicle functions of “running, turning and stopping.” Examples of the connecting function 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. In 2018, Toyota made efforts to further enhance T-Connect and added services such as the “e-Care Driving Guidance,” which diagnoses the condition of a car from the vehicle data and an operator advises the driver in the event of abnormality, and further guides the driver to a dealer if necessary, and “Tsunagaru (Connected) Car Insurance Plan,” which is an insurance plan based on driving behavior data. Furthermore, by standardizing the DCM, Toyota improved online services such as the “Voice Recognition-enabled AI Virtual Agent” and “Hybrid Navi.”
- 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. In 2018, Toyota newly developed the “D-Call Net,” which is a rescue service that is interlocked with the activation of the airbag. It instantly analyzes the damages to car occupants from the car data at the time of the collision, and with the cooperation of the fire departments, dispatches helicopter ambulances if it is diagnosed that the possibility of serious injury is high. 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 later expanded to include information on other automakers, as well as a rich blog feature as a social networking portal site on automobiles.

Furthermore, in 2010, by utilizing technology cultivated through the Internet and telematics services, Toyota developed the Toyota Smart Center ("TSC") that optimally controls electricity and links EVs and PHVs with homes. 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. In December 2016, Toyota launched the TC Smartphone Navigation free-of-charge to users, including those other than Toyota users, to provide readily usable route history maps. 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.

In 2016, Toyota has been working actively on "connected car technology" and alliances with other companies for effective vehicle data utilization to "make ever-better cars" and for safer and securer "connected" service. In January 2016, Toyota announced a "connected vehicle framework" to increase installation of DCMs into a broader range of its vehicles starting in the United States from 2017. In April 2016, Toyota established a new company, "Toyota Connected, Inc.," in the United States to consolidate and analyze information collected from vehicles and to develop new products, and thereby promoting "making ever-better cars" through utilizing big data.

As a further engagement in the insurance industry, Toyota established Toyota Insurance Management Solutions USA, LLC ("TIMS"), a new U.S. telematics car insurance services company, to promote analysis of big data and development of algorithms. TIMS provides telematics insurance services best suited to Toyota's customers by consolidating Toyota's data, financing and insurance knowhow.

Connected with society and the community (ECO & CONVENIENCE) — MaaS (Mobility as a Service)

In November 2016, based on the proliferation and popularity of mobility services such as car-sharing, Toyota started to establish MSPF, which has various functions to support mobility services. MSPF is a platform that aggregates and covers individual business functions, such as vehicle management systems and leasing programs, that Toyota developed and offered to mobility service providers such as ride-sharing operators when working together with them. In addition, as one example of the functions that MSPF offers, Toyota developed the smart key box ("SKB") that enables users to lock and unlock doors and to start the engine with their smartphones — thus providing a safer and more secure way of locking/unlocking doors and starting the engine. Using the MSPF and SKB, Toyota started a pilot program in collaboration with Getaround, a venture company providing car-sharing services targeted at individuals in the United States, in March 2017 in San Francisco, California. In addition, Toyota is working with Toyota Financial Services Corporation ("TFSC") to make vehicles with expired leases available on Getaround, in order to effectively utilize TFSC's assets. Toyota is also examining the viability of car sharing using SKBs. Furthermore, Servco Pacific Inc., a Toyota dealer in Hawaii, began a car-sharing services program in July 2018.

In terms of ride-sharing, in May 2016, Toyota and Uber entered into a memorandum of understanding to explore collaboration with respect to ride-sharing. In August 2018, the scope of collaboration was expanded: Toyota and Uber will be developing vehicles utilizing the technologies of both companies and used exclusively for ride-sharing, and introducing the same into Uber's ride-share network. Technology establishment of the in-vehicle equipment and control interface is underway. Furthermore, in April 2019, in order to accelerate the development and practical realization of automated driving vehicles for ride-sharing, Toyota announced that it will invest in Uber Advanced Technologies Group together with Denso Corporation and SoftBank Vision Fund L.P.

In Southeast Asia, Toyota started to collaborate with Grab in August 2017, and commenced a pilot program in Singapore to collect driving data generated from vehicles owned by Grab. In June 2018, Toyota further expanded the collaboration with Grab, invested in Grab, and moved forward with providing various connected services that use MSPF to Grab. As a specific example of such services, in December 2018 Toyota provided the Toyota-developed total care service for vehicles to 1,500 vehicles owned by Grab and started both to provide high-efficiency maintenance reflecting TPS as well as to cooperate with local insurance companies with the aim to effectively utilize driving data collected from MSPF in insurance services.

In August 2016, Toyota and Japan Federation of Hire-Taxi Associations entered into a memorandum of understanding to explore areas for collaboration, so as to develop and introduce the "Japanese taxi of the future." Through use of taxis to collect and analyze information concerning the road traffic environment, and applying those results to the development of the Mobility Teammate Concept, which embodies Toyota's vision of automated driving, Toyota and the Japan Federation of Hire-Taxi Associations will continue to be important partners in helping to develop Japanese taxis into the "world's safest, most pleasant, world-class public transportation service" and to strengthen the Japanese transportation infrastructure.

In October 2018, Toyota agreed with SoftBank Corp. ("SoftBank") in the realization of a Mobility Network that delivers safe and comfortable mobility to all people. In February 2019, Toyota and SoftBank established a joint venture, MONET Technologies Inc. ("MONET"). Anticipating the realization of an automated driving society, cooperation with 17 local governments in Japan to provide next-generation on-demand mobility service began. In March 2019, MONET established the Monet Consortium with the participation of 88 companies in an effort to promote inter-corporate cooperation as a way of 'team building' that aims for the realization of mobility innovation.

With the background of expanding mobility services and the tightening of data regulations in Europe, Toyota has established Toyota Connected Europe, Limited in April 2018, and plans to utilize MSPF in Europe as well to promote car-sharing businesses in coordination with local dealers.

In January 2018, at "2018 International CES" held in Las Vegas, Nevada in the United States, Toyota announced the "e-Palette Concept," a next generation EV designed exclusively for MaaS, leveraging electrification, connected vehicles and automated driving technologies. The e-Palette Concept can be adapted for various services, such as passenger transportation, logistics services or retail services, and is the embodiment of Toyota's concept of "new mobility" that supports the lifestyles of its customers. Amazon.com, Inc., DiDi Chuxing, Pizza Hut, LLC, Uber and Mazda Motor Corporation are collaborating with Toyota as initial launch partners in order to explore vehicle specifications that are even more practical and to ensure the realization of a new mobility service. Going forward, Toyota is planning to support the transportation of athletes and staff in the Olympic and Paralympic village in the 2020 Tokyo Olympic and Paralympic Games, as well as commercialization around 2023 upon conducting a pilot program with alliance partners.

In addition, Toyota joined the "Toyota City Low-Carbon Society Verification Council" (established in August 2010), and carried out experiments relating to the "Establishment of a System for Low-Carbon Emission Transportation" until March 2015. As a way of building on the results of such experiments, Toyota launched an experimental ultra-compact electric vehicle sharing program in Tokyo from April 2015. It also launched an experimental ultra-compact electric vehicle program for tourism using a Toyota developed car-sharing system in Okinawa from January 2016. Furthermore, in Toyota City and Okinawa in April 2017, and in Tokyo in April 2019, these experimental programs were commercialized, and management was transferred to local companies and organizations.

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, 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 37 countries and regions, which support its automotive operations globally.

Toyota's revenues from its financial services operations were ¥2,153.5 billion in fiscal 2019, ¥2,017.0 billion in fiscal 2018 and ¥1,823.6 billion in fiscal 2017. In fiscal 2018, weak used vehicle prices in the United States resulted in increased disposal losses for vehicles with expired leases as well as losses on depreciation compared with the past. Interest rates also increased in the United States and some emerging countries. This market environment exerted downward pressure on revenue in the financing business. In fiscal 2019, the trends of rising interest rates and increases in lease-up vehicles continued, but because used vehicle prices in the United States remained higher than expected, the financial business as a whole was generally stable. Under such circumstances, as a result of Toyota's 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 approximately 35% and the balance of loan receivables continued to steadily increase globally, with the exception of some countries. In addition, Toyota is making efforts to provide both its customers and dealers with stable financial services by diversifying its funding methods such as issuing Green Bonds in Japan in addition to using already existing means as commercial paper, corporate bonds, bank borrowings, ABCP (Asset Backed Commercial Paper) and ABS (Asset Backed Securities). Furthermore, 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 0.27% and 0.30% in fiscal years 2019 and 2018, 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 36 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 September 2018, Toyota established Toyota Fleet Mobility GmbH in Germany to provide full service leasing. Going forward, Toyota is planning to develop bases in each European country. In addition, Toyota established KINTO Corporation, which provides full service leasing (subscription service), in Japan in January

2019. Furthermore, in January 2019, Toyota established a finance leasing business for commercial trucks and buses as a subsidiary of Toyota Finance Corporation. This subsidiary is a joint venture with Sumitomo Mitsui Auto Service Company, Limited and Hino Motors, Ltd.

Net finance receivables for all of Toyota's dealer and customer financing operations were ¥16,928.8 billion as of March 31, 2019, representing an increase of 6.9% as compared to the previous year. The majority of Toyota's financial services are provided in North America. As of March 31, 2019, 55.2% of Toyota's finance receivables were derived from financing operations in North America, 13.0% from Asia, 12.3% from Europe, 8.2% from Japan and 11.3% from other areas.

Approximately 45% of Toyota's unit sales in the United States during fiscal 2019 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.

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 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 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.

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, 2018, Toyota Finance Corporation has 15.8 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 ¥1,676.3 billion in fiscal 2019, ¥1,646.1 billion in fiscal 2018 and ¥1,321.0 billion in fiscal 2017.

Housing

Toyota established its subsidiary Toyota Housing Corporation ("Toyota Housing") 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. 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. Toyota conducted this in order to quickly respond to the needs of even more customers in a vastly changing housing market, through rapid decision-making and flexible business operations based on the integration of the development, manufacture and sales functions. 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 agreed to purchase Misawa shares from an institutional investor. In addition, Toyota transferred ownership of Misawa to Toyota Housing in October 2010. Through these activities, Toyota has strengthened the housing business of both companies.

In May 2019, Toyota entered into agreements with Panasonic Corporation to establish a new joint venture related to the town development business (scheduled for January 2020). The joint venture will set the same ownership ratio between Panasonic group and Toyota in order to secure its autonomous management while continuing to receive support from Toyota as a shareholder and is expected to be out of the scope of consolidation for Panasonic Corporation and Toyota. In connection with the establishment of the joint venture, Toyota will temporarily make Toyota Housing and Misawa its wholly owned subsidiaries and thereafter transfer all of the outstanding shares in those two subsidiaries to the joint venture by a joint share transfer.

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 Act of Japan and the Road Transport Vehicle Act and the Act Concerning Special Measures for Total Emission Reduction of Nitrogen Oxides and Particulate Matter from Automobiles in Specified Areas regulate vehicle emissions in Japan. In addition, both the Noise Regulation Act and the Road Transport Vehicle Act 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.

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 vehicles, light-duty trucks and heavy-duty vehicles. Manufacturers are not permitted to sell vehicles in the United States that do not meet the standards. In March 2014, the EPA finalized new "Tier 3" tailpipe emission and evaporative emission standards for passenger vehicles, light-duty trucks, medium-duty passenger vehicles and some heavy-duty vehicles. Under the new rule, tailpipe emission standards for volatile organic compounds, nitrogen oxides, and particulate matter, as well as standards for evaporative emissions, will become increasingly stringent in phases from 2017 to 2025, bringing the federal emission standards in line with California's emission standards. The harmonization of the federal and California emission standards 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. The new Tier 3 rule also required reductions in gasoline's sulfur content beginning in 2017.

On August 28, 2012, the EPA and the federal National Highway Traffic Safety Administration ("NHTSA") jointly issued the final rule to 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 Corporate Average Fuel Economy ("CAFE") standards for passenger vehicles and light-duty trucks that would require manufacturers to meet an estimated combined average fuel economy level of 49.6 miles per gallon in model year 2025.

On January 12, 2017, the EPA, as part of a Midterm Evaluation of the rule, issued a final determination to maintain the final rule for model years 2022 through 2025. On March 13, 2017, however, the newly-appointed Administrator of the EPA and the newly-appointed Secretary of the Department of Transportation issued a notice that they were reconsidering the final determination. On May 1, 2018, California and 16 other states filed suit in the U.S. Court of Appeals for the District of Columbia to oppose the EPA and NHTSA's decision to repeal the greenhouse gas emission standards. On August 2, 2018, the EPA and the NHTSA issued a joint Notice of Proposed Rulemaking. The Administration's proposed rule would freeze the vehicle fuel economy and CAFE standards at 2020 levels for model years 2021-2026. The rule would also revoke the waiver granted to California to establish more stringent standards for vehicle emissions. In response to the Administration's proposed rule, on August 7, 2018 the California Air Resources Board ("CARB") posted a proposal to ensure that cars and light-duty trucks for model years 2021-2025 would continue to meet California's more stringent standards. The EPA and California had been in discussions regarding their differences over vehicle emission standards, but these discussions broke off without resolution on February 20, 2019.

In addition, in July 2015 the EPA adopted a final rule to limit and eventually phase out, on account of their contribution to global warming, the use of hydroflourocarbons ("HFCs") and HFC-containing refrigerant blends in, among other systems, the air conditioning systems of new vehicles. In August 2017, however, the D.C. Circuit Court of Appeals ruled that the EPA, which had based the rule on a section of the Clean Air Act which relates to the control of ozone depleting substances and not greenhouse gasses, had overstepped its authority. In October 2018, the Supreme Court of the United States declined to hear an appeal of the Circuit Court's decision, and the rule is therefore no longer in effect. The EPA is working on formulating new rules to limit the use of HFCs. Toyota purchases air conditioning systems from third parties for use in its vehicles. Feasible alternatives to HFC refrigerants that may be prohibited by any future EPA rules may be costly or present other risks, such as flammability or other safety concerns.

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 CARB required that a specified percentage of a manufacturer's passenger vehicles and light-duty trucks sold in California be "zero-emission vehicles" (vehicles producing no emissions of regulated pollutants) as well as permitted certain advanced technology vehicles such as PHVs, and alternative fuel vehicles that meet "partial zero-emission vehicles requirements" to be granted partial qualification as EVs or FCVs. Toyota's MIRAI qualifies as a zero-emission vehicle. The current Prius Prime has been certified as a partial zero-emission vehicle. Toyota intends to continue to develop additional advanced technologies and alternative fuel technologies that will allow other vehicles to qualify as zero-emission vehicles or partial-zero-emission vehicles.

In January 2012, the CARB adopted the Advanced Clean Cars ("ACC") program. The ACC program includes new Low-Emission Vehicle regulations that reduce smog-causing pollutants (including nitrogen oxides and particulate matter) and greenhouse gas emissions from cars and light-duty trucks for model years 2015 to 2025, and more stringent zero-emission vehicle regulations which will require increased production of zero-emission vehicles and partial zero-emission vehicles for model years 2018 to 2025. The ACC program also lowers allowable smog-forming particulate emissions to one mg/mile or lower, to be phased in beginning with model year 2015.

In February 2010, the CARB had enacted a "deemed to comply" rule that provided that compliance with federal greenhouse gas emission standards for model years 2017 through 2025 would also satisfy California's greenhouse gas emissions standards. However on March 14, 2017, in reaction to the EPA Administrator's and the Department of Transportation Secretary's decision to reconsider the EPA's prior final determination to maintain the final rule for greenhouse gas emissions for model years 2022 through 2025, California petitioned the U.S. Court of Appeals for the District of Columbia to protect its interests in the final rule. Moreover, in a March 24, 2017 ACC Midterm Review, the CARB affirmed the ACC program's requirements, and suggested that its decision to follow the federal final rule might change if the federal standards "were substantially changed."

On April 2, 2018, upon the EPA and NHTSA's announcement that it would repeal and replace the greenhouse gas emission standards for model years 2022 through 2025, the CARB stated that, regardless of this federal action, it would not change California's more stringent standards. On May 1, 2018, California and 16 other states filed suit in the U.S. Circuit Court of Appeals for the District of Columbia to oppose the EPA and NHTSA's decision to repeal and replace the greenhouse gas emission standards. On August 2, 2018, the EPA and the NHTSA issued a joint Notice of Proposed Rulemaking. The Administration's proposed rule would freeze the vehicle fuel economy and CAFE standards at 2020 levels for model years 2021-2026. The rule would also revoke the waiver granted to California to establish more stringent standards for vehicle emissions. In response to the Administration's proposed rule, on August 7, 2018 the CARB posted a proposal to ensure that cars and light-duty trucks for model years 2021-2025 would continue to meet California's more stringent standards. The EPA and California had been in discussions regarding their differences over vehicle emission standards, but these discussions broke off without resolution on February 20, 2019.

Other States' Standards

Connecticut, Maine, Maryland, Massachusetts, New Jersey, New York, Oregon, Rhode Island and Vermont have adopted regulations substantially similar to California's zero-emission vehicles requirement, and in January 2019 the Governors of Colorado and New Mexico took executive actions requiring their relevant administrative agencies to establish equivalent requirements. Colorado, Connecticut, Delaware, Maine, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Oregon, Rhode Island, Vermont and Washington have adopted regulations substantially similar to California's low emission vehicle and greenhouse gas emission regulations, and the Governor of New Mexico's January 2019 executive action directed its relevant administrative department to adopt regulations equivalent to California's low emission vehicle regulations.

Canadian Standards

Canada has finalized vehicle emission standards equivalent to the federal standards in the United States in October 2014, in response to the strengthening of the federal greenhouse gas emission standards in the United States applicable to model years 2017 to 2025. Furthermore, certain Canadian provinces are currently considering enacting their own regulations on vehicle emissions of greenhouse gases. On January 11, 2018, the Ministry of Sustainable Development, Environment and the Fight against Climate Change of the Province of Quebec issued regulations on zero-emission vehicles including EVs, FCVs and PHVs, among others. In November 2018, the premier of British Columbia announced that the government would introduce legislation concerning zero-emission vehicles (indicating the phase-in introduction starting from model year 2020). Canada also adopted a more stringent fuel rule, which is based on the fuel rule in the United States, that reduces refineries' annual average sulfur concentration of gasoline to 10mg/kg from 2017 with a new addition of credit system to secure compliance.

European Standards

In 2007, the European Parliament adopted more stringent emission standards for passenger vehicles and light commercial vehicles. The effective date for phasing in these stricter standards for passenger vehicles was September 2014 for Euro 6. For light commercial vehicles, the effective date was September 2015 for Euro 6.

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 is being implemented in two stages, and beginning with the second stage (September 2017 for passenger vehicles and September 2018 for commercial vehicles), the EU is implementing the Real Driving Emission ("RDE") regulations, which requires manufactures to conduct on-road emissions tests using portable emissions testers. Since September 2017, manufacturers have been required to reduce the divergence between the regulatory limit tested in laboratory conditions and the values of RDE tests. The EU has also decided to implement the Worldwide harmonized Light vehicles Test Procedure (WLTP), which were introduced on September 1, 2017 and will be phased in for all new cars between 2018 and 2019.

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 GB18352.5-2013, it has been decided that Level 5 Emissions Regulations (China 5) (corresponding to Euro 5 standards) are to be implemented throughout China for all models that are sold and registered after January 2018.

In an effort to improve the fuel quality in the market, stricter China 5 gasoline and diesel fuel standards have been stipulated in GB17930-2013 and GB19147-2013 to achieve the Level 5 Emissions Regulations, and it has been decided that these standards will be implemented from January 2018. Following that, however, given the accelerated improvement in fuel quality in the market, new China 5 fuel standards (corresponding to Euro 5) have been implemented in 11 provincial capitals in eastern China from January 2016 and nationwide in China from January 2017, as opposed to January 2018 as initially determined. In connection with this, the Ministry of Environmental Protection and the Ministry of Industry and Information Technology issued a directive on the implementation timing of the Level 5 Emissions Regulations, in accordance with which, the implementation started for gasoline-powered passenger vehicles in the 11 provincial capitals from April 2016 and nationwide in China from January 2017, as well as for diesel passenger vehicles nationwide in China pursuant to the regulations of GB18352.5-2013 from January 2018. The next-generation emissions regulations for passenger vehicles, or Level 6 Emissions Regulations (China 6), were issued as GB18352.6-2016 at the end of 2016, pursuant to which tighter requirements will be implemented in two steps, depending on the regulated subjects and the implementation timing. Specifically, China 6a will apply to all models to be sold or registered in July 2020 and beyond, and China 6b will apply to all models to be sold or registered in July 2023 and beyond. With respect to fuels in the market, the quality standards and the implementation from January 2019 for China 6 gasoline fuel and China 6 diesel fuel have been provided in GB17930-2016 and GB19147-2016 so as to keep up with the implementation timing of China 6 emissions regulations. Moreover, for areas where the air quality improvement is an urgent necessity, China 6 is scheduled to be implemented from July 2019 ahead of the implementation throughout China.

For heavy-duty diesel-powered commercial vehicles, pursuant to GB17691-2005, the China V Emissions Regulations are being implemented from July 2017. With the establishment of GB17691-2018, which provides next-level China VI Emissions Regulations (China VI), it has been decided that China VIa will be implemented from July 2021 and China VIb from July 2023 (these regulations will apply to gas-fueled vehicles and public vehicles for urban areas earlier than those dates). For heavy-duty gasoline-powered commercial vehicles, pursuant to GB14762-2008, Level IV Emissions Regulations (China IV) 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. Tightening of the next-generation emissions regulations (China V and China VI) is currently considered for heavy-duty gasoline-powered commercial vehicles.

Standards of Other Countries or Regions

In particular, in India, given the worsening air pollution, in December 2015, the Supreme Court banned the registration of diesel cars with engines that are two liters or larger in the National Capital Region, including the Delhi metropolitan area. In August 2016, the ban on registration was lifted on the condition that a deposit equal to 1% of the vehicle's retail price is to be paid to the Environment Pollution Control Authority. Furthermore, the government accelerated the implementations of BS-6 (equivalent to EURO6) to 2020.

Vehicle Fuel Economy

Japanese Standards

The Act on Rationalizing Energy Use requires automobile manufacturers to improve their vehicles to meet specified fuel economy standards. Fuel economy standards are established according to the types of vehicles, 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), fiscal 2023 (April 2022-March 2023) or fiscal 2026 (April 2025-March 2026).

Toyota is promoting the improvement of its vehicles in order to achieve compliance with these standards.

U.S. Standards

The Federal Motor Vehicle Information and Cost Savings Act requires automobile manufacturers to comply with CAFE standards. 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 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-duty trucks that would require manufacturers to meet an estimated combined average fuel economy level of 49.6 miles per gallon in model year 2025. As discussed above, however, on April 2, 2018, the EPA announced that the greenhouse gas emission standards for model years 2022 through 2025 would be repealed and replaced with new, presumably less-stringent standards, and that the EPA and NHTSA would jointly commence drafting a new rule that would set new and presumably less stringent CAFÉ standards for these model years. On May 1, 2018, California and 16 other states filed suit in the U.S. Circuit Court of Appeals for the District of Columbia to oppose the EPA and NHTSA's decision to repeal and replace the standards. On August 2, 2018, the EPA and the NHTSA issued a joint Notice of Proposed Rulemaking. The Administration's proposed rule would freeze the vehicle fuel economy and CAFE standards at 2020 levels for model years 2021-2026. The rule would also revoke the waiver granted to California to establish more stringent standards for vehicle emissions. In response to the Administration's proposed rule, on August 7, 2018 the CARB posted a proposal to ensure that cars and light-duty trucks for model years 2021-2025 would continue to meet California's more stringent standards. The EPA and California had been in discussions regarding their differences over vehicle emission standards, but these discussions broke off without resolution on February 20, 2019. Whatever the outcome of the EPA and NHTSA's new rule making efforts or the related litigation, Toyota will continue to strive to meet applicable fuel economy standards by further developing fuel-efficient technology, alternative fuel technology and other advanced technology.

In April 2018, the NHTSA reviewed the penalties on nonconformity of CAFE standards and proposed to re-impose a fine of $5.5 for each inadequate fuel economy level of 0.1 mile per gallon and invited comments from the general public on the Federal Register.

European Standards

In February 2014, the European Parliament and Council reduced 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 reduced the average carbon dioxide emissions target for passenger vehicles to 95 grams per kilometer beginning in 2021. 95% of each manufacturer's new cars must comply with this new standard by 2020. Penalties apply to those manufacturers who fail to meet their targets, in amounts corresponding to the degree of shortfall. Manufacturers failing to meet their targets 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 from the first gram of exceedance onwards in 2019 and beyond.

In November 2017, the European Commission proposed new carbon dioxide standards for cars and light commercial vehicles for the period after 2020. Average emissions of the EU fleet of new cars and vans in 2025 are proposed to be 15% lower than in 2021, reduced further to 30% lower than in 2021 by 2030. In April 2019, the EU Parliament and the European Council approved more stringent 2030 limits of a 37.5% reduction for cars and 31% for vans relative to 2021. Starting from 2021, the emissions targets will be tested using the WLTP procedures.

An EU directive on motor vehicle air conditioning units required manufacturers to replace currently used refrigerants with refrigerants having a lower global warming impact for all newly registered vehicles starting in January 2017.

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 light-duty passenger vehicles, GB27999-2011 was issued. In these Level 3 Fuel Consumption Regulations for passenger vehicles, the regulation framework was substantially revised, such as the introduction of new regulations requiring automobile manufacturers to meet standards of corporate average fuel consumption across models in addition to existing regulations requiring each model to meet consumption standards. Furthermore, in order to achieve the national target for average fuel efficiency for 2020, the following more stringent fuel consumption regulations have been enacted and enforced. First, GB19578-2014, which has been enacted to strengthen regulations for each model, is being applied to new models after January 2016. Second, GB27999-2014, which has been enacted as Level 4 Fuel Consumption Regulations for passenger vehicles to strengthen corporate average regulations, has been in effect since 2016. In addition, Level 5 Fuel Consumption Regulations for passenger vehicles are being examined as more stringent next-generation fuel consumption regulations. For light-duty commercial vehicles, GB20997-2015 was enacted, which further applied Level 3 Fuel Consumption Regulations to all new vehicles from January 2018 and is currently being enforced.

With respect to large commercial vehicles, pursuant to GB30510-2014, Level 2 Fuel Consumption Regulations apply to new vehicles from July 2014 and are currently being enforced. In addition, in an effort to further strengthen fuel consumption regulations, GB30510-2018 was enacted, pursuant to which Level 3 Fuel Consumption Regulations are scheduled to be applied to new vehicles from July 2019.

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, under the Japanese standards regarding seat belts, the range of vehicles and seats requiring the fitting of seatbelt reminder devices that warn the driver when seat belts are not fastened has been expanded; such requirements will become applicable in stages, starting in September 2020. Standards for approaching vehicle audible systems apply to new models beginning from March 2018 and to existing models still in production beginning in October 2020. With respect to standards that are scheduled to be newly brought in line with the UN regulations, the standards for accident emergency call devices will apply to new vehicles fitted with the devices from January 2020 and to existing models still in production from July 2021. Standards for ISOFIX attachment devices have been separated from the standards for seat belt attachment, and have applied as new standards to new vehicles since July 2018.

Furthermore, unique to Japan, guidelines for emergency driving stop systems (evacuate to road shoulder type) were established. The enhancement of visibility standards for rearward and surrounding area, as well as the standardization of measures relating to brake override systems, the strengthening of anti-spinal injury measures and anti-drunk driving measures are currently under consideration.

U.S. Standards

In December 2015, the Fixing America's Surface Transportation ("FAST") Act was signed into law. The FAST Act increased the maximum civil penalty that NHTSA can collect for violations of applicable safety laws from $35 million to $105 million. In connection with recalls of defective vehicles, the FAST Act expanded the free remedy that manufacturers must provide car owners from applying to cars up to ten years old to applying to cars up to 15 years old.

In 2016, the NHTSA and the Insurance Institute for Highway Safety announced that they have agreed with twenty major vehicle manufacturers to standardize equipment of automatic emergency brakes on almost all new models by 2022. In the same year, the NHTSA also announced a policy regarding automatic driving vehicles to promote such vehicles safely, as well as best practices to enhance cybersecurity for vehicles.

In 2017, the NHTSA proposed to establish a new safety standard to require passenger vehicles and light-duty commercial vehicles to have dedicated short-range communication units that enable Vehicle-to-Vehicle communication.

European Standards

Fitting of emergency call systems ("eCall") became mandatory for new vehicles from the end of March 2018 for light-duty passenger vehicles and light-duty commercial vehicles using the framework of "Whole Vehicle Type Approval."

In May 2018, the European Commission made a proposal to tighten the regulations concerning safety and the protection of vehicle occupants and vulnerable road users, which would make certain vehicle safety equipment mandatory to a great extent, including: advanced emergency braking, emergency lane keeping systems, driver drowsiness and attention warning, intelligent speed assistance, reversing detection systems, tire pressure monitoring systems, and data recorders in case of an accident ("event data recorders").

In March 2019, the European Parliament, Council and Commission reached a provisional political agreement on the proposed regulation and will start the procedures for the adoption. If this regulation takes effect, fitting of multiple equipment will become mandatory in stages from around 2022.

In addition, GEAR2030 (the High Level Group on the Competitiveness and Sustainable Growth of the Automotive Industry in the European Union) was established in January 2016 as a successor body of the CARS2020, deliberations were conducted at the European Commission and each member state, as well as among high-level related stakeholders, for strengthening the competitiveness of the automobile value chain in Europe by 2030, and the final report was issued in October 2017. The final report discussed the importance of the simplification of the existing and future regulatory framework and its implementation, specific measures addressing automated and connected vehicles, the creation of a EU type-approval framework for the certification of automated driving vehicles and the implementation of the ITS Directive and its delegated regulations by each member state. Detailed strategies are currently being deliberated based on the final report. As part of that, in February 2019 the European Commission adopted draft guidelines concerning the exemption procedure for the Whole Vehicle Type Approval (WVTA), as a short-term measure for promoting the use of automated driving vehicles. As a result, it will be possible for automated driving vehicles to be approved through "approval through the exemption procedure" even while the adoption of the EU or UN regulations on automated driving vehicles is pending.

United Nations Regulations

While automotive parts and vehicle systems are regulated by the UN regulations, there were no regulations with respect to Whole Vehicle Type Approval (WVTA) such as those in Europe. Japan proposed legislation establishing International Whole Vehicle Type Approval (IWVTA) under the United Nations in 2016, and the proposal was adopted as UN Regulation No. 0 ("R0") in November 2017. IWVTA took effect in July 2018 (although the mutual recognition of IWVTA will not take place) and to be implemented with the mutual recognition in April 2019. Although this IWVTA (applies to passenger vehicles), which was created as a first step, is incomplete, it is significant because it creates a framework that enables the reciprocal recognition of whole vehicles type approval. Work is underway to formulate a complete IWVTA system for small passenger vehicles as the second step. If a complete IWVTA is formulated, integration of global approval administrative regulations of each country and simplification of vehicle construction regulations are expected.

The United Nations is currently discussing establishing new regulations for automated driving vehicles. As part of this effort, the existing working party was abolished and replaced by the Working Party on Automated/Autonomous and Connected Vehicles (GRVA) that is dedicated to examine automated driving. The European, U.S., Chinese and Japanese etc. governments are currently coordinating to establish sub-working groups under the GRVA (certain sub-working groups have already been established for functional safety requirements, new evaluation test method requirements, cybersecurity, software updates, data recording for automated driving vehicles and data recording in case of an accident). For the new regulation on automated driving vehicles, the draft regulation is aimed to be finalized in 2020 in light of the targeted timing for popularization of these vehicles in each country, and while the deliberation framework has been established, the deliberation on technical requirements has also commenced. As related initiatives, new areas such as compliance with regulations on vehicles in the use phase (including compliance with regulations outside the scope of the conditions prescribed by the type approval regulations) are also being examined.

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, recently, these regulations also include unique provisions which take into account the distinctive characteristics of the Chinese market environment and the progress of technological development in China and there are increasing number of legislations that differ from the latest UN regulations or other international standards. As for future safety regulations, standards related to batteries, motors, the charging of EVs and data communication are currently being planned.

Environmental Matters

Japanese Standards

Toyota's automotive operations in Japan are subject to substantial environmental regulation under laws such as the Air Pollution Control Act the Water Pollution Prevention Act, the Noise Regulation Act and the Vibration Control Act. 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 Management and Public Cleansing Act, producers of industrial waste must dispose of industrial waste in the manner prescribed in the same act. Toyota has also complied with the same act.

The Soil Contamination Countermeasures Act 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 as considered to be contaminated, orders the land owner to submit a plan for decontamination (such plan must describe the measures to be taken in the area, the reasons therefor, and the deadline for implementing such measures, etc.), and has the land owner take such measures in accordance with such plan. Toyota is suitably managing its land in accordance with the same law. In addition, under the Act on Recycling, etc. 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 2019, Toyota achieved a recycling/recovery rate of 97% for automobile shredder residue (the legal requirement being 70%) and 97% 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 of 1990 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 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. On October 1, 2015, the EPA made the annual health-based and welfare-based ozone NAAQS more stringent. The revised annual health-based particulate matter NAAQS and the revised annual health-based and welfare-based ozone 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 2014, the EU adopted a regulation to reduce noise produced by cars, vans, buses, coaches and light and heavy trucks. Noise limit values must ultimately be lowered by four A-weighted decibels for vehicles other than trucks, and three A-weighted decibels for trucks. Compliance must be achieved in three steps over a ten to 12 year period.

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, FCVs and high fuel efficiency, low emission engines.

In addressing environmental issues, based on an assessment of the environmental impact of its products through their entire life cycles, from production through sales, disposal and recycling, Toyota, as a manufacturer, strives to take all possible measures from development stage and continues to work towards 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

None.

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 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.

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. Toyota is also moving forward with the development of innovative technologies such as electrification, connected vehicles and automated driving so as to realize a mobility society of the future that enables everyone to enjoy freedom of movement beyond the conventional concept of vehicles. To this end, Toyota is focusing on the following areas:

- further improvements in hybrid technologies, including in functions and cost, and contributions to the environment through advancements;
- improvement in internal combustion engine fuel economy technology as well as improvement in technology in connection with more stringent emission standards;
- development of EVs, FCVs and other alternative fuel vehicles;
- development of advanced safety technology designed to promote driving and vehicle safety;
- automated driving technologies; and
- connected car technologies.

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 optimal procurement. Toyota believes that this policy encourages technological innovation, cost reduction and other measures to strengthen its vehicle competitiveness. Toyota plans to continue purchases based on the same principle and does not anticipate any difficulty in obtaining stable supplies in the foreseeable future. For example, in 2018, Japan was hit by major disasters such as the Northern Osaka Earthquake (June), heavy rain in western Japan (July) and the Hokkaido Eastern Iburi Earthquake (September), Toyota minimized the impact of those disasters through utmost efforts with all Toyota suppliers to realize early restoration of damaged local areas and suppliers, as well as alternative production by other suppliers.

Because Toyota had more than 50 overseas operations in 27 countries and regions as of March 31, 2019, procurement of parts and components is being carried out not only locally in the country of the production site but also from third countries. As a result, the distribution network has become increasingly complex. In order to realize timely and efficient distribution while minimizing costs, 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 together with suppliers in each country in order to achieve sustainable growth. Toyota has been working on cost reduction measure, referred to as RR-CI and VA activities. Through RR-CI activities, which are conducted in conjunction with TNGA, Toyota aims to ensure cost competitiveness through such means as thorough localization, sharing parts and components and manufacturing reforms, together with producing products matching customers' needs in each region and vehicle category, and reinforcing activities from a medium- to long-term perspective as the third phase of RR-CI. Toyota has been continuously working on VA (value analysis) activities for the various types of vehicles already on sale in collaboration with in-house vehicle companies. In pursuit of cost reduction, Toyota focuses on "developing a real cost-competitive structure" by working together with suppliers.

In the raw material market during 2018, the impact of OPEC's coordinated production cut and the situation in Middle East resulted in higher prices for crude oil and naptha-related products, and the increase in actual demands for raw materials for automobiles also pushed up the prices of precious metals (palladium and rhodium). Furthermore, market prices of aluminum were volatile due to U.S. trade policy. The direction of prices is still unforeseeable and 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 specific subset of its patents, trademarks, design patents or utility model registrations to be so important that their expiration or termination would materially affect Toyota's business.

Capital Expenditures and Divestitures

Set forth below is a chart of Toyota's principal capital expenditures between April 1, 2016 and March 31, 2019, 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	1,042.5	Japan	Internal funds, financing from issuance of bonds, etc.
Investment primarily in technology and products by Toyota Motor Kyushu, Inc.	110.1	Japan	Internal funds
Investment primarily in technology and products by Hino Motors, Ltd.	99.9	Japan	Internal funds
Investment primarily in technology and products by Toyota Auto Body Co., Ltd.	81.1	Japan	Internal funds
Investment primarily in technology and products by Daihatsu Motor Co., Ltd.	68.1	Japan	Internal funds
Investment primarily in technology and products by Primearth EV Energy Co., Ltd.	54.4	Japan	Borrowings
Outside of Japan			
Investment primarily to promote localization by Toyota Motor Manufacturing, Kentucky, Inc.	266.2	United States	Internal funds
Investment primarily to promote localization by Toyota Motor Manufacturing Canada Inc.	147.1	Canada	Internal funds
Investment primarily to promote localization by Toyota Motor Manufacturing, Indiana, Inc.	108.3	United States	Internal funds
Investment primarily to promote localization by Toyota do Brazil Ltda.	97.8	Brazil	Internal funds
Investment primarily to establish office facilities by Toyota Motor North America, Inc.	97.5	United States	Internal funds
Investment primarily to promote localization by Toyota Motor Thailand Co., Ltd.	93.4	Thailand	Internal funds
Investment primarily to promote localization by Toyota Motor Manufacturing Mississippi, Inc.	70.2	United States	Internal funds
Investment primarily to promote localization by Toyota Motor Europe NV/SA	64.5	Belgium	Internal funds
Investment primarily in leased automobiles by Toyota Motor Credit Corporation	6,085.0	United States	Internal funds, financing from issuance of bonds, etc.

Set forth below is information with respect to Toyota's material plans to construct, expand or improve its facilities between April 2019 and March 2020, 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 Primearth EV Energy Co., Ltd.	48.9	Japan	Borrowings
Outside of Japan			
Investment primarily in manufacturing facilities by Toyota Motor Manufacturing Canada Inc.	82.3	Canada	Internal funds
Investment primarily in manufacturing facilities by Toyota Motor Manufacturing, Indiana, Inc.	53.7	United States	Internal funds
Investment primarily in manufacturing facilities by Toyota Motor Europe NV/SA	47.7	Belgium	Internal funds
Investment primarily in manufacturing facilities by Toyota do Brazil Ltda.	45.3	Brazil	Internal funds

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

In Mexico, Toyota increased production capacity at its Baja California factory from 100 thousand units to 160 thousand units in 2018 and is constructing a new plant to be opened by the end of 2019. In the U.S., Toyota plans to construct a new joint-manufacturing plant with Mazda in 2021. Toyota also plans to start new production lines of hybrid transaxles with annual capacity of 200,000 units in its West Virginia plant during 2020 and 2021. In Alabama, Toyota will increase annual engine production capacity by 230,000 units by the end of 2021. In China, Toyota launched a third plant in Guangzhou in 2018. Tianjin FAW Toyota Motor Co., Ltd. also constructed a new production line to replace an aging existing line in June 2018. At the beginning of 2019, Toyota launched a new plant in Malaysia dedicated to passenger vehicles with annual production capacity of 50,000 cars.

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. Since 2009, 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. Personal injury and wrongful death claims involving allegations of unintended acceleration are still pending in several consolidated proceedings 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 33 economic loss class action lawsuits in the United States, which, together with similar lawsuits against Takata and other automakers, have been made part of a multi-district litigation proceeding in the United States District Court for the Southern District of Florida, arising out of allegations that airbag inflators manufactured by Takata are defective. Toyota has reached a settlement with the plaintiffs in the United States economic loss class actions. The court approved the settlement on October 31, 2017, and the subsequent appeals have been withdrawn, making the settlement final. The economic loss class action lawsuits against Toyota have been dismissed. Toyota and other automakers have also been named in certain class actions filed in Mexico, Canada, Australia, Israel and Brazil, as well as some other actions by states or territories of the United States. Those actions have not been settled and are being litigated.

Toyota self-reported a process gap in fulfilling certain emissions defect information reporting requirements of the U.S. Environmental Protection Agency ("EPA") and California Air Resources Board, including updates on its repair completion rates for recalled emissions components and certain other reports concerning emissions related defects. Toyota is involved in discussions with the EPA and the Civil Division of the Southern District of New York ("SDNY") on this reporting issue. These agencies have requested certain follow-up information regarding this reporting issue, and Toyota is cooperating with the request.

Toyota also has various other pending legal actions and claims, including without limitation personal injury and wrongful death lawsuits and claims in the United States, and is subject to government investigations from-time-to-time.

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 cash flows.

4.C ORGANIZATIONAL STRUCTURE

As of March 31, 2019, Toyota Motor Corporation had 288 Japanese subsidiaries and 320 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	50.29
Toyota Motor Kyushu, Inc.	Japan	100.00	100.00
Daihatsu Motor Co., Ltd.	Japan	100.00	100.00
Toyota Finance Corporation	Japan	100.00	100.00
Misawa Homes Co., Ltd.	Japan	51.00	51.21
Toyota Auto Body Co., Ltd.	Japan	100.00	100.00
Toyota Motor East Japan, Inc.	Japan	100.00	100.00
Daihatsu Motor Kyushu Co., Ltd.	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 de Baja California, S. de R.L. de C.V.	Mexico	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 Motor Manufacturing Turkey Inc.	Turkey	90.00	90.00
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
Toyota Kirloskar Motor Pvt. Ltd.	India	89.00	89.00
P.T. Astra Daihatsu Motor	Indonesia	61.75	61.75
P.T. Toyota Motor Manufacturing Indonesia	Indonesia	95.00	95.00
Toyota Motor Asia Pacific Pte Ltd.	Singapore	100.00	100.00
Toyota Leasing (Thailand) Co., Ltd.	Thailand	86.84	86.84
Toyota Motor Thailand Co., Ltd.	Thailand	86.43	86.43
Toyota Daihatsu Engineering & 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

4.D PROPERTY, PLANTS AND EQUIPMENT

As of March 31, 2019, Toyota and its affiliated companies produced automobiles and related components through more than 50 overseas manufacturing organizations in 27 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, 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, 2019, 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	6,608	Automobiles
Toyota Head Office and Technical Center	Toyota City, Aichi Pref.	3,568	23,868	Research and Development
Higashi-Fuji Technical Center	Susono City, Shizuoka Pref.	2,037	2,968	Research and Development
Motomachi Plant	Toyota City, Aichi Pref.	1,593	7,793	Automobiles
Takaoka Plant	Toyota City, Aichi Pref.	1,312	4,369	Automobiles
Tsutsumi Plant	Toyota City, Aichi Pref.	937	5,364	Automobiles
Kamigo Plant	Toyota City, Aichi Pref.	868	3,118	Automobile parts
Kinu-ura Plant	Hekinan City, Aichi Pref.	836	3,100	Automobile parts
Honsha Plant	Toyota City, Aichi Pref.	551	2,049	Automobile parts
Nagoya Office	Nagoya City, Aichi Pref.	3	2,337	Office
Japan (Subsidiaries)				
Hino Motors, Ltd.	Hino City, Tokyo, etc.	6,263	12,935	Automobiles
Daihatsu Motor Co., Ltd.	Ikeda City, Osaka, etc.	7,747	11,428	Automobiles
Toyota Motor Kyushu, Inc.	Miyawaka City, Fukuoka Pref., etc.	1,949	8,064	Automobiles
Toyota Auto Body Co., Ltd.	Kariya City, Aichi Pref., etc.	2,262	11,286	Automobiles
Toyota Motor East Japan, Inc.	Kurokawa-gun, Miyagi Pref., etc.	2,572	7,130	Automobiles
Outside Japan (Subsidiaries)				
Toyota Motor Manufacturing, Kentucky, Inc.	Kentucky, U.S.A.	5,161	7,902	Automobiles
Toyota Motor Thailand Co., Ltd.	Samutprakan, Thailand	4,414	10,073	Automobiles
Toyota Motor Sales, U.S.A., Inc.	Texas, U.S.A.	3,279	5,203	Sales facilities
Toyota Motor Manufacturing Canada, Inc.	Ontario, Canada	4,752	7,615	Automobiles
Toyota Motor North America, Inc	Texas, U.S.A.	724	1,812	Office

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, 2019, property, plant and equipment having a net book value of approximately ¥641.5 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 88% of Toyota's total revenues before the elimination of intersegment revenues for fiscal 2019. Toyota's primary markets based on vehicle unit sales for fiscal 2019 were: Japan (24.8%), North America (30.6%), Europe (11.1%) and Asia (18.7%).

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 2019, automotive markets have remained stable in developed countries, but have slowed down in China, which had been experiencing continued expansion, as well as in some resource-rich countries.

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,		
	2017	2018	2019
Japan	2,274	2,255	2,226
North America	2,837	2,806	2,745
Europe	925	968	994
Asia	1,588	1,543	1,684
Other*	1,347	1,392	1,327
Overseas total	6,697	6,709	6,751
Total	8,971	8,964	8,977

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

In each of fiscal 2018 and fiscal 2019, although Toyota's consolidated vehicle unit sales in Japan decreased compared to the previous fiscal year, for fiscal 2018 and fiscal 2019, the Toyota and Lexus brands' market share excluding mini-vehicles in Japan was 46.9% and 45.9%, and the market share (including Daihatsu and Hino brands) including mini-vehicles was 44.4% and 43.6%, each remaining at a high level as a result of the efforts of dealers nationwide, consistent with the previous fiscal year. Overseas consolidated vehicle unit sales increased as a whole during fiscal 2018, due mainly to increases in Europe and Other, and vehicle unit sales increased as a whole during fiscal 2019, due mainly to increases in Asia 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,
- 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.

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. Since 2009, 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. 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 24 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 2019 mainly due to an increase in retail receivables. Also, vehicles and equipment on operating leases, net increased during fiscal 2019 mainly due to the favorable impact of changes in exchange rates.

For a detail of finance receivables and vehicles and equipment on operating leases, see note 6 and 9 to the consolidated financial statements.

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 21 and 28 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 increased during fiscal 2018 and fiscal 2019, mainly as a result of higher interest rates.

Toyota launched its credit card business in Japan in April 2001. As of March 31, 2018, Toyota had 15.3 million cardholders, an increase of 0.4 million cardholders compared with March 31, 2017. As of March 31, 2019, Toyota had 15.8 million cardholders, an increase of 0.5 million cardholders compared with March 31, 2018. Credit card receivables as of March 31, 2018 increased by ¥23.1 billion from March 31, 2017 to ¥432.7 billion, and that as of March 31, 2019 increased by ¥42.9 billion from March 31, 2018 to ¥475.6 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 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 as well as 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 2017 and 2018, Toyota produced 75.9% and 72.8%, respectively, of its non-domestic sales outside Japan. In North America, 71.1% and 68.9% of vehicles sold in calendar 2017 and 2018, respectively, were produced locally. In Europe, 81.5% and 78.3% of vehicles sold in calendar 2017 and 2018, 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 21 and 28 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 2018 and 2019, the Japanese yen was on average weaker against the U.S. dollar in comparison to fiscal 2017 and 2018, respectively. The Japanese yen was at the end of fiscal 2018 stronger against the U.S. dollar in comparison to the end of fiscal 2017, but was at the end of fiscal 2019 weaker against the U.S. dollar in comparison to the end of fiscal 2018. In fiscal 2018, the Japanese yen was on average weaker against the euro in comparison to the previous fiscal year, but in fiscal 2019, was on average stronger against the euro in comparison to the previous fiscal year. The Japanese yen was at the end of fiscal 2018 weaker against the euro in comparison to the end of fiscal 2017, but was at the end of fiscal 2019 stronger against the euro in comparison to the end of fiscal 2018. See further discussion in "Quantitative and Qualitative Disclosures about Market Risk — Market Risk Disclosures — Foreign Currency Exchange Rate Risk".

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 and 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. Toyota does not manage any subset of its automotive operations, such as domestic or overseas operations or parts, as separate management units.

Geographic Breakdown

The following table sets forth Toyota's net revenues in each geographic market based on the country location of the parent company or the subsidiaries that transacted the sale with the external customer for the past three fiscal years.

	Yen in millions		
	Year ended March 31,		
	2017	2018	2019
Japan	8,798,903	9,273,672	9,520,148
North America	10,033,419	10,347,266	10,585,934
Europe	2,517,601	2,940,243	3,055,654
Asia	4,279,617	4,497,374	4,832,392
Other*	1,967,653	2,320,955	2,231,553

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

Results of Operations — Fiscal 2019 Compared with Fiscal 2018

	Yen in millions			
	Year ended March 31,		2019 v. 2018 Change	
	2018	2019	Amount	Percentage
Net revenues:				
Japan	16,024,844	16,625,361	600,517	3.7%
North America	10,574,410	10,817,247	242,837	2.3
Europe	3,185,224	3,238,851	53,627	1.7
Asia	5,148,139	5,513,031	364,892	7.1
Other*	2,453,299	2,333,443	(119,856)	(4.9)
Intersegment elimination/unallocated amount	(8,006,406)	(8,302,252)	(295,846)	—
Total	29,379,510	30,225,681	846,171	2.9
Operating income (loss):				
Japan	1,659,918	1,691,675	31,757	1.9
North America	138,899	114,515	(24,384)	(17.6)
Europe	75,026	124,868	49,842	66.4
Asia	433,199	457,489	24,290	5.6
Other*	112,663	91,110	(21,553)	(19.1)
Intersegment elimination/unallocated amount	(19,843)	(12,112)	7,731	—
Total	2,399,862	2,467,545	67,683	2.8
Operating margin	8.2%	8.2%	(0.0)%	
Income before income taxes and equity in earnings of affiliated companies	2,620,429	2,285,465	(334,964)	(12.8)
Net margin from income before income taxes and equity in earnings of affiliated companies	8.9%	7.6%	(1.3)%	
Equity in earnings of affiliated companies	470,083	360,066	(110,017)	(23.4)
Net income attributable to Toyota Motor Corporation	2,493,983	1,882,873	(611,110)	(24.5)
Net margin attributable to Toyota Motor Corporation	8.5%	6.2%	(2.3)%	

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

Net Revenues

Toyota had net revenues for fiscal 2019 of ¥30,225.6 billion, an increase of ¥846.1 billion, or 2.9%, compared with the prior fiscal year. The increase resulted mainly from the ¥860.0 billion impact of changes in vehicle unit sales and sales mix, partially offset by the ¥510.0 billion unfavorable impact of changes in exchange rates.

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

	Yen in millions			
	Year ended March 31,		2019 v. 2018 Change	
	2018	2019	Amount	Percentage
Vehicles	22,631,201	23,066,190	434,989	1.9%
Parts and components for overseas production	498,802	625,483	126,681	25.4
Parts and components for after service	2,044,104	2,093,437	49,333	2.4
Other	1,173,122	1,249,382	76,260	6.5
Total Automotive	26,347,229	27,034,492	687,263	2.6
All Other	1,073,047	1,070,846	(2,201)	(0.2)
Total sales of products	27,420,276	28,105,338	685,062	2.5
Financial Services	1,959,234	2,120,343	161,109	8.2
Total	29,379,510	30,225,681	846,171	2.9%

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 2.5% during fiscal 2019 compared with the prior fiscal year to ¥28,105.3 billion, and net revenues from financial services operations which increased by 8.2% during fiscal 2019 compared with the prior fiscal year to ¥2,120.3 billion. The increase in net revenues from sales of products is mainly due to the impact of changes in vehicle unit sales and sales mix.

The following table shows the number of financing contracts by geographic region at the end of fiscal 2019 and 2018, respectively.

	Number of financing contracts in thousands			
	Year ended March 31,		2019 v. 2018 Change	
	2018	2019	Amount	Percentage
Japan	2,103	2,249	146	6.9%
North America	5,465	5,404	(61)	(1.1)
Europe	1,112	1,220	108	9.7
Asia	1,672	1,803	131	7.8
Other*	846	890	44	5.2
Total	11,198	11,566	368	3.3%

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

Geographically, net revenues (before the elimination of intersegment revenues) for fiscal 2019 increased by 3.7% in Japan, 2.3% in North America, 1.7% in Europe, and 7.1% in Asia, while they decreased by 4.9% in Other compared with the prior fiscal year. Excluding the impact of changes in exchange rates of ¥510.0 billion, net revenues in fiscal 2019 would have increased by 3.0% in Japan, 2.5% in North America, 4.5% in Europe, 8.0% in Asia, and 12.1% in Other compared with the prior fiscal year.

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,		2019 v. 2018 Change	
	2018	2019	Amount	Percentage
Toyota's consolidated vehicle unit sales*	4,137	4,173	36	0.9%

* including number of exported vehicle unit sales

	Yen in millions			
	Year ended March 31,		2019 v. 2018 Change	
	2018	2019	Amount	Percentage
Net revenues:				
Sales of products	15,893,465	16,485,093	591,628	3.7%
Financial services	131,379	140,268	8,889	6.8
Total	16,024,844	16,625,361	600,517	3.7%

Toyota's domestic and exported vehicle unit sales increased by 36 thousand vehicles compared with the prior fiscal year and net revenues in Japan increased. For fiscal 2018 and 2019, exported vehicle unit sales were 1,882 thousand units and 1,947 thousand units, respectively.

North America

	Thousands of units			
	Year ended March 31,		2019 v. 2018 Change	
	2018	2019	Amount	Percentage
Toyota's consolidated vehicle unit sales	2,806	2,745	(61)	(2.2)%

	Yen in millions			
	Year ended March 31,		2019 v. 2018 Change	
	2018	2019	Amount	Percentage
Net revenues:				
Sales of products	9,173,277	9,295,132	121,855	1.3%
Financial services	1,401,133	1,522,115	120,982	8.6
Total	10,574,410	10,817,247	242,837	2.3%

Net revenues in North America increased due primarily to the impact of changes in vehicle sales mix despite vehicle unit sales decreasing by 61 thousand vehicles compared with the prior fiscal year.

Europe

	Thousands of units			
	Year ended March 31,		2019 v. 2018 Change	
	2018	2019	Amount	Percentage
Toyota's consolidated vehicle unit sales	968	994	26	2.7%

	Yen in millions			
	Year ended March 31,		2019 v. 2018 Change	
	2018	2019	Amount	Percentage
Net revenues:				
Sales of products	3,074,396	3,107,687	33,291	1.1%
Financial services	110,828	131,164	20,336	18.3
Total	3,185,224	3,238,851	53,627	1.7%

Despite the unfavorable impact of changes in exchange rates, net revenues in Europe increased due primarily to the 26 thousand vehicles increase in vehicle unit sales compared with the prior fiscal year. The vehicle unit sales increased due mainly to strong sales of C-HR and other hybrid vehicles.

Asia

	Thousands of units			
	Year ended March 31,		2019 v. 2018 Change	
	2018	2019	Amount	Percentage
Toyota's consolidated vehicle unit sales	1,543	1,684	141	9.2%

	Yen in millions			
	Year ended March 31,		2019 v. 2018 Change	
	2018	2019	Amount	Percentage
Net revenues:				
Sales of products	4,996,339	5,348,385	352,046	7.0%
Financial services	151,800	164,646	12,846	8.5
Total	5,148,139	5,513,031	364,892	7.1%

Despite the unfavorable impact of changes in exchange rates, net revenues in Asia increased due primarily to the 141 thousand vehicles increase in vehicle unit sales compared with the prior fiscal year. The vehicle unit sales increased due mainly to strong sales in Thailand and China.

Other

	Thousands of units			
	Year ended March 31,		2019 v. 2018 Change	
	2018	2019	Amount	Percentage
Toyota's consolidated vehicle unit sales	1,392	1,327	(65)	(4.6)%

	Yen in millions			
	Year ended March 31,		2019 v. 2018 Change	
	2018	2019	Amount	Percentage
Net revenues:				
Sales of products	2,270,150	2,148,134	(122,016)	(5.4)%
Financial services	183,149	185,309	2,160	1.2
Total	2,453,299	2,333,443	(119,856)	(4.9)%

Net revenues in Other decreased due primarily to the 65 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 the Middle East.

Operating Costs and Expenses

	Yen in millions			
	Year ended March 31,		2019 v. 2018 Change	
	2018	2019	Amount	Percentage
Operating costs and expenses				
Cost of products sold	22,600,474	23,389,495	789,021	3.5%
Cost of financing operations	1,288,679	1,392,290	103,611	8.0
Selling, general and administrative	3,090,495	2,976,351	(114,144)	(3.7)
Total	26,979,648	27,758,136	778,488	2.9%

	Yen in millions
	2019 v. 2018 Change
Changes in operating costs and expenses:	
Effect of changes in vehicle unit sales and sales mix	750,000
Effect of changes in exchange rates	(460,000)
Effect of increase of cost of financing operations	118,500
Effect of cost reduction efforts	(80,000)
Increase or decrease in expenses and expense reduction efforts	165,000
Other	284,988
Total	778,488

Operating costs and expenses increased by ¥778.4 billion, or 2.9%, to ¥27,758.1 billion during fiscal 2019 compared with the prior fiscal year. This increase resulted from the ¥750.0 billion impact of changes in vehicle unit sales and sales mix, the ¥165.0 billion increase in expenses, the ¥118.5billion increase in cost of financing operations (excluding the effect of changes in exchange rates), and the ¥284.9 billion increase in other, partially offset by the ¥460.0 billion favorable impact of changes in exchange rates, and the ¥80.0 billion impact of cost reduction efforts.

The increase in expenses was due mainly to the ¥45.0 billion increase in labor costs, the ¥20.0 billion increase in depreciation expenses and the ¥190.0 billion increase in other various costs, partially offset by the ¥75.0 billion decrease in product quality related expenses.

The decrease in product quality related expenses was due mainly to a decrease in provisions for recalls and other safety measures resulting from a decrease in actual payments during fiscal 2019. See note 13 to the consolidated financial statements for further discussion.

Cost Reduction Efforts

During fiscal 2019, continued cost reduction efforts together with suppliers contributed to a reduction of operating costs and expenses by ¥80.0 billion. This was due to ¥25.0 billion in cost reduction efforts concerning design related costs due mainly to ongoing value engineering activities, and ¥55.0 billion in cost reduction efforts at plants and logistics departments.

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 ¥789.0 billion, or 3.5%, to ¥23,389.4 billion during fiscal 2019 compared with the prior fiscal year. The increase resulted mainly from the impact of changes in vehicle unit sales and sales mix, as well as the increase in labor costs and depreciation expenses, partially offset by the favorable impact of changes in exchange rates, the impact of cost reduction efforts and the decrease in product quality related expenses.

Cost of Financing Operations

Cost of financing operations increased by ¥103.6 billion, or 8.0%, to ¥1,392.2 billion during fiscal 2019 compared with the prior fiscal year. The increase was mainly due to the increased funding costs as a result of higher interest rates.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by ¥114.1 billion, or 3.7%, to ¥2,976.3 billion during fiscal 2019 compared with the prior fiscal year. This decrease mainly reflected the favorable impact of changes in exchange rates.

Operating Income

	Yen in millions
	2019 v. 2018 Change
Changes in operating income and loss:	
Effect of marketing efforts	275,000
Effect of cost reduction efforts	80,000
Effect of changes in exchange rates	(50,000)
Increase or decrease in expenses and expense reduction efforts	(165,000)
Other	(72,317)
Total	67,683

Toyota's operating income increased by ¥67.6 billion, or 2.8%, to ¥2,467.5 billion during fiscal 2019 compared with the prior fiscal year. This increase was due to the ¥275.0 billion impact of marketing efforts, and the ¥80.0 billion impact of cost reduction efforts, partially offset by the ¥165.0 billion increase in expenses, and the ¥50.0 billion unfavorable impact of changes in exchange rates.

Marketing efforts and marketing activities include changes in vehicle unit sales and sales mix, sales expenses and other. "Other" includes valuation gains and losses from interest rate swaps etc.

The unfavorable impact of changes in exchange rates was due mainly to the ¥95.0 billion impact of overseas transactions such as imports and exports denominated in foreign currencies, the ¥60.0 billion translational impact concerning provisions at the end of the fiscal year, and the ¥25.0 billion translational impact concerning operating income of overseas subsidiaries. This was partially offset by the ¥136.2 billion impact of the change of exchange rate used to translate foreign currency-denominated transactions as well as foreign currency-denominated monetary receivables and payables to the Telegraphic Transfer Middle Rate from fiscal 2019.

During fiscal 2019, operating income (before elimination of intersegment profits) compared with the prior fiscal year increased by ¥49.8 billion, or 66.4%, in Europe, ¥31.7 billion, or 1.9%, in Japan, and ¥24.2 billion, or 5.6%, in Asia, and decreased by ¥24.3 billion, or 17.6%, in North America, and ¥21.5 billion, or 19.1%, in Other.

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

Japan

	Yen in millions
	2019 v. 2018 Change
Changes in operating income and loss:	
Effect of marketing efforts	70,000
Effect of cost reduction efforts	90,000
Effect of changes in exchange rates	5,000
Increase or decrease in expenses and expense reduction efforts	(120,000)
Other	(13,243)
Total	31,757

North America

	Yen in millions
	2019 v. 2018 Change
Changes in operating income and loss:	
Effect of marketing efforts	115,000
Effect of cost reduction efforts	5,000
Effect of changes in exchange rates	(20,000)
Increase or decrease in expenses and expense reduction efforts	(85,000)
Other	(39,384)
Total	(24,384)

Europe

	Yen in millions
	2019 v. 2018 Change
Changes in operating income and loss:	
Effect of marketing efforts	20,000
Effect of cost reduction efforts	5,000
Effect of changes in exchange rates	(15,000)
Increase or decrease in expenses and expense reduction efforts	35,000
Other	4,842
Total	49,842

Asia

	Yen in millions
	2019 v. 2018 Change
Changes in operating income and loss:	
Effect of marketing efforts	80,000
Effect of cost reduction efforts	(20,000)
Increase or decrease in expenses and expense reduction efforts	(40,000)
Other	4,290
Total	24,290

Other

	Yen in millions
	2019 v. 2018 Change
Changes in operating income and loss:	
Effect of marketing activities	(10,000)
Effect of changes in exchange rates	(20,000)
Increase or decrease in expenses and expense reduction efforts	35,000
Other	(26,553)
Total	(21,553)

Other Income and Expenses

Interest and dividend income increased by ¥45.9 billion, or 25.6%, to ¥225.4 billion during fiscal 2019 compared with the prior fiscal year.

Interest expense increased by ¥0.4 billion, or 1.8%, to ¥28.0 billion during fiscal 2019 compared with the prior fiscal year.

Foreign exchange gain, net decreased by ¥10.2 billion, or 45.3%, to ¥12.4 billion during fiscal 2019 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 ¥10.2 billion decrease in the foreign exchange gains, net was due mainly to the change of exchange rate used to translate foreign currency-denominated transactions as well as foreign currency-denominated monetary receivables and payables to the Telegraphic Transfer Middle Rate from fiscal 2019. This decrease was partially offset by gains recorded in fiscal 2019 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.

Toyota adopted new guidance for financial instruments from fiscal 2019. Equity securities are measured at fair value and any changes in fair value are recognized in net income. According to this adoption, a ¥341.0 billion loss was recorded as unrealized gains (losses) on equity securities.

Other income (loss), net decreased by ¥96.7 billion, to ¥50.8 billion in losses during fiscal 2019 compared with the prior fiscal year.

Income Taxes

The provision for income taxes increased by ¥155.5 billion, or 30.8%, to ¥659.9 billion during fiscal 2019 compared with the prior fiscal year. This increase was due mainly to revaluation of deferred tax assets and liabilities resulting from the Tax Cuts and Jobs Act of 2017 of the United States. The effective tax rate for fiscal 2019 was 28.9%.

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

Net income attributable to noncontrolling interests increased by ¥10.5 billion, or 11.5%, to ¥102.7 billion during fiscal 2019 compared with the prior fiscal year. This increase was due mainly to an increase during fiscal 2019 in net income attributable to the shareholders of consolidated subsidiaries.

Equity in earnings of affiliated companies during fiscal 2019 decreased by ¥110.0 billion, or 23.4%, to ¥360.0 billion compared with the prior fiscal year. This decrease was due mainly to the losses of unrealized gains (losses) on equity securities due to the adoption of the new guidance for financial instruments and a decrease during fiscal 2019 in net income attributable to the shareholders of affiliated companies accounted for by the equity method.

Net Income Attributable to Toyota Motor Corporation

Net income attributable to the shareholders of Toyota Motor Corporation decreased by ¥611.1 billion, or 24.5%, to ¥1,882.8 billion during fiscal 2019 compared with the prior fiscal year.

Net income attributable to common shareholders during fiscal 2019 is ¥1,868.0 billion, which is derived by deducting dividends and accretion to Model AA Class Shares of ¥14.7 billion from net income attributable to Toyota Motor Corporation.

Other Comprehensive Income and Loss

Other comprehensive income and loss decreased by ¥1,147.1 billion to losses of ¥1,352.3 billion for fiscal 2019 compared with the prior fiscal year. This decrease resulted from recognition of a cumulative-effect adjustment to retained earnings of ¥1,309.7 billion as of April 1, 2018 for unrealized gains (losses) on equity securities due mainly to the adoption of the new guidance for financial instruments, and from pension liability adjustment losses in fiscal 2019 of ¥51.0 billion compared with gains of ¥21.7 billion in the prior fiscal year due mainly to changes in fair value of plan assets.

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,		2019 v. 2018 Change	
	2018	2019	Amount	Percentage
Automotive:				
Net revenues	26,397,940	27,079,077	681,137	2.6%
Operating income	2,011,135	2,038,884	27,749	1.4
Financial Services:				
Net revenues	2,017,008	2,153,547	136,539	6.8
Operating income	285,546	322,821	37,275	13.1
All Other:				
Net revenues	1,646,118	1,676,377	30,259	1.8
Operating income	100,812	105,538	4,726	4.7
Intersegment elimination/unallocated amount:				
Net revenues	(681,556)	(683,320)	(1,764)	—
Operating income	2,369	302	(2,067)	—

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 2019 by ¥681.1 billion, or 2.6%, to ¥27,079.0 billion compared with the prior fiscal year. The increase mainly reflects the ¥860.0 billion favorable impact of changes in vehicle unit sales and sales mix, partially offset by the ¥480.0 billion unfavorable impact of changes in exchange rates.

Operating income from the automotive operations increased by ¥27.7 billion, or 1.4%, to ¥2,038.8 billion during fiscal 2019 compared with the prior fiscal year. This increase in operating income was due mainly to the ¥205.0 billion impact of marketing efforts, and ¥80.0 billion impact of cost reduction efforts, partially offset by the ¥165.0 billion increase in expenses, and the ¥50.0 billion unfavorable impact of changes in exchange rates.

The impact of marketing efforts was due mainly to improvement of the vehicle sales mix in North America, Europe and Asia. The increase in expenses was due mainly to the ¥45.0 billion increase in labor costs, the ¥20.0 billion increase in depreciation expenses and the ¥190.0 billion increase in other various costs, partially offset by the ¥75.0 billion decrease in product quality related expenses.

Financial Services Operations Segment

Net revenues for the financial services operations increased during fiscal 2019 by ¥136.5 billion, or 6.8%, to ¥2,153.5 billion compared with the prior fiscal year. This increase was primarily due to the ¥58.4 billion increase in rental income from vehicles and equipment on operating leases in sales finance subsidiaries in North America.

Operating income from financial services operations increased by ¥37.2 billion, or 13.1%, to ¥322.8 billion during fiscal 2019 compared with the prior fiscal year. This increase was due primarily to the decrease in expenses related to residual value losses and the increase in financing volume, in sales finance subsidiaries.

All Other Operations Segment

Net revenues for Toyota's other operations segments increased by ¥30.2 billion, or 1.8%, to ¥1,676.3 billion during fiscal 2019 compared with the prior fiscal year.

Operating income from Toyota's other operations segments increased by ¥4.7 billion, or 4.7%, to ¥105.5 billion during fiscal 2019 compared with the prior fiscal year.

Results of Operations — Fiscal 2018 Compared with Fiscal 2017

	Yen in millions			
	Year ended March 31,		2018 v. 2017 Change	
	2017	2018	Amount	Percentage
Net revenues:				
Japan	14,830,868	16,024,844	1,193,976	8.1%
North America	10,239,091	10,574,410	335,319	3.3
Europe	2,681,039	3,185,224	504,185	18.8
Asia	4,819,821	5,148,139	328,318	6.8
Other*	2,161,074	2,453,299	292,225	13.5
Intersegment elimination/unallocated amount	(7,134,700)	(8,006,406)	(871,706)	—
Total	27,597,193	29,379,510	1,782,317	6.5
Operating income (loss):				
Japan	1,202,245	1,659,918	457,673	38.1
North America	311,194	138,899	(172,295)	(55.4)
Europe	(12,244)	75,026	87,270	—
Asia	435,179	433,199	(1,980)	(0.5)
Other*	58,694	112,663	53,969	91.9
Intersegment elimination/unallocated amount	(696)	(19,843)	(19,147)	—
Total	1,994,372	2,399,862	405,490	20.3
Operating margin	7.2%	8.2%	1.0%	
Income before income taxes and equity in earnings of affiliated companies	2,193,825	2,620,429	426,604	19.4
Net margin from income before income taxes and equity in earnings of affiliated companies	7.9%	8.9%	1.0%	
Equity in earnings of affiliated companies	362,060	470,083	108,023	29.8
Net income attributable to Toyota Motor Corporation	1,831,109	2,493,983	662,874	36.2
Net margin attributable to Toyota Motor Corporation	6.6%	8.5%	1.9%	

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

Net Revenues

Toyota had net revenues for fiscal 2018 of ¥29,379.5 billion, an increase of ¥1,782.3 billion, or 6.5%, compared with the prior fiscal year. The increase resulted mainly from the ¥770.0 billion favorable impact of fluctuations in foreign currency translation rates and the ¥670.0 billion impact of changes in vehicle unit sales and sales mix.

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

	Yen in millions			
	Year ended March 31,		2018 v. 2017 Change	
	2017	2018	Amount	Percentage
Vehicles	21,540,563	22,631,201	1,090,638	5.1%
Parts and components for overseas production	468,214	498,802	30,588	6.5
Parts and components for after service	1,955,781	2,044,104	88,323	4.5
Other	1,067,671	1,173,122	105,451	9.9
Total Automotive	25,032,229	26,347,229	1,315,000	5.3
All Other	781,267	1,073,047	291,780	37.3
Total sales of products	25,813,496	27,420,276	1,606,780	6.2
Financial Services	1,783,697	1,959,234	175,537	9.8
Total	27,597,193	29,379,510	1,782,317	6.5%

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 6.2% during fiscal 2018 compared with the prior fiscal year to ¥27,420.2 billion, and net revenues from financial services operations which increased by 9.8% during fiscal 2018 compared with the prior fiscal year to ¥1,959.2 billion. The increase in net revenues from sales of products is mainly due to the favorable impact of fluctuations in foreign currency translation rates and the impact of changes in vehicle unit sales and sales mix.

The following table shows the number of financing contracts by geographic region at the end of fiscal 2018 and 2017, respectively.

	Number of financing contracts in thousands			
	Year ended March 31,		2018 v. 2017 Change	
	2017	2018	Amount	Percentage
Japan	1,977	2,103	126	6.4%
North America	5,394	5,465	71	1.3
Europe	1,019	1,112	93	9.1
Asia	1,575	1,672	97	6.2
Other*	786	846	60	7.6
Total	10,751	11,198	447	4.2%

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

Geographically, net revenues (before the elimination of intersegment revenues) for fiscal 2018 increased by 8.1% in Japan, 3.3% in North America, 18.8% in Europe, 6.8% in Asia, and 13.5% in Other compared with the prior fiscal year. Excluding the impact of changes in the Japanese yen values used for translation purposes of ¥770.0 billion, net revenues in fiscal 2018 would have increased by 8.1% in Japan, 0.7% in North America, 8.0% in Europe, 2.5% in Asia, and 10.4% in Other compared with the prior fiscal year.

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,		2018 v. 2017 Change	
	2017	2018	Amount	Percentage
Toyota's consolidated vehicle unit sales*	4,000	4,137	137	3.4%

* including number of exported vehicle unit sales

	Yen in millions			
	Year ended March 31,		2018 v. 2017 Change	
	2017	2018	Amount	Percentage
Net revenues:				
Sales of products	14,705,518	15,893,465	1,187,947	8.1%
Financial services	125,350	131,379	6,029	4.8
Total	14,830,868	16,024,844	1,193,976	8.1%

Toyota's domestic and exported vehicle unit sales increased by 137 thousand vehicles compared with the prior fiscal year and net revenues in Japan increased. For fiscal 2017 and 2018, exported vehicle unit sales were 1,726 thousand units and 1,882 thousand units, respectively.

North America

	Thousands of units			
	Year ended March 31,		2018 v. 2017 Change	
	2017	2018	Amount	Percentage
Toyota's consolidated vehicle unit sales	2,837	2,806	(31)	(1.1)%

	Yen in millions			
	Year ended March 31,		2018 v. 2017 Change	
	2017	2018	Amount	Percentage
Net revenues:				
Sales of products	8,951,333	9,173,277	221,944	2.5%
Financial services	1,287,758	1,401,133	113,375	8.8
Total	10,239,091	10,574,410	335,319	3.3%

Net revenues in North America increased due primarily to the favorable impact of fluctuations in foreign currency translation rates despite vehicle unit sales decreasing by 31 thousand vehicles compared with the prior fiscal year.

Europe

	Thousands of units			
	Year ended March 31,		2018 v. 2017 Change	
	2017	2018	Amount	Percentage
Toyota's consolidated vehicle unit sales	925	968	43	4.7%

	Yen in millions			
	Year ended March 31,		2018 v. 2017 Change	
	2017	2018	Amount	Percentage
Net revenues:				
Sales of products	2,588,968	3,074,396	485,428	18.7%
Financial services	92,071	110,828	18,757	20.4
Total	2,681,039	3,185,224	504,185	18.8%

Net revenues in Europe increased due primarily to the favorable impact of fluctuations in foreign currency translation rates and the 43 thousand vehicle increase in vehicle unit sales compared with the prior fiscal year. The vehicle unit sales increased due mainly to strong sales of C-HR and hybrid vehicles.

Asia

	Thousands of units			
	Year ended March 31,		2018 v. 2017 Change	
	2017	2018	Amount	Percentage
Toyota's consolidated vehicle unit sales	1,588	1,543	(45)	(2.8)%

	Yen in millions			
	Year ended March 31,		2018 v. 2017 Change	
	2017	2018	Amount	Percentage
Net revenues:				
Sales of products	4,689,774	4,996,339	306,565	6.5%
Financial services	130,047	151,800	21,753	16.7
Total	4,819,821	5,148,139	328,318	6.8%

Net revenues in Asia increased due primarily to the favorable impact of fluctuations in foreign currency translation rates despite vehicle unit sales decreasing by 45 thousand compared with the prior fiscal year.

Other

	Thousands of units			
	Year ended March 31,		2018 v. 2017 Change	
	2017	2018	Amount	Percentage
Toyota's consolidated vehicle unit sales	1,347	1,392	45	3.3%

	Yen in millions			
	Year ended March 31,		2018 v. 2017 Change	
	2017	2018	Amount	Percentage
Net revenues:				
Sales of products	1,996,087	2,270,150	274,063	13.7%
Financial services	164,987	183,149	18,162	11.0
Total	2,161,074	2,453,299	292,225	13.5%

Net revenues in Other increased due primarily to the 45 thousand vehicle increase in vehicle unit sales compared with the prior fiscal year. The increase in vehicle unit sales was due mainly to strong sales of Hilux and Etios in Central and South America.

Operating Costs and Expenses

	Yen in millions			
	Year ended March 31,		2018 v. 2017 Change	
	2017	2018	Amount	Percentage
Operating costs and expenses				
Cost of products sold	21,543,035	22,600,474	1,057,439	4.9%
Cost of financing operations	1,191,301	1,288,679	97,378	8.2
Selling, general and administrative	2,868,485	3,090,495	222,010	7.7
Total	25,602,821	26,979,648	1,376,827	5.4%

	Yen in millions
	2018 v. 2017 Change
Changes in operating costs and expenses:	
Effect of changes in vehicle unit sales and sales mix	600,000
Effect of fluctuation in foreign currency translation rates	505,000
Effect of increase of cost of financing operations	61,300
Effect of cost reduction efforts	(165,000)
Effect of decrease of miscellaneous costs and others	(60,000)
Other	435,527
Total	1,376,827

Operating costs and expenses increased by ¥1,376.8 billion, or 5.4%, to ¥26,979.6 billion during fiscal 2018 compared with the prior fiscal year. This increase resulted from the ¥600.0 billion impact of changes in vehicle unit sales and sales mix, the ¥505.0 billion unfavorable impact of fluctuations in foreign currency translation rates, the ¥61.3 billion increase in cost of financing operations (excluding the effect of fluctuation in foreign currency translation rates), and the ¥435.5 billion increase in other, partially offset by the ¥165.0 billion impact of cost reduction efforts, and the ¥60.0 billion decrease of miscellaneous costs and others.

The decrease in miscellaneous costs and others was due mainly to the ¥300.0 billion decrease in product quality related expenses, partially offset by the ¥75.0 billion increase in labor costs, the ¥50.0 billion increase in depreciation expenses and the ¥90.0 billion increase in other various costs. “Other” includes the impact of consolidation and deconsolidation of certain entities due to changes in ownership interest.

The decrease in product quality related expenses was due mainly to a decrease in provisions for recalls and other safety measures resulting from a decrease in actual payments during fiscal 2018. See note 13 to the consolidated financial statements for further discussion.

Cost Reduction Efforts

During fiscal 2018, continued cost reduction efforts together with suppliers contributed to a reduction of operating costs and expenses by ¥165.0 billion. This was due to ¥120.0 billion in cost reduction efforts concerning design related costs due mainly to ongoing value engineering activities, and ¥45.0 billion in cost reduction efforts at plants and logistics departments.

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 ¥1,057.4 billion, or 4.9%, to ¥22,600.4 billion during fiscal 2018 compared with the prior fiscal year. The increase resulted mainly from the impact of changes in vehicle unit sales and sales mix, as well as the unfavorable impact of fluctuations in foreign currency translation rates, the impact of consolidation and deconsolidation of certain entities due to changes in ownership interest, and the increase in depreciation expenses and labor costs, partially offset by the decrease in product quality related expenses and the impact of cost reduction efforts.

Cost of Financing Operations

Cost of financing operations increased by ¥97.3 billion, or 8.2%, to ¥1,288.6 billion during fiscal 2018 compared with the prior fiscal year. The increase resulted mainly from the unfavorable impact of fluctuations in foreign currency translation rates.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by ¥222.0 billion, or 7.7%, to ¥3,090.4 billion during fiscal 2018 compared with the prior fiscal year. This increase mainly reflected the impact of changes in vehicle unit sales and sales mix, the unfavorable impact of fluctuations in foreign currency translation rates, and the impact of consolidation and deconsolidation of certain entities due to changes in ownership interest.

Operating Income

	Yen in millions
	2018 v. 2017 Change
Changes in operating income and loss:	
Effect of changes in exchange rates	265,000
Effect of cost reduction efforts	165,000
Effect of decrease of miscellaneous costs and others	60,000
Effect of marketing activities	(100,000)
Other	15,490
Total	405,490

Toyota's operating income increased by ¥405.4 billion, or 20.3%, to ¥2,399.8 billion during fiscal 2018 compared with the prior fiscal year. This increase was due mainly to the ¥265.0 billion favorable impact of changes in foreign currency exchange rates, the ¥165.0 billion impact of cost reduction efforts, and the ¥60.0 billion decrease in miscellaneous costs and others, partially offset by the ¥100.0 billion impact of marketing activities. The decrease in miscellaneous costs and others was due to the ¥300.0 billion decrease in product quality related expenses, partially offset by the ¥75.0 billion increase in labor costs, the ¥50.0 billion increase in depreciation expenses and the ¥90.0 billion increase in other various costs.

Marketing efforts and marketing activities include changes in vehicle unit sales and sales mix, sales expenses and other. "Other" includes valuation gains and losses from interest rate swaps etc.

From fiscal 2017, the effect of changes in exchange rates includes translational impacts concerning operating income of overseas subsidiaries and concerning provisions in foreign currencies at the end of the fiscal year. During fiscal 2018, the positive effect of changes in exchange rates includes ¥25.0 billion in translational impacts concerning operating income of overseas subsidiaries (North America ¥5.0 billion and Asia ¥20.0 billion) and ¥25.0 billion in translational impacts concerning provisions in foreign currencies at the end of the fiscal year.

During fiscal 2018, operating income (before elimination of intersegment profits) compared with the prior fiscal year increased by ¥457.6 billion, or 38.1%, in Japan, ¥87.2 billion in Europe, ¥53.9 billion, or 91.9%, in Other, and decreased by ¥172.2 billion, or 55.4%, in North America, and ¥1.9 billion, or 0.5%, in Asia.

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

Japan

	Yen in millions
	2018 v. 2017 Change
Changes in operating income and loss:	
Effect of changes in exchange rates	260,000
Effect of cost reduction efforts	140,000
Effect of increase of miscellaneous costs and others	(35,000)
Effect of marketing efforts	85,000
Other	7,673
Total	457,673

North America

	Yen in millions
	2018 v. 2017 Change
Changes in operating income and loss:	
Effect of changes in exchange rates	20,000
Effect of decrease of miscellaneous costs and others	30,000
Effect of marketing activities	(245,000)
Other	22,705
Total	(172,295)

Europe

	Yen in millions
	2018 v. 2017 Change
Changes in operating income and loss:	
Effect of changes in exchange rates	(5,000)
Effect of cost reduction efforts	20,000
Effect of decrease of miscellaneous costs and others	85,000
Effect of marketing activities	(5,000)
Other	(7,730)
Total	87,270

Asia

	Yen in millions
	2018 v. 2017 Change
Changes in operating income and loss:	
Effect of changes in exchange rates	(25,000)
Effect of cost reduction efforts	15,000
Effect of marketing efforts	15,000
Other	(6,980)
Total	(1,980)

Other

	Yen in millions
	2018 v. 2017 Change
Changes in operating income and loss:	
Effect of changes in exchange rates	15,000
Effect of cost reduction efforts	(10,000)
Effect of marketing efforts	50,000
Other	(1,031)
Total	53,969

Other Income and Expenses

Interest and dividend income increased by ¥20.5 billion, or 12.9%, to ¥179.5 billion during fiscal 2018 compared with the prior fiscal year.

Interest expense decreased by ¥1.7 billion, or 6.0%, to ¥27.5 billion during fiscal 2018 compared with the prior fiscal year.

Foreign exchange gain (loss), net decreased by ¥10.9 billion, or 32.5%, to ¥22.6 billion during fiscal 2018 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 ¥10.9 billion decrease in foreign exchange gain (loss), net was due mainly to the losses recorded in fiscal 2018 resulting from the Japanese yen being stronger against foreign currencies at the dates of settlement of the foreign currency trade accounts receivable than at the dates of the transactions.

Other income, net increased by ¥9.7 billion, or 26.9%, to ¥45.9 billion during fiscal 2018 compared with the prior fiscal year.

Income Taxes

The provision for income taxes decreased by ¥124.4 billion, or 19.8%, to ¥504.4 billion during fiscal 2018 compared with the prior fiscal year. This decrease was due mainly to revaluation of deferred tax assets and liabilities resulting from the Tax Cuts and Jobs Act of 2017 of the United States. The effective tax rate for fiscal 2018 was 19.2%.

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

Net income attributable to noncontrolling interests decreased by ¥3.7 billion, or 3.9%, to ¥92.1 billion during fiscal 2018 compared with the prior fiscal year. This decrease was due mainly to a decrease during fiscal 2018 in net income attributable to the shareholders of consolidated subsidiaries.

Equity in earnings of affiliated companies during fiscal 2018 increased by ¥108.0 billion, or 29.8%, to ¥470.0 billion compared with the prior fiscal year. This increase was due mainly to an increase during fiscal 2018 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 ¥662.8 billion, or 36.2%, to ¥2,493.9 billion during fiscal 2018 compared with the prior fiscal year.

Net income attributable to common shareholders during fiscal 2018 is ¥2,481.6 billion, which is derived by deducting dividends and accretion to Model AA Class Shares of ¥12.2 billion from net income attributable to Toyota Motor Corporation.

Other Comprehensive Income and Loss

Other comprehensive income and loss decreased by ¥235.3 billion to losses of ¥205.2 billion for fiscal 2018 compared with the prior fiscal year. This decrease resulted from unfavorable foreign currency translation adjustment losses of ¥118.9 billion in fiscal 2018 compared with losses of ¥52.4 billion in the prior fiscal year due mainly to appreciation of the yen against the U.S. dollar, from unrealized holding losses on securities in fiscal 2018 of ¥96.5 billion compared with losses of ¥8.0 billion in the prior fiscal year due mainly to changes in prices of marketable securities in stock exchange markets, and from pension liability adjustment gains in fiscal 2018 of ¥21.7 billion compared with gains of ¥92.8 billion in the prior fiscal year due mainly to changes in fair value of plan assets.

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,		2018 v. 2017 Change	
	2017	2018	Amount	Percentage
Automotive:				
Net revenues	25,081,847	26,397,940	1,316,093	5.2%
Operating income	1,692,973	2,011,135	318,162	18.8
Financial Services:				
Net revenues	1,823,600	2,017,008	193,408	10.6
Operating income	222,428	285,546	63,118	28.4
All Other:				
Net revenues	1,321,052	1,646,118	325,066	24.6
Operating income	81,327	100,812	19,485	24.0
Intersegment elimination/unallocated amount:				
Net revenues	(629,306)	(681,556)	(52,250)	—
Operating income	(2,356)	2,369	4,725	—

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 2018 by ¥1,316.0 billion, or 5.2%, to ¥26,397.9 billion compared with the prior fiscal year. The increase mainly reflects the ¥710.0 billion favorable impact of fluctuations in foreign currency translation rates and the ¥670.0 billion favorable impact of changes in vehicle unit sales and sales mix.

Operating income from the automotive operations increased by ¥318.1 billion, or 18.8%, to ¥2,011.1 billion during fiscal 2018 compared with the prior fiscal year. This increase in operating income was due mainly to the ¥265.0 billion favorable impact of changes in foreign currency exchange rates, ¥165.0 billion impact of cost reduction efforts, and the ¥60.0 billion decrease in miscellaneous costs and others, partially offset by the ¥150.0 billion impact of marketing activities.

The decrease in miscellaneous costs and others was due mainly to the ¥300.0 billion decrease in product quality related expenses, partially offset by the ¥75.0 billion increase in labor costs, the ¥50.0 billion increase in depreciation expenses and the ¥90.0 billion increase in other various costs. The impact of marketing activities was due primarily to the increase in sales incentives in North America.

Financial Services Operations Segment

Net revenues for the financial services operations increased during fiscal 2018 by ¥193.4 billion, or 10.6%, to ¥2,017.0 billion compared with the prior fiscal year. This increase was primarily due to the ¥60.0 billion favorable impact of fluctuations in foreign currency translation rates.

Operating income from financial services operations increased by ¥63.1 billion, or 28.4%, to ¥285.5 billion during fiscal 2018 compared with the prior fiscal year. This increase was due primarily to the increase in financing volume and the decrease in expenses related to credit losses and residual value losses, in sales finance subsidiaries.

All Other Operations Segment

Net revenues for Toyota's other operations segments increased by ¥325.0 billion, or 24.6%, to ¥1,646.1 billion during fiscal 2018 compared with the prior fiscal year.

Operating income from Toyota's other operations segments increased by ¥19.4 billion, or 24.0%, to ¥100.8 billion during fiscal 2018 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

For a detail of recent accounting pronouncements to be adopted in future periods, see note 2 to the 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, as a component of cost of sales. Toyota generally measures 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. However, when circumstances warrant, Toyota measures “liabilities for a particular recall or other safety measure” using an individual model when they are probable and reasonably estimable. 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.

The portion of “liabilities for the costs of recalls and other safety measures” recorded in the balance sheet comprehensively 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 comprehensively 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.

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, 2019
10 percent change in frequency of occurrence or expected severity of loss	4,551

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.

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 for returned units 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, 2019
1 percent increase in vehicle return rate	3,441
1 percent increase in end-of-term market values	13,652

Impairment of Long-Lived Assets

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

Pension Costs and Obligations

Natures of estimates and assumptions

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

The two most critical assumptions impacting the calculation of pension costs and obligations are the discount rates and the expected rates of returns on plan assets. Toyota determines the discount rates mainly based on the rates of high quality fixed income bonds or fixed income governmental bonds currently available and expected to be available during the period to maturity of the defined benefit pension plans. Toyota determines the expected rates of return for pension assets after considering several applicable factors including, the composition of plan assets held, assumed risks of asset management, historical results of the returns on plan assets, Toyota's principal policy for plan asset management, and forecasted market conditions. A weighted-average discount rate of 0.7% domestically and 3.9% overseas and a weighted-average expected rate of return on plan assets of 2.4%

domestically and 5.6% overseas were used in calculating Toyota's consolidated pension costs for fiscal 2019. Also, a weighted-average discount rate of 0.6% domestically and 3.8% overseas were used in calculating Toyota's consolidated pension obligations for fiscal 2019.

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, 2020	Effect on obligations for the year ended March 31, 2019	Effect on pre-tax income for the year ended March 31, 2020	Effect on obligations for the year ended March 31, 2019
Discount rates				
0.5% decrease	(12,422)	181,168	(13,627)	151,578
0.5% increase	10,908	(158,791)	14,645	(154,892)
Expected rate of return on plan assets				
0.5% decrease	(8,002)		(4,414)	
0.5% increase	8,002		4,414	

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 Other Securities Investments

Toyota evaluates debt securities designated as available-for-sale to be measured at fair value. Equity securities without readily determinable fair values are measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Individual securities classified as available-for-sale are reduced to the fair 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 entity issuing such securities and Toyota's ability and intent to continue its investment in the entity for a period of time sufficient to allow for any anticipated recovery in market value. Realized gains and losses, which are determined based on the average-cost method, are reflected in the consolidated statements of income when realized.

Equity securities without readily determinable fair values are monitored for signs of impairment and assessed qualitatively to evaluate whether the investment is impaired. If the fair value of the investment is less than its carrying value, it shall be written down to its fair value.

These estimates are based on valuation methods that are considered appropriate in each case. The significant assumptions involved in the estimations include observable market information as well as the financial condition and future prospects and trends of the investee. Due to the uncertain nature of these assumptions or by using different assumptions and estimates, the fair value may be impacted materially.

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.

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.

Change in Depreciation Method

Toyota uses the declining-balance method mainly for the parent company and Japanese subsidiaries, and the straight-line method for foreign subsidiary companies, regarding the depreciation method of property, plant and equipment, but plans to change the depreciation method of the parent company and Japanese subsidiaries to the straight-line method starting from the fiscal year ending March 31, 2020. We believe that the straight-line method better reflects the future usage of property, plant and equipment. The impact of the change in depreciation method is recognized prospectively as a change in accounting estimate. The change in depreciation method is expected to cause a decrease in depreciation expense by approximately ¥150.0 billion for the fiscal year ending March 31, 2020.

Outlook

The future automotive market is expected to revert to a gradual expansion in the medium term, due in part to the wider use of cars mainly in emerging countries, despite entering a phase of cyclical changes in the short term. Meanwhile, the automotive industry is entering a once-in-a-century transformational period in response to environmental issues and other social challenges, as well as the rapid progress in technological innovation such as electrification, automated driving, connected vehicles and car-sharing. Taking the foregoing external factors into account, Toyota expects that net revenues for fiscal 2020 will decrease compared with fiscal 2019 due mainly to an unfavorable impact of changes in exchange rates. Toyota expects that operating income will increase in fiscal 2020 compared with fiscal 2019 due mainly to the effect of the change in depreciation method and the impact of cost reduction efforts, partially offset by the unfavorable impact of changes in exchange rates. 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 2020 compared with fiscal 2019.

For the purposes of this outlook discussion, Toyota is assuming an average exchange rate of ¥110 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 2020, 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 to efficiently invest in maintenance and replacement of conventional manufacturing facilities and the introduction of new products, and will focus on investment in areas contributing to strengthening competitiveness and future growth for realization of a new mobility society. See "Information on the Company — Business Overview — Capital Expenditures and Divestitures" for information regarding Toyota's material capital expenditures and divestitures for fiscal 2017, 2018 and 2019, 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 decreased by ¥456.5 billion to ¥3,766.5 billion for fiscal 2019, compared with ¥4,223.1 billion for fiscal 2018.

The decrease was primarily attributable to the ¥380.0 billion decrease in accrued income tax due mainly to increase in fixed payment amount and the ¥141.4 billion increase in notes and accounts receivable due to the impact of the increased sales.

Net cash provided by operating activities increased by ¥654.6 billion to ¥4,223.1 billion for fiscal 2018, compared with ¥3,568.4 billion for fiscal 2017.

The increase was primarily attributable to the ¥405.4 billion increase in operating income. Results of operations are recorded on an accrual basis and are therefore different from cash provided or used in operating activities. Other than the operating income increase, net cash provided by operating activities increased primarily due to the ¥359.7 billion increase in income taxes payable, resulting mainly from increased income before income taxes and equity in earnings of affiliated companies.

Net cash used in investing activities decreased by ¥962.8 billion to ¥2,697.2 billion for fiscal 2019, compared with ¥3,660.0 billion for fiscal 2018. The decrease was primarily attributable to the ¥1,212.5 billion decrease in purchase of marketable securities and security investments, partially offset by the ¥444.4 billion increase in investments and other assets.

Net cash used in investing activities increased by ¥690.1 billion to ¥3,660.0 billion for fiscal 2018, compared with ¥2,969.9 billion for fiscal 2017. The increase was primarily attributable to the ¥374.2 billion increase in investments and other assets and the ¥303.4 billion increase in finance receivables.

Net cash used in financing activities increased by ¥91.7 billion to ¥540.8 billion for fiscal 2019, compared with ¥449.1 billion for fiscal 2018. The increase was primarily attributable to the ¥ 183.4 billion impact of repayments of short-term debt having exceeded borrowings of short-term debt and ¥101.8 billion increase in repurchase and cancellation of treasury stock, partially offset by the ¥206.9 billion increase in funding by long-term debt.

Net cash used in financing activities increased by ¥73.9 billion to ¥449.1 billion for fiscal 2018, compared with ¥375.1 billion for fiscal 2017. The increase was primarily attributable to the ¥606.7 billion increase in payments of long-term debt, partially offset by the ¥256.1 billion decrease in repurchase and reissuance of treasury stock, and the ¥190.4 billion increase in financing of long-term debt.

Total capital expenditures for property, plant and equipment, excluding vehicles and equipment on operating leases, were ¥1,452.7 billion during fiscal 2019, an increase of 12.5% from the ¥1,291.1 billion in total capital expenditures during the prior fiscal year. This increase was due primarily to an increase in investments for model changes in Europe.

Total capital expenditures for vehicles and equipment on operating leases were ¥2,286.1 billion during fiscal 2019, remaining largely unchanged from the ¥2,307.5 billion in total capital expenditures during the prior fiscal year. Toyota expects investments in property, plant and equipment, excluding vehicles and equipment on operating leases, to be approximately ¥1,450.0 billion during fiscal 2020.

Cash and cash equivalents and restricted cash and cash equivalents were ¥3,706.5 billion as of March 31, 2019. Most of Toyota's cash and cash equivalents and restricted cash and cash equivalents are held in Japanese yen or in U.S. dollars. In addition, time deposits were ¥1,126.3 billion and marketable securities were ¥1,127.1 billion as of March 31, 2019.

Liquid assets, which Toyota defines as cash and cash equivalents, time deposits, marketable debt securities and its investment in monetary trust funds, decreased during fiscal 2019 by ¥438.3 billion, or 4.1%, to ¥10,365.0 billion.

Trade accounts and notes receivable, less allowance for doubtful accounts increased during fiscal 2019 by ¥153.1 billion, or 6.9%, to ¥2,372.7 billion. This increase was due mainly to increased revenue from sales.

Inventories increased during fiscal 2019 by ¥116.6 billion, or 4.6%, to ¥2,656.3 billion. This increase was due mainly to the increase in vehicle inventories at foreign subsidiaries.

Total finance receivables, net increased during fiscal 2019 by ¥1,098.9 billion, or 6.9%, to ¥16,928.8 billion. This increase was due mainly to the increase in the lending balance in the financial services operations. As of March 31, 2019, finance receivables were geographically distributed as follows: in North America 55.2%, in Asia 13.0%, in Europe 12.3%, in Japan 8.2% and in Other 11.3%.

Marketable securities and other securities investments, including those included in current assets, decreased during fiscal 2019 by ¥1,160.5 billion, or 11.9%. This decrease was due mainly to redemption of marketable securities and other securities investments and decrease in fair value of such securities.

Property, plant and equipment increased during fiscal 2019 by ¥417.8 billion, or 4.1%, primarily reflecting the increase in the capital expenditures.

Accounts and notes payable increased during fiscal 2019 by ¥59.3 billion, or 2.3%. This increase was due mainly to the impact of fluctuation in the price of materials and parts.

Accrued expenses increased during fiscal 2019 by ¥118.1 billion, or 3.8%. This increase was due mainly to an increase in accrued expenses resulting from quality related expenses.

Income taxes payable decreased during fiscal 2019 by ¥141.3 billion, or 30.6%. This decrease was due mainly to the increase in the fixed payment amount.

Toyota's total borrowings increased during fiscal 2019 by ¥802.6 billion, or 4.1%. Toyota's short-term borrowings consist of loans with a weighted-average interest rate of 2.11% and commercial paper with a weighted-average interest rate of 2.28%. Short-term borrowings increased during fiscal 2019 by ¥190.0 billion, or 3.7%, to ¥5,344.9 billion. Toyota's long-term debt consists of unsecured and secured loans, medium-term notes, unsecured and secured notes etc. with weighted-average interest rates ranging from 1.84% to 7.78%, and maturity dates ranging from 2019 to 2048. The current portion of long-term debt increased during fiscal 2019 by

¥67.9 billion, or 1.6%, to ¥4,254.2 billion and the non-current portion increased by ¥544.5 billion, or 5.4%, to ¥10,550.9 billion. The increase in total borrowings resulted mainly from the increasing demand for financing associated with the increase in the lending balance. As of March 31, 2019, approximately 48% of long-term debt was denominated in U.S. dollars, 11% in Euros, 11% in Japanese yen, 9% in Australian dollars, 5% in Canadian dollars, and 16% in other currencies. Toyota hedges interest rate risk exposure of fixed-rate borrowings by entering into interest rate swaps. There are no material seasonal variations in Toyota's borrowings requirements.

As of March 31, 2019, Toyota's total interest bearing debt was 104.1% of Toyota Motor Corporation shareholders' equity, compared with 103.3% as of March 31, 2018.

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, 2019. 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 increased during fiscal 2019 by ¥93.1 billion, or 22.9%, to ¥499.5 billion. The liabilities of foreign plans increased during fiscal 2019 by ¥21.6 billion, or 7.7%, to ¥304.1 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 increase in unfunded pension liabilities of the Japanese plans reflects mainly a decrease in plan assets that resulted from a decrease in stock prices. See note 20 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 ¥1,048.8 billion in fiscal 2019, ¥1,064.2 billion in fiscal 2018 and ¥1,037.5 billion in fiscal 2017.

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.

Toyota established Toyota Research Institute, Inc. ("TRI") in January 2016 to accelerate research and development of artificial intelligence technology, which has significant potential to support future industrial technologies. In July 2017, Toyota Research Institute, Inc. invested $100 million to launch a venture capital fund designed to provide financing to startup companies, and is making investments in newly established promising startup companies in the four areas of artificial intelligence, robotics, autonomous mobility, and data and cloud technology.

In Japan, Toyota established a new company, Toyota Research Institute-Advanced Development ("TRI-AD"), in March 2018 to further accelerate its efforts in advanced development for automated driving technology. Its key objectives include creating a smooth software pipeline from research to commercialization, leveraging data-handling capabilities, strengthening collaboration in development within the Toyota group, including TRI, to accelerate development, and recruiting and employing top-level engineers globally, while cultivating and coordinating strong talent within the Toyota group.

Toyota also established a technical development center in Otemachi, Tokyo, Japan in October 2018 as a site for development of key IT technologies that will support automated driving in collaboration with TRI-AD, as well as promotion of collaboration with venture companies and creation of new value by utilizing big data.

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

Facility	Principal Activity
Japan	
Toyota Technical Center	Product planning, style, design, prototype production and vehicle evaluation
Higashi-Fuji Technical Center	Advanced development
Tokyo Design Research & Laboratory	Advanced styling designs
Toyota Research Institute-Advanced Development (TRI-AD)	Development of artificial intelligence technology with a focus on automated driving technology
Otemachi Office	Development of key IT technologies, creation of new values by utilizing big data and collaboration with venture companies
Shibetsu Proving Ground	Evaluation
Toyota Central R&D Labs., Inc.	Basic research
United States	
Toyota Motor Engineering and Manufacturing North America, Inc.	Product planning, design and evaluation of vehicles manufactured in North America
Calty Design Research, Inc.	Design
Toyota Research Institute of North America (TRI-NA)	Advanced research relating to "energy and environment," "safety" and "mobility infrastructure"
Toyota Research Institute, Inc.	Research and development of artificial intelligence technology
Europe	
Toyota Motor Europe NV/SA	Planning and evaluation of vehicles manufactured in Europe
Toyota Europe Design Development S.A.R.L.	Design
Toyota Motorsport GmbH	Development of motor sports vehicles
Asia Pacific	
Toyota Daihatsu Engineering and Manufacturing Co., Ltd.	Planning and evaluation of vehicles manufactured in Australian and Asia.
China	
Toyota Motor Engineering and Manufacturing (China) Co., Ltd.	Environmental technology design and evaluation in China
FAW Toyota Research & Development Co., Ltd	Design, evaluation and certification of vehicles manufactured in China
GAC Toyota Motor Co., Ltd. R&D Center	Design, evaluation and certification of vehicles manufactured in China

Toyota reorganized its subsidiary and vehicle development partner Toyota Technical Development Corporation, integrating its vehicle development functions into Toyota in 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 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. In April 2019, from the perspective of contributing to the widespread use of electrified vehicles, taking its existing basic policy on intellectual property a step further, Toyota decided to grant royalty-free licenses through the end of 2030 on approximately 23,740 domestic and foreign patents it independently holds for vehicle electrification-related technologies that it has developed in its hybrid vehicle development.

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 2019.

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 ¥201.2 billion as of March 31, 2019.

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 ¥2,891.5 billion as of March 31, 2019.

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, 2019, ranged from one month to 35 years. However, they are generally shorter than the useful lives of products sold. Toyota is required to execute its guarantee primarily when customers are unable to make required payments.

The maximum potential amount of future payments as of March 31, 2019 is ¥3,078.9 billion. Liabilities for these guarantees of ¥8.9 billion have been provided as of March 31, 2019. 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, 23 and 24 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, 2019.

	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	1,468,430	1,468,430	—	—	—
Commercial paper	3,876,544	3,876,544	—	—	—
Long-term debt* (note 12)	14,786,184	4,248,513	6,085,275	3,341,418	1,110,978
Estimated amount of interest expense on long-term debt	1,232,980	362,996	478,261	196,112	195,611
Capital lease obligations (note 23)	19,021	5,747	5,083	3,147	5,044
Non-cancelable operating lease obligations (note 23)	92,187	16,078	25,258	18,253	32,598
Commitments for the purchase of property, plant, other assets and services (note 24)	363,319	156,606	102,812	68,855	35,046
Total	21,838,665	10,134,914	6,696,689	3,627,785	1,379,277

* "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 ¥40,124 million domestically and ¥14,330 million overseas to its pension plans in fiscal 2020.

	Yen in millions				
	Total Amounts Committed	Amount of Commitment Expiration Per Period			
		Less than 1 year	1 to 3 years	3 to 5 years	5 years and after
Commercial Commitments (note 24):					
Maximum potential exposure to guarantees given in the ordinary course of business	3,078,955	789,443	1,266,435	783,713	239,364
Total Commercial Commitments	3,078,955	789,443	1,266,435	783,713	239,364

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 announced its "Toyota Global Vision." With respect to its framework for executing its operations, Toyota, with the aim of realizing the Toyota Global Vision, has been continuing its efforts to respond swiftly to the external environment, which is changing faster than ever. Following the introduction of "region-based operations", the "business unit system" and the "in-house company system" in 2011, 2013 and 2016, respectively, for the purpose of further accelerating decision-making and operational execution, Toyota further clarified that members of the board of directors are responsible for decision-making and management oversight and that operating officers are responsible for operational execution. Furthermore, in 2018, Toyota changed the commencement of operating officers' terms of office from April to January, reduced corporate strategy functions and restructured the Japan Sales Business Group based on regions rather than sales channels in an effort to enable decision-making closer to customers and the field, in order to further accelerate execution in full coordination with each site. In 2019, in order to further advance Toyota's "acceleration of management" and the development of a diverse and talented workforce, the executive structure was changed to be composed only of senior managing officers and people of higher rank, and a new classification called "senior professional/senior management" (*kanbushoku*) grouped and replaced the following titles or ranks: managing officers, executive general managers, (sub-executive managerial level) senior grade 1 and senior grade 2 managers, and grand masters. From the perspective of appointing the right people to the right positions, senior professionals/senior management were positioned in a wide range of posts, from those of chief officer, deputy chief officer, field general manager, and plant general manager to group manager, regardless of age or length of employment, to deal with management issues as they arise and to strengthen their development as part of a diverse and talented workforce through on-site learning and problem-solving (*genchi genbutsu*). Executives themselves go to where the action is taking place and, together with senior professionals/senior management and other members of the workplace, give form in the real world to their visions for a future society of mobility.

Toyota believes it is fundamental for it to be led by members of the board of directors and senior management who deeply understand, and can effectively implement, Toyota's focus — the "making ever-better cars" spirit and the *genchi genbutsu* principle of placing emphasis on on-site operations with a go-and-see attitude for continued improvement and problem solving —, and contribute to decision-making towards sustainable growth for the future. Toyota maintains its board of directors and senior management at an adequate size, and ensures they are overall balanced and diverse, including from the perspective of gender and nationality. Three outside members of the board of directors have been 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. 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 has been appointed pursuant to Article 329, Paragraph 3 of the Companies Act.

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

Name (Date of birth)	Position	Brief career summary and important concurrent duties	Number and kind 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 (to present) (important concurrent duties) Audit & Supervisory Board Member of Tokai Rika Co., Ltd. Audit & Supervisory Board Member of Toyoda Gosei Co., Ltd. Director of JTEKT Corporation	77,039 common shares
Shigeru Hayakawa (September 15, 1953)	Vice Chairman of the Board of Directors	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 2017 Vice Chairman of TMC (to present) (important concurrent duties) Representative Director of Institute for International Economic Studies	35,056 common shares
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 (to present) (important concurrent duties)	4,752,895 common shares

Name (Date of birth)	Position	Brief career summary and important concurrent duties	Number and kind of shares
		Chairman and CEO of Toyota Motor North America, Inc. Chairman of TOWA REAL ESTATE Co., Ltd. Chairman of the Japan Automobile Manufacturers Association, Inc.	
Koji Kobayashi (October 23, 1948)	Executive Vice President, Member of the Board of Directors	1972 Joined TMC 2004 Executive Director of DENSO CORPORATION ("DENSO") 2007 Senior Executive Director, Member of the Board of Directors of DENSO 2010 Executive Vice President of DENSO 2015 Vice Chairman of DENSO 2016 Advisor of TMC 2017 Senior Advisor of TMC 2018 Operating Officer (Executive Vice President) of TMC (to present) 2018 Member of the Board of Directors of DENSO 2018 Retired as Member of the Board of Directors of DENSO 2018 Member of the Board of Directors of TMC (to present) (important concurrent duties) Chairman and Executive Director of TOYOTA Mobility Tokyo Inc.	22,792 common shares
Didier Leroy (December 26, 1957)	Executive Vice President, Member of the Board of Directors	1982 Joined Renault S.A. 1998 Retired from 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 (to present) 2015 Executive Vice President, Member of the Board of Directors of TMC	50,000 common shares

Name (Date of birth)	Position	Brief career summary and important concurrent duties	Number and kind of shares
		2017 Member of the Board of Directors of TMC (to present) (important concurrent duties) Chairman of Toyota Motor Europe NV/SA Vice Chairman of Toyota Motor North America, Inc. Director of Toyota Tsusho Corporation	
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 2017 Member of the Board of Directors of TMC (to present) (important concurrent duties) Director of Hino Motors, Ltd. President, Representative Director of EV C.A. Spirit Corporation	49,172 common shares
Ikuro Sugawara (March 6, 1957)	Outside Member of the Board of Directors	1981 Joined Ministry of International Trade and Industry 2010 Director-General of the Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry 2012 Director-General of the Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry 2013 Director-General of the Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry	—

Name (Date of birth)	Position	Brief career summary and important concurrent duties	Number and kind of shares
		2015 Vice-Minister of Ministry of Economy, Trade and Industry 2017 Retired from the Ministry of Economy, Trade and Industry 2017 Special Advisor to the Cabinet 2018 Retired from Special Advisor to the Cabinet 2018 Outside Member of the Board of Directors of TMC (to present)	
Sir Philip Craven (July 4, 1950)	Outside Member of the Board of Directors	1998 President of the International Wheelchair Basketball Federation 2001 President of the International Paralympic Committee 2002 Retired as President of the International Wheelchair Basketball Federation 2017 Retired as President of the International Paralympic Committee 2018 Outside Member of the Board of Directors of TMC (to present)	—
Teiko Kudo (May 22, 1964)	Outside Member of the Board of Directors	1987 Joined the Sumitomo Bank, Limited 2014 Executive Officer of Sumitomo Mitsui Banking Corporation 2017 Managing Executive Officer of Sumitomo Mitsui Banking Corporation (to present) 2018 Outside Member of the Board of Directors of TMC (to present) (important concurrent duties) Managing Executive Officer of Sumitomo Mitsui Banking Corporation	493 common shares
Haruhiko Kato (July 21, 1952)	Full-time Audit & Supervisory Board Member	1975 Joined Ministry of Finance 2007 Director-General of the Tax Bureau, Ministry of Finance 2009 Commissioner of National Tax Agency 2010 Retired from Commissioner of National Tax Agency 2011 Senior Managing Director of Japan Securities Depository Center, Inc. 2011 President of Japan Securities Depository Center, Inc. 2013 Member of the Board of Directors of TMC (to present) 2015 President and CEO of Japan Securities Depository Center, Inc. 2018 Retired as Member of the Board of Directors of TMC 2019 Director of Japan Securities Depository Center, Inc.	—

Name (Date of birth)	Position	Brief career summary and important concurrent duties	Number and kind of shares
		2019 Audit & Supervisory Board Member of TMC (to present) 2019 Retired as Director of Japan Securities Depository Center, Inc. (important concurrent duties) Outside Director of Canon Inc.	
Masahide Yasuda (April 1, 1949)	Full-time Audit & Supervisory Board Member	1972 Joined TMC 2000 General Manager of Overseas Parts Division of TMC 2007 President of Toyota Motor Corporation Australia Ltd. 2014 Chairman of Toyota Motor Corporation Australia Ltd. 2017 Retired as Chairman of Toyota Motor Corporation Australia Ltd. 2018 Audit & Supervisory Board Member of TMC (to present)	9,793 common shares
Katsuyuki Ogura (January 25, 1963)	Full-time Audit & Supervisory Board Member	1985 Joined TMC 2015 General Manager of Affiliated Companies Finance Dept. of TMC 2018 General Manager of Audit & Supervisory Board Office of TMC 2019 Audit & Supervisory Board Member of TMC (to present)	4,405 common shares
Yoko Wake (November 18, 1947)	Outside Audit & Supervisory Board Member	1970 Joined the Fuji Bank, Limited 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 (to present) 2013 Professor Emeritus of Keio University (to present) (important concurrent duties) Professor Emeritus of Keio University	—
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 (to present) (important concurrent duties) Attorney Outside Corporate Auditor of Mitsui & Co., Ltd. Audit & Supervisory Board Member (External) of Shiseido Company, Limited	89 common shares

Name (Date of birth)	Position	Brief career summary and important concurrent duties	Number and kind of shares
Nobuyuki Hirano (October 23, 1951)	Outside Audit & Supervisory Board Member	1974 Joined Mitsubishi Bank 2001 Executive Officer of The Bank of Tokyo-Mitsubishi, Ltd. 2005 Director of Mitsubishi UFJ Financial Group, Inc. 2006 Managing Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd. 2008 Senior Managing Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd. 2009 Deputy President of The Bank of Tokyo-Mitsubishi UFJ, Ltd. 2009 Managing Officer of Mitsubishi UFJ Financial Group, Inc. 2010 Deputy President of Mitsubishi UFJ Financial Group, Inc. 2012 President of The Bank of Tokyo-Mitsubishi UFJ, Ltd. 2012 Director of Mitsubishi UFJ Financial Group, Inc. 2013 President & CEO of Mitsubishi UFJ Financial Group, Inc. 2015 Director, President & Group CEO of Mitsubishi UFJ Financial Group, Inc. 2016 Chairman of the Board of Directors of Bank of Tokyo-Mitsubishi UFJ, Ltd. 2018 Company name changed from The Bank of Tokyo-Mitsubishi UFJ, Ltd. to MUFG Bank, Ltd. 2018 Outside Audit & Supervisory Board Member of TMC (to present) 2019 Director, Chairman of Mitsubishi UFJ Financial Group, Inc. (to present) 2019 Member of the Board of Directors of MUFG Bank, Ltd. (to present) (important concurrent duties) Director, Chairman of Mitsubishi UFJ Financial Group, Inc. Directors of MUFG Bank, Ltd. Director of Morgan Stanley	493 common shares

1. Mr. Akio Toyoda, who is President and Member of the Board of Directors, concurrently serves as Operating Officer (President).

2. Mr. Koji Kobayashi, Mr. Didier Leroy and Mr. Shigeki Terashi, who are Members of the Board of Directors, concurrently serve as Operating Officers (Executive Vice Presidents).

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.

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 and kind of shares
Ryuji Sakai (August 7, 1957)	Substitute Audit & Supervisory Board Member	1985 Registered as attorney and joined Nagashima & Ohno 1990 Wilson Sonsini Goodrich & Rosati 1995 Partner of Nagashima & Ohno 2000 Partner of Nagashima Ohno & Tsunematsu (to present) (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

Decision Making Policy and Process

Toyota's director compensation system is designed based on the following ideas.

- It should be a system that encourages members of the board of directors to work to improve the medium- to long-term corporate value of Toyota
- It should be a system that can maintain compensation levels that will allow Toyota to secure and retain talented personnel
- It should be a system that motivates members of the board of directors to promote management from the same viewpoint as our shareholders with a stronger sense of responsibility as corporate managers

Remuneration for members of the board of directors is effectively linked to corporate performance while reflecting individual job responsibilities and performance. Remuneration standards in each member's home country are also taken into account when determining remuneration amounts and methods. Remuneration for outside members of the board of directors and audit & supervisory board members consists only of fixed payments. As a result, this remuneration is not readily impacted by business performance, helping to ensure independence from management.

Based on the resolution of the 115th Ordinary General Shareholders' Meeting held on June 13, 2019 concerning remuneration for the members of the board of directors of Toyota, the maximum cash compensation was set at 3.0 billion yen per year (of which, the maximum amount payable to outside members of the board of directors is 0.3 billion yen per year), and the maximum share compensation was set at 4.0 billion yen per year. The number of members of the board of directors as of the conclusion of the 115th Ordinary General Shareholders' Meeting was nine (including three outside members of the board of directors).

The amount of remuneration for audit & supervisory board members of Toyota was set at 30 million yen or less per month at the 104th Ordinary General Shareholders' Meeting held on June 24, 2008. The number of audit & supervisory board members as of the conclusion of the 104th Ordinary General Shareholders' Meeting was seven.

The amounts of remuneration for the Company's members of the board of directors and the remuneration system are decided by the board of directors and the "Executive Compensation Meeting," a majority of the members of which are outside members of the board of directors.

The board of directors resolves the total amount of remuneration for a given fiscal year and delegates the determination of the amount of remuneration for each member of the board of directors to the Executive Compensation Meeting.

The Executive Compensation Meeting reviews the remuneration system for members of board of directors and senior management and determines the amount of remuneration for each member of the board of directors, taking into account factors such as corporate performance as well as individual job responsibilities and performance.

Remuneration for audit & supervisory board members is determined by the audit & supervisory board within the scope determined by resolution of the shareholders' meeting.

Executive Compensation Meetings were held as follows to discuss changes to the method of calculating remuneration for directors of Toyota and to determine the amount of remuneration for fiscal 2019.

March to May 2018 (multiple times)

- Deliberation of fixed remuneration for directors from July 2018

March to May 2019 (multiple times)

- Deliberation of maximum compensation in conjunction with the introduction of the restricted share compensation plan, changes to the method of calculating remuneration for directors, evaluation of benchmarks and actual results of fiscal 2019 and individual performance evaluation

The changes to the method of calculating remuneration for directors described above were determined with the unanimous consent of the Executive Compensation Meeting after a series of revisions being made to the initially proposed changes based on the opinions of the outside members of the board of directors.

The board of directors resolved the total amount of remuneration for a given fiscal year and delegated the determination of the amount of remuneration for each member of the board of directors to the Executive Compensation Meeting.

Moreover, the appropriateness of remuneration for [members of the board of directors and audit & supervisory board members of Toyota is assessed by referring to the benchmarking result of remuneration for members of board of directors and audit & supervisory board members by an external compensation consultant.

Method of Determining Performance-based Remuneration

Directors with Japanese citizenship (excluding outside members of the board of directors)

Toyota sets the total amount of remuneration ("Annual Total Remuneration") received by each member of the board of directors in a year based on consolidated operating income, the volatility of the share price of Toyota and individual performance evaluation. The balance after deducting fixed remuneration from Annual Total Remuneration constitutes performance-based remuneration.

< Concept of Each Item>

Consolidated operating income	Indicator for evaluating Toyota's efforts based on business performance
Volatility of the share price	Corporate value indicator for shareholders and investors to evaluate Toyota's efforts
Individual performance evaluation	Qualitative evaluation of performance of each member of the board of directors

< Method and Reference Value for Evaluating Indicators and Evaluation Result for Fiscal 2019 >

<table>
<tr><th></th><th>Evaluation Method</th><th>Reference Value</th><th>Evaluation Result for Fiscal 2019</th></tr>
<tr><td>Consolidated operating income</td><td>Evaluate the degree of attainment of consolidated operating income in fiscal 2019, using required income (set in 2011) for Toyota’s sustainable growth as reference value</td><td>¥1 trillion</td><td rowspan="2">170%</td></tr>
<tr><td>Volatility of the Company’s share price</td><td>Comparatively evaluate the volatility of Toyota’s share price up to the end of fiscal 2019, using the share price of Toyota and the Nikkei stock average at the end of fiscal 2018 as reference values</td><td>Company’s share price: ¥6,825

Nikei average: ¥21,454</td></tr>
</table>

< Method of Setting Annual Total Remuneration >

Annual Total Remuneration is set using a theoretical formula that takes into account the benchmarking results of remuneration for members of the board of directors. Annual Total Remuneration is set for each member of the board of directors based on consolidated operating income and the volatility of the share price of Toyota, and then adjusted based on individual performance evaluation. Individual performance evaluation is set within the range of 10% above or below Annual Total Remuneration for each position.

Directors with foreign citizenship (excluding outside members of the board of directors)

Fixed remuneration and performance-based remuneration are set based on the remuneration levels and structures that allow Toyota to secure and retain talented personnel. Fixed remuneration is set, taking into account each member’s job responsibilities and the remuneration standards of such member’s home country. Performance-based remuneration is set based on consolidated operating income, the volatility of the share price of Toyota and individual performance, taking into account each member’s job responsibilities and the remuneration standards of such member’s home country. The concept of each item is the same as that for directors with Japanese citizenship (excluding outside members of the board of directors).

Compensation

The aggregate amount of remuneration, including bonuses, accrued for all members of the board of directors and audit & supervisory board members as a group by Toyota for services in all capacities was ¥2,272 million during fiscal 2019.

Toyota Motor Corporation and its subsidiaries have not set aside or accrued any amounts to provide pension, retirement or similar benefits to members of the board of directors and audit & supervisory board members of Toyota Motor Corporation.

Toyota’s Annual Securities Report filed with the Kanto Local Bureau of Finance on June 21, 2019, contained the following information concerning compensation in fiscal 2019 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: ¥189 million (¥99 million in base compensation and ¥82 million in bonus)

- Shigeru Hayakawa, Member of the Board of Directors: ¥116 million (¥61 million in base compensation and ¥47 million in bonus)

- Akio Toyoda, Member of the Board of Directors: ¥386 million (¥99 million in base compensation and ¥280 million in bonus)

- Didier Leroy, Member of the Board of Directors: ¥1,042 million (¥249 million in base compensation and ¥777 million in bonus)

- Shigeki Terashi, Member of the Board of Directors: ¥131 million (¥70 million in base compensation and ¥54 million in bonus)

The amounts above were recorded as expenses in fiscal 2019.

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 that 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 ten 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 ten 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 ten 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. However, members of Toyota's Executive Compensation Meeting discuss remuneration for members of the board of directors.

The Executive Compensation Meeting reviews the remuneration system for members of the board of directors and senior management and determines the amount of remuneration for each member of the board of directors, taking into account factors such as corporate performance as well as individual job responsibilities and performance. The members of the meeting are Takeshi Uchiyamada, the Chairman of the Board of Directors, and Koji Kobayashi, Ikuro Sugawara, Sir Philip Craven and Teiko Kudo, each, a Member of the Board of Directors.

6.D EMPLOYEES

The total number of Toyota employees, on a consolidated basis, was 370,870 as March 31, 2019, 369,124 as of March 31, 2018 and 364,445 as of March 31, 2017. The following tables set forth a breakdown of persons employed by business segment and by geographic location as of March 31, 2019.

Segment	Number of Employees
Automotive	320,563
Financial services	10,796
All other	34,378
Unallocated	5,133
Total	370,870

Location	Number of Employees
Japan	213,862
North America	49,638
Europe	21,168
Asia	64,293
Other*	21,909
Total	370,870

* "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 compose the Federation of All Toyota Workers' Unions. Approximately 87% 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 wage negotiations and are based on Toyota's financial results, prospects and other factors. The average wage increase for all union members, excluding bonuses, in Japan was approximately 3.01% in fiscal 2019.

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 87,129 during fiscal 2019.

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 2019, see "—Directors and Senior Management."

None of Toyota's shares of common stock entitles the holder to any preferential voting rights. As of March 31, 2019, Toyota does not have any stock option plan for which stock options or stock acquisition rights are exercisable or will become exercisable in the future.

Toyota's board of directors plans to resolve the share compensation within the maximum share compensation amount of 4.0 billion yen per year established at the 115th Ordinary General Shareholders' Meeting held on June 13, 2019. The overview of the share compensation is as follows.

Eligible persons	Members of the board of directors of Toyota (excluding outside members of the board of directors)
Total amount of the share compensation	Maximum of 4.0 billion yen per year
Amount of the share compensation payable to each member of the board of directors	Set each year considering factors such as corporate results, duties, and performance
Type of shares to be allotted and method of allotment	Issue or disposal of common shares (with transfer restrictions under an allotment agreement)
Total number of shares to be allotted	Maximum of 800,000 shares per year in total to eligible members of the board of directors
Amount to be paid	Determined by the board of directors of Toyota based on the closing price of Toyota's common shares on the Tokyo Stock Exchange on the business day prior to each resolution of the board of directors, within a range that is not particularly advantageous to eligible members of the board of directors
Transfer restriction period	A period of between three and fifty years, as predetermined by the board of directors of Toyota
Conditions for removal of transfer restrictions	Restrictions will be removed upon the expiration of the transfer restriction period. However, restrictions will also be removed in the case of expiration of the term of office, death, or other legitimate reasons.
Gratis acquisition by Toyota	Toyota will be able to acquire all allotted shares without consideration in the case of violations of laws and regulations or other reasons specified by the board of directors of Toyota during the transfer restriction period.

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, 2019, the employee stock ownership association held 14,734,167 shares of Toyota's common stock.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A MAJOR SHAREHOLDERS

As of March 31, 2019, 3,262,997,492 shares of Toyota's common stock (out of which 430,558,325 shares were treasury stock and 2,832,439,167 shares were outstanding) and 47,100,000 First Series Model AA Class Shares of Toyota were issued. Information concerning 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 5% or more of Toyota's common stock as of the most recent practicable date. Toyota is not aware of any holder of First Series Model AA Class Shares who beneficially owns 5% or more of Toyota' outstanding First Series Model AA Class Shares.

Name of Beneficial Owner	Number of Shares of Common Stock (in thousands)	Percentage of Outstanding Voting Shares of Common Stock
Toyota Industries Corporation	238,466	8.42

According to The Bank of New York Mellon, depositary for Toyota's ADSs (the "Depositary"), as of March 31, 2019, 45,459,183 shares of Toyota's common stock were held in the form of ADRs and there were 1,833 ADR holders of record and 148,282 beneficial owners in the United States. According to Toyota's register of shareholders, as of March 31, 2019, there were 623,599 holders of common stock and First Series Model AA Class Shares of record worldwide. As of March 31, 2019, there were 486 record holders of Toyota's common stock with addresses in the United States, whose shareholdings represented approximately 8.6% 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.

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, among others, 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, among others, from these affiliated entities in the amount of ¥6,431.4 billion in fiscal 2019. Toyota also sells its products and services, among others, 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, among others, to these affiliated entities in the amount of ¥2,159.5 billion in fiscal 2019. 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 ¥362.8 billion as of March 31, 2019. Toyota had outstanding trade accounts and other payables to these affiliated entities in the amount of ¥8,457 billion as of March 31, 2019.

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, 2019, there is no outstanding loans extended to its affiliated companies accounted for by the equity method. As of March 31, 2019, an aggregate amount of ¥37.4 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.

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.

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

Shares of Toyota common stock are traded on the Tokyo Stock Exchange and the Nagoya Stock Exchange under the ticker symbol "7203" in Japan, and on the London Stock Exchange under the ticker symbol "TYT." Toyota's American Depositary Shares, or ADSs, each representing two shares of Toyota common stock, are listed on the New York Stock Exchange, or NYSE, under the ticker symbol "TM." Toyota's Model AA Class Shares are not listed on any securities exchange.

9.B PLAN OF DISTRIBUTION

Not applicable.

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 on the London Stock Exchange.

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.

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, 2019 was 10,000,000,000 common shares, of which 3,262,997,492 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 per 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 21, 2019, there were 47,100,000 shares of First Series Model AA Class Shares issued and outstanding. Neither the common shares nor the First Series Model AA Class Shares have any par value.

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. There are no restrictions imposed by Toyota's articles of incorporation or share handling regulations on the transfer of common shares. 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. Toyota's articles of incorporation provide that retained earnings can be distributed as dividends pursuant to a resolution of its board of directors. Toyota's board of directors resolves to pay year-end dividends to holders of common shares and registered pledgees of common shares of record as of March 31, the record date, in 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 a resolution of its board of directors. 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.

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. 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.

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.

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.

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 two business days prior to a record date (or if the record date is not a business day, three business days prior thereto), for the purpose of dividends or rights offerings. However, in connection with the scheduled shortening of the settlement period of shares listed on any Japanese stock exchange, the ex-dividend date and ex-rights date is expected to become the preceding business day before the record date (or if the record date is not a business day, two business days prior thereto) if the record date is on or after July 18, 2019 (provided, however, such transition date is subject to change).

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.

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. 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, in general, 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, or where that Japanese company is engaged in certain businesses designated by 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 stock (by vote or value), investors that hold shares of common stock or ADSs as part of a straddle, hedge, conversion transaction or other integrated transaction, U.S. Holders (as defined below) subject to special tax accounting rules as a result of any item of gross income with respect to shares of common stock or ADSs being taken into account in an "applicable financial statement" (as defined in section 451 of the Internal Revenue Code of 1986, as amended) 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;
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 taxation 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 of Toyota. 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 income tax treaty, convention or agreement reducing the maximum rate of Japanese withholding tax or allowing an 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 that, 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 three percent or more of the total issued shares of 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. These rates include 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.

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 ten percent for portfolio investors (15 percent under the income tax treaties in force with, among other countries, Belgium (until 2019), Canada, Denmark, Finland, Germany, Iceland, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore, and Spain, and ten percent under the income tax treaties with, among other countries, Australia, Austria, Belgium (from 2020), 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 ten 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 (as defined in the Treaty) are exempt from Japanese income tax by way of withholding or otherwise, provided that such dividends are not 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 the 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 Special 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 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 Japanese 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 entire amount of Japanese 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. In addition, Eligible U.S. Holders are exempt from 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.

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, 2018, 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 24% 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.

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 access this information through the SEC's website (http://www.sec.gov). 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.

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 21 and 28 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, equity securities with readily determinable fair values, debt securities designated as available-for-sale, 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 ¥206.9 billion and ¥224.0 billion as of March 31, 2018 and 2019, respectively.

Based on Toyota's overall currency exposure (including derivative positions), the risk during fiscal 2019 to pre-tax cash flow from currency movements was on average ¥219.3 billion, with a high of ¥225.3 billion and a low of ¥211.2 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 ¥251.2 billion as of March 31, 2018 and ¥249.1 billion as of March 31, 2019.

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 equity securities with readily determinable fair values that are subject to price risk. The fair value of equity securities with readily determinable fair values was ¥2,582.1 billion as of March 31, 2018 and ¥2,154.9 billion as of March 31, 2019. The potential change in the fair value of these investments, assuming a 10% change in prices, would be approximately ¥258.2 billion as of March 31, 2018 and ¥215.4 billion as of March 31, 2019.

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.

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 2018

For fiscal 2019, Toyota received $751,594.86 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), expenses relating to Toyota's annual general shareholders' meeting that are incurred with respect to Toyota's ADR holders and 50% of the net dividend fees collected by the Depositary. The Depositary also paid Toyota's continuing annual stock exchange listing fees.

Fees to be Paid in the Future

With regards to 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 pay for investor relations expenses and any other program related expenses. The limit on the amount of expenses for which the Depositary will pay is the sum of $300,000 annually. In addition, the Depositary has agreed to pay Toyota 50% of the net dividend fees collected by the Depositary during each annual period towards the aforementioned expenses.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

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 fiscal 2019. 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 decisions regarding required disclosure. The disclosure controls and procedures also ensure 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 President and the Executive Vice President, both Representative Directors. 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 President and the Executive Vice President, both Representative Directors, 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.

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, 2019.

PricewaterhouseCoopers Aarata LLC, 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, 2019, 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 LLC, 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 2019 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 expert. 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 operating 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.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

PricewaterhouseCoopers Aarata LLC 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 LLC and the various network and member firms of PricewaterhouseCoopers to Toyota in fiscal 2018 and fiscal 2019.

	Yen in millions	
	2018	2019
Audit Fees[(1)]	4,645	4,517
Audit-related Fees[(2)]	85	84
Tax Fees[(3)]	449	462
All Other Fees[(4)]	316	233
Total	5,495	5,296

(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, specified operating officers or managers 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 specified operating officers or managers 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 specified operating officers or managers. 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.

None of the audit related fees, tax fees or all other fees described in the table above were approved by the audit & supervisory board pursuant to the de minimis exception provided by paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

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 2019:

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, 2018 – April 30, 2018	1,072	6,824.38	—	—
May 1, 2018 – May 31, 2018	1,999	7,372.49	—	—
June 1, 2018 – June 30, 2018	17,439,198	7,408.48	17,437,400	—
July 1, 2018 – July 31, 2018	15,434,017	7,309.27	15,432,200	—
August 1, 2018 – August 31, 2018	5,015,842	7,416.63	5,013,500	—
September 1, 2018 – September 30, 2018	965	6,887.22	—	—
October 1, 2018 – October 31, 2018	1,360	6,781.67	—	—
November 1, 2018 – November 30, 2018	5,964,002	6,741.02	5,963,200	—
December 1, 2018 – December 31, 2018	16,234,509	6,875.01	16,232,600	—
January 1, 2019 – January 31, 2019	14,618,806	6,716.59	14,618,100	—
February 1, 2019 – February 28, 2019	1,272	6,684.28	—	—
March 1, 2019 – March 31, 2019	1,183	6,673.93	—	—
Total	74,714,225	—	74,697,000	—

(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." The number of shares purchased not pursuant to publicly announced plans or programs conducted in fiscal 2019 is 17,225.

(2) Toyota announced on May 9, 2018, that it would repurchase up to 55 million common shares between May 16, 2018 and September 28, 2018 at a total price up to ¥300 billion, in order to return to shareholders the profits derived in the fiscal year ended March 31, 2018. Toyota also announced on November 6, 2018 that it would repurchase up to 42 million common shares between November 13, 2018 and March 29, 2019 at a total price up to ¥250 billion in order to return to shareholders the profits derived in the interim period ended September 30, 2018.

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) a person who is not, and has never been during the ten 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 a 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 ten 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 ten year period before becoming a member of the board of directors, accounting counselor or audit & supervisory board member; and

(c) a 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.

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. The content of the criteria for assessing director independence established by Toyota is the same as that of the independence standards of the Japanese stock exchanges, and each of the outside members of the board of directors of Toyota satisfies the “independent outside director” requirements under such independence standards. 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. However, members of Toyota’s Executive Appointment Meeting, a majority of whom are outside directors, discuss recommendations to the board of directors concerning the appointment and dismissal of members of the board of directors and audit & supervisory board members, and members of the Executive Compensation Meeting, a majority of whom are outside directors, review the remuneration system for members of board of directors and senior management as well as determine the amount of remuneration for each member of the board of directors.

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 persons with appropriate experience and skills as well as necessary knowledge of finance, accounting, and laws should be appointed as audit & supervisory board members, and in particular, one or more audit & supervisory board members who have sufficient 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 and gives consent to proposals of the nomination of audit & supervisory board members. Further, the audit & supervisory board makes decisions concerning proposals relating to the appointment and dismissal of accounting auditors; it also has the authority to dismiss the accounting auditor when certain matters specified under the Companies Act occur.

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 ten 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 ten 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 ten 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.

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.

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.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
Toyota Jidosha Kabushiki Kaisha
("Toyota Motor Corporation")

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Toyota Motor Corporation and its subsidiaries (collectively referred to as the "Company") as of March 31, 2018 and 2019, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2019, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of March 31, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2018 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2019 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, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the COSO.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company has changed its method of accounting for investments in equity securities as of April 1, 2018 due to the adoption of ASU 2016-01 "Financial Instruments—Recognition and Measurement of Financial Assets and Financial Liabilities."

Basis for Opinions

The Company's management is responsible for these consolidated 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 the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

Definition and Limitations of Internal Control over Financial Reporting

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 LLC
Nagoya, Japan
June 21, 2019

We have served as the Company's auditor since 2006.

TOYOTA MOTOR CORPORATION

CONSOLIDATED BALANCE SHEETS

	Yen in millions	
	March 31,	
	2018	2019
Assets		
Current assets		
Cash and cash equivalents	3,052,269	3,574,704
Time deposits	901,244	1,126,352
Marketable securities	1,768,360	1,127,160
Trade accounts and notes receivable, less allowance for doubtful accounts of ¥25,925 million in 2018 and ¥16,370 million in 2019	2,219,562	2,372,734
Finance receivables, net	6,348,306	6,647,771
Other receivables	489,338	568,156
Inventories	2,539,789	2,656,396
Prepaid expenses and other current assets	833,788	805,964
Total current assets	18,152,656	18,879,237
Noncurrent finance receivables, net	9,481,618	10,281,118
Investments and other assets		
Marketable securities and other securities investments	7,999,323	7,479,926
Affiliated companies	3,162,917	3,313,723
Employees receivables	22,562	21,683
Other	1,221,500	1,275,768
Total investments and other assets	12,406,302	12,091,100
Property, plant and equipment		
Land	1,404,611	1,386,308
Buildings	4,659,753	4,802,175
Machinery and equipment	11,535,381	11,857,425
Vehicles and equipment on operating leases	5,934,393	6,139,163
Construction in progress	509,851	651,713
Total property, plant and equipment, at cost	24,043,989	24,836,784
Less - Accumulated depreciation	(13,776,316)	(14,151,290)
Total property, plant and equipment, net	10,267,673	10,685,494
Total assets	50,308,249	51,936,949

The accompanying notes are an integral part of these consolidated financial statements.

TOYOTA MOTOR CORPORATION

CONSOLIDATED BALANCE SHEETS (CONTINUED)

	Yen in millions	
	March 31,	
	2018	2019
Liabilities		
Current liabilities		
Short-term borrowings	5,154,913	5,344,973
Current portion of long-term debt	4,186,277	4,254,260
Accounts payable	2,586,657	2,645,984
Other payables	1,048,216	1,102,802
Accrued expenses	3,104,260	3,222,446
Income taxes payable	462,327	320,998
Other current liabilities	1,254,241	1,335,475
Total current liabilities	17,796,891	18,226,938
Long-term liabilities		
Long-term debt	10,006,374	10,550,945
Accrued pension and severance costs	931,182	963,406
Deferred income taxes	1,118,165	1,014,851
Other long-term liabilities	533,561	615,599
Total long-term liabilities	12,589,282	13,144,801
Total liabilities	30,386,173	31,371,739
Mezzanine equity		
Model AA Class Shares, no par value, authorized: 150,000,000 shares in 2018 and 2019; issued: 47,100,000 shares in 2018 and 2019	491,974	498,073
Shareholders' equity		
Toyota Motor Corporation shareholders' equity		
Common stock, no par value, authorized: 10,000,000,000 shares in 2018 and 2019; issued: 3,262,997,492 shares in 2018 and 2019	397,050	397,050
Additional paid-in capital	487,502	487,162
Retained earnings	19,473,464	21,987,515
Accumulated other comprehensive income (loss)	435,699	(916,650)
Treasury stock, at cost, 353,073,500 shares in 2018 and 430,558,325 shares in 2019	(2,057,733)	(2,606,925)
Total Toyota Motor Corporation shareholders' equity	18,735,982	19,348,152
Noncontrolling interests	694,120	718,985
Total shareholders' equity	19,430,102	20,067,137
Commitments and contingencies		
Total liabilities, mezzanine equity and shareholders' equity	50,308,249	51,936,949

Note: The total number of authorized shares for common stock and Model AA Class Shares is 10,000,000,000 shares.

The accompanying notes are an integral part of these consolidated financial statements.

TOYOTA MOTOR CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

	Yen in millions		
	For the years ended March 31,		
	2017	2018	2019
Net revenues			
Sales of products	25,813,496	27,420,276	28,105,338
Financing operations	1,783,697	1,959,234	2,120,343
Total net revenues	27,597,193	29,379,510	30,225,681
Costs and expenses			
Cost of products sold	21,543,035	22,600,474	23,389,495
Cost of financing operations	1,191,301	1,288,679	1,392,290
Selling, general and administrative	2,868,485	3,090,495	2,976,351
Total costs and expenses	25,602,821	26,979,648	27,758,136
Operating income	1,994,372	2,399,862	2,467,545
Other income (expense)			
Interest and dividend income	158,983	179,541	225,495
Interest expense	(29,353)	(27,586)	(28,078)
Foreign exchange gain, net	33,601	22,664	12,400
Unrealized gains (losses) on equity securities	—	—	(341,054)
Other income (loss), net	36,222	45,948	(50,843)
Total other income (expense)	199,453	220,567	(182,080)
Income before income taxes and equity in earnings of affiliated companies	2,193,825	2,620,429	2,285,465
Provision for income taxes	628,900	504,406	659,944
Equity in earnings of affiliated companies	362,060	470,083	360,066
Net income	1,926,985	2,586,106	1,985,587
Less - Net income attributable to noncontrolling interests	(95,876)	(92,123)	(102,714)
Net income attributable to Toyota Motor Corporation	1,831,109	2,493,983	1,882,873

Note: Net income attributable to common shareholders for the fiscal year ended March 31, 2017, 2018 and 2019 is ¥1,821,314 million, ¥2,481,692 million and ¥1,868,085 million, respectively, which is derived by deducting dividend and accretion to Model AA Class Shares of ¥9,795 million, ¥12,291 million and ¥14,788 million, respectively, from Net income attributable to Toyota Motor Corporation.

	Yen		
Net income attributable to Toyota Motor Corporation per common share			
- Basic	605.47	842.00	650.55
- Diluted	599.22	832.78	645.11

The accompanying notes are an integral part of these consolidated financial statements.

TOYOTA MOTOR CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Yen in millions		
	For the years ended March 31,		
	2017	2018	2019
Net income	1,926,985	2,586,106	1,985,587
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	(57,926)	(120,606)	27,016
Unrealized gains (losses) on securities	4,279	(94,559)	(21,165)
Pension liability adjustments	93,312	22,315	(54,836)
Total other comprehensive income (loss)	39,665	(192,850)	(48,985)
Comprehensive income	1,966,650	2,393,256	1,936,602
Less - Comprehensive income attributable to noncontrolling interests	(103,161)	(93,096)	(96,458)
Comprehensive income attributable to Toyota Motor Corporation	1,863,489	2,300,160	1,840,144

The accompanying notes are an integral part of these consolidated financial statements.

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, 2016	397,050	548,161	16,794,240	610,768	(1,603,284)	16,746,935	861,472	17,608,407
Equity transaction with noncontrolling interests and other		(35,555)		(2,226)	283,561	245,780	(232,433)	13,347
Comprehensive income								
Net income			1,831,109			1,831,109	95,876	1,926,985
Other comprehensive income (loss)								
Foreign currency translation adjustments				(52,427)		(52,427)	(5,499)	(57,926)
Unrealized gains (losses) on securities				(8,002)		(8,002)	12,281	4,279
Pension liability adjustments				92,809		92,809	503	93,312
Total comprehensive income						1,863,489	103,161	1,966,650
Accretion to Mezzanine equity			(4,849)			(4,849)		(4,849)
Dividends to Toyota Motor Corporation class shareholders			(4,946)			(4,946)		(4,946)
Dividends paid to Toyota Motor Corporation common shareholders			(634,475)			(634,475)		(634,475)
Dividends paid to noncontrolling interests							(63,936)	(63,936)
Repurchase of treasury stock					(700,228)	(700,228)		(700,228)
Reissuance of treasury stock		(1,219)			4,325	3,106		3,106
Retirement of treasury stock		(27,374)	(380,009)		407,383	—		—
Balances at March 31, 2017	397,050	484,013	17,601,070	640,922	(1,608,243)	17,514,812	668,264	18,183,076
Equity transaction with noncontrolling interests and other		1,817	11,400	(11,400)		1,817	(3,476)	(1,659)
Comprehensive income								
Net income			2,493,983			2,493,983	92,123	2,586,106
Other comprehensive income (loss)								
Foreign currency translation adjustments				(118,977)		(118,977)	(1,629)	(120,606)
Unrealized gains (losses) on securities				(96,581)		(96,581)	2,022	(94,559)
Pension liability adjustments				21,735		21,735	580	22,315
Total comprehensive income						2,300,160	93,096	2,393,256
Accretion to Mezzanine equity			(4,849)			(4,849)		(4,849)
Dividends to Toyota Motor Corporation class shareholders			(7,442)			(7,442)		(7,442)
Dividends paid to Toyota Motor Corporation common shareholders			(620,698)			(620,698)		(620,698)
Dividends paid to noncontrolling interests							(63,764)	(63,764)
Repurchase of treasury stock					(500,177)	(500,177)		(500,177)
Reissuance of treasury stock		1,672			50,687	52,359		52,359
Balances at March 31, 2018	397,050	487,502	19,473,464	435,699	(2,057,733)	18,735,982	694,120	19,430,102

The accompanying notes are an integral part of these consolidated financial statements.

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, 2018	397,050	487,502	19,473,464	435,699	(2,057,733)	18,735,982	694,120	19,430,102
Cumulative effect of accounting changes			1,282,082	(1,309,620)		(27,538)		(27,538)
Equity transaction with noncontrolling interests and other		105				105	(2,226)	(2,121)
Comprehensive income								
Net income			1,882,873			1,882,873	102,714	1,985,587
Other comprehensive income (loss)								
Foreign currency translation adjustments				29,448		29,448	(2,432)	27,016
Unrealized gains (losses) on securities				(21,111)		(21,111)	(54)	(21,165)
Pension liability adjustments				(51,066)		(51,066)	(3,770)	(54,836)
Total comprehensive income						1,840,144	96,458	1,936,602
Accretion to Mezzanine equity			(4,850)			(4,850)		(4,850)
Dividends to Toyota Motor Corporation class shareholders			(9,938)			(9,938)		(9,938)
Dividends paid to Toyota Motor Corporation common shareholders			(636,116)			(636,116)		(636,116)
Dividends paid to noncontrolling interests							(69,367)	(69,367)
Repurchase of treasury stock					(550,107)	(550,107)		(550,107)
Reissuance of treasury stock		(445)			915	470		470
Balances at March 31, 2019	397,050	487,162	21,987,515	(916,650)	(2,606,925)	19,348,152	718,985	20,067,137

The accompanying notes are an integral part of these consolidated financial statements.

TOYOTA MOTOR CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Yen in millions		
	For the years ended March 31,		
	2017	2018	2019
Cash flows from operating activities			
Net income	1,926,985	2,586,106	1,985,587
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	1,610,950	1,734,033	1,792,375
Provision (reversal) for doubtful accounts and credit losses	98,666	76,069	80,065
Pension and severance costs, less payments	23,253	4,286	31,645
Losses on disposal of fixed assets	30,673	35,289	35,902
Unrealized losses (gains) on marketable securities	7,073	846	339,472
Deferred income taxes	(53,299)	(237,961)	(86,594)
Equity in earnings of affiliated companies	(362,060)	(470,083)	(360,066)
Changes in operating assets and liabilities, and other			
Increase in accounts and notes receivable	(264,784)	(105,435)	(246,845)
Increase in inventories	(246,326)	(171,148)	(166,902)
(Increase) decrease in other current assets	2,135	(149,463)	(102,472)
Increase in accounts payable	145,957	46,648	94,887
Increase (decrease) in accrued income taxes	(121,032)	238,753	(141,329)
Increase in other current liabilities	480,094	211,452	351,122
Other	290,203	423,736	159,750
Net cash provided by operating activities	3,568,488	4,223,128	3,766,597
Cash flows from investing activities			
Additions to finance receivables	(13,636,694)	(15,058,516)	(15,884,610)
Collection of finance receivables	12,885,944	14,013,204	14,834,709
Proceeds from sales of finance receivables	42,037	33,108	24,394
Additions to fixed assets excluding equipment leased to others	(1,223,878)	(1,291,117)	(1,452,725)
Additions to equipment leased to others	(2,317,559)	(2,307,590)	(2,286,162)
Proceeds from sales of fixed assets excluding equipment leased to others	41,238	71,820	65,437
Proceeds from sales of equipment leased to others	1,238,278	1,211,272	1,385,074
Purchases of marketable securities and security investments	(2,517,008)	(3,052,916)	(1,840,355)
Proceeds from sales of marketable securities and security investments	260,039	275,574	1,134,127
Proceeds upon maturity of marketable securities and security investments	1,641,502	2,247,964	1,564,671
Payment for additional investments in affiliated companies, net of cash acquired	44,274	(576)	5,010
Changes in investments and other assets, and other	571,888	197,681	(246,811)
Net cash used in investing activities	(2,969,939)	(3,660,092)	(2,697,241)
Cash flows from financing activities			
Proceeds from issuance of long-term debt	4,603,446	4,793,939	5,000,921
Payments of long-term debt	(3,845,554)	(4,452,338)	(4,442,232)
Increase in short-term borrowings	273,037	347,738	164,282
Dividends paid to Toyota Motor Corporation class shareholders	(3,697)	(6,194)	(8,690)
Dividends paid to Toyota Motor Corporation common shareholders	(634,475)	(620,698)	(636,116)
Dividends paid to noncontrolling interests	(63,936)	(63,764)	(69,367)
Reissuance (repurchase) of treasury stock	(703,986)	(447,818)	(549,637)
Net cash used in financing activities	(375,165)	(449,135)	(540,839)
Effect of exchange rate changes on cash and cash equivalents and restricted cash and cash equivalents	(13,486)	(43,588)	(41,641)
Net increase in cash and cash equivalents and restricted cash and cash equivalents	209,898	70,313	486,876
Cash and cash equivalents and restricted cash and cash equivalents at beginning of year	2,939,428	3,149,326	3,219,639
Cash and cash equivalents and restricted cash and cash equivalents at end of year	3,149,326	3,219,639	3,706,515

Cash and cash equivalents and restricted cash and cash equivalents for the fiscal year ended March 31, 2019 include restricted cash and cash equivalents of 167,370 million yen and 131,811 million yen at the beginning of the year and the end of the year, respectively. Restricted cash and cash equivalents were included in Prepaid expenses and other current assets in the consolidated balance sheets.

The accompanying notes are an integral part of these consolidated financial statements.

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 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 fair value if a decline in market value is determined other-than-temporary.

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 debt 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.

Revenue recognition -

In the automotive operations, performance obligations are considered to be satisfied when completed vehicles and parts are delivered to the agreed locations with dealers. For parts for overseas production, it is when they are loaded on a ship to foreign manufacturing companies. We do not have any material significant payment terms as payment is received at or shortly after the point of sale.

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 utilizing the most likely outcome method.

The sale of certain vehicles includes a contractual right, which entitles customers to free vehicle maintenance. We use an observable price to determine the stand-alone selling price for separate performance obligations or a cost plus margin approach when one is not available. Such revenues from free maintenance contracts are deferred and recognized as revenue over the period of the contract in proportion to the costs expected to be incurred in satisfying the obligations under the contract.

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 accordance with lease accounting. The underlying vehicles of these transactions are recorded as assets and are depreciated in accordance with Toyota's depreciation policy.

We have elected to recognize the cost of transport service activities after the customer gains control as expenses at the time that control of products transfers.

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.

All other operations business of Toyota includes the design, manufacture and sales of housing. Certain revenues from the housing business, such as those of ordered housing are recognized only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

If the period between satisfaction of the performance obligation and receipt of consideration is expected to be within one year or less, as a practical expedient, we do not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue is recognized net of any taxes collected from customers and subsequently remitted to governmental authorities.

Other costs -

Advertising and sales promotion costs are expensed as incurred. Advertising costs were ¥448,780 million, ¥509,653 million and ¥490,093 million for the years ended March 31, 2017, 2018 and 2019, 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 mainly 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 ¥1,037,528 million, ¥1,064,269 million and ¥1,048,882 million for the years ended March 31, 2017, 2018 and 2019, respectively.

Restricted 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. Restricted cash and cash equivalents mainly include customer collections on securitized receivables to be distributed to investors as payments on the related secured debt.

Marketable securities and other securities investments -

Marketable securities and other securities investments consist of debt and equity securities. Debt securities designated as available-for-sale are carried at fair value and the difference between fair value and acquisition cost is reflected 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 fair 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 during and the extent to which the fair value has been less than the carrying value, the financial condition and prospects of the entity issuing such securities and Toyota's ability and intent to retain its investment in the entity for a period of time sufficient to allow for any anticipated recovery in market value. Realized gains and losses, which are determined based on the average-cost method, are reflected in the consolidated statements of income when realized.

Changes in fair value on equity securities with readily determinable fair values are recognized in net income. Equity securities without readily determinable fair values are measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

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 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.

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, 2018 and 2019, finance receivables on nonaccrual status are as follows:

	Yen in millions	
	March 31,	
	2018	2019
Retail	6,897	9,401
Finance leases	2,117	2,431
Wholesale	12,484	18,217
Real estate	13,856	18,281
Working capital	105	—
	35,459	48,330

As of March 31, 2018 and 2019, finance receivables 90 days or more past due and accruing are as follows:

	Yen in millions	
	March 31,	
	2018	2019
Retail	26,007	28,438
Finance leases	3,812	3,821
	29,819	32,259

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.

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.

Inventories -

Inventories are valued at cost, not in excess of net realizable value, 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 ¥472,717 million and ¥470,208 million at March 31, 2018 and 2019, respectively. Had the "first-in, first-out" basis been used for those companies using the LIFO basis, inventories would have been ¥22,778 million and ¥25,302 million higher than reported at March 31, 2018 and 2019, 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.

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 common share -

Basic net income attributable to Toyota Motor Corporation per common share is calculated by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding during the reported period. The calculation of diluted net income attributable to Toyota Motor Corporation per common share is done by adjusting net income attributable to common shareholders and the weighted-average number of common shares outstanding, which includes the additional dilution from the assumed conversion of model AA class shares and the assumed exercise of dilutive stock options.

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 May 2014, the Financial Accounting Standards Board ("FASB") issued updated guidance on the recognition of revenue from contracts with customers. This guidance requires an entity to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and supersedes the current revenue recognition guidance. Toyota applied the modified retrospective method of adoption to contracts that were not completed as of the adoption on April 1, 2018. The adoption of this guidance did not have a material impact on Toyota's consolidated financial statements. See note 26 to the consolidated financial statements for the disclosure by adoption of this guidance.

In January 2016, the FASB issued updated guidance for financial instruments. This guidance addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments and requires entities to measure equity investments at fair value and recognize any changes in fair value in net income. Toyota adopted this guidance on April 1, 2018. Toyota recognized a cumulative-effect adjustment to retained earnings of ¥1,309,725 million as of April 1, 2018 for after-tax unrealized gains (losses) on equity securities previously recognized in accumulated other comprehensive income. Unrealized gains (losses) on equity securities, which is mainly included in "Unrealized gains (losses) on equity securities" and "Equity in earnings of affiliated companies" of Toyota's consolidated statements of income for the fiscal year ended March 31, 2019, was losses of ¥419,429 million. See note 5 to the consolidated financial statements for the disclosure by adoption of this guidance.

In August 2016, the FASB issued updated guidance for classification of statement of cash flows. This guidance clarifies classification of certain cash receipts and cash payments of statement of cash flows. Toyota adopted this guidance on April 1, 2018. The adoption of this guidance did not have a material impact on Toyota's consolidated financial statements.

In October 2016, the FASB issued updated guidance that would require entities to recognize the income tax consequences of intercompany asset transfers other than inventory. Toyota adopted this guidance on April 1, 2018. The adoption of this guidance did not have a material impact on Toyota's consolidated financial statements.

In November 2016, the FASB issued updated guidance for the statement of cash flows. This guidance requires that restricted cash and restricted cash equivalents should be included with cash and cash equivalents. It also requires entities to disclose how the statement of cash flows that includes restricted cash with cash and cash equivalents reconciles to the balance sheet. Toyota adopted this guidance on April 1, 2018. 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 February 2016, the FASB issued updated guidance for leases. This guidance will require lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. This guidance may be adopted retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this guidance recognized at the date of initial application. Toyota will apply the modified retrospective method of adoption from the fiscal year beginning April 1, 2019. Management is evaluating the impact of adopting this guidance on Toyota's consolidated financial statements, but expects to record an increase in total assets by approximately 1%.

In June 2016, the FASB issued updated guidance for measurement of credit losses on financial instruments. This guidance introduces an approach to estimate credit losses on certain types of financial instruments based on expected losses. It also modifies the impairment model for available-for-sale debt securities. This guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Management is evaluating the impact of adopting this guidance on Toyota's consolidated financial statements.

In August 2017, the FASB issued updated guidance for hedge accounting. This guidance simplifies and expands the application of hedge accounting. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Management does not expect this guidance to have a material impact on Toyota's consolidated financial statements.

In August 2018, the FASB issued updated guidance for fair value measurements. This guidance adds, removes and modifies fair value measurement disclosure requirements. This guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Management is evaluating the potential impacts of this guidance on Toyota's disclosures.

Other information -

On April 1, 2018, Toyota changed the exchange rate used to translate foreign currency-denominated transactions as well as foreign currency-denominated monetary receivables and payables from the Telegraphic Transfer Buying Rate and Telegraphic Transfer Selling Rate to the Telegraphic Transfer Middle Rate. As a result, for the year ended March 31, 2019, net revenues and operating income increased by ¥56,127 million and ¥136,272 million, respectively, other income (expense) decreased by ¥103,300 million and income before income taxes and equity in earnings of affiliated companies increased by ¥32,972 million.

Reclassifications -

Certain prior year amounts have been reclassified to conform to the presentations as of and for the year ended March 31, 2019.

3. Supplemental cash flow information:

Cash payments for income taxes were ¥854,600 million, ¥500,214 million and ¥836,619 million for the years ended March 31, 2017, 2018 and 2019, respectively. Interest payments during the years ended March 31, 2017, 2018 and 2019 were ¥362,602 million, ¥422,720 million and ¥507,812 million, respectively.

Capital lease obligations of ¥5,975 million, ¥4,467 million and ¥6,086 million were incurred for the years ended March 31, 2017, 2018 and 2019, respectively.

4. Acquisitions and dispositions:

Toyota Housing Corporation, a consolidated subsidiary of Toyota Motor Corporation, increased its ownership interest in Misawa Homes Co., Ltd. (Business description: Production and sale of housing materials and components, etc.) to 51% by acquiring 11,181,798 shares of common stock of Misawa Homes Co., Ltd. through a tender offer on December 29, 2016 as well as a third-party allotment of Misawa Homes Co., Ltd. shares to Toyota Housing Corporation and a disposal of Misawa Homes Co., Ltd. treasury stock on January 5, 2017, in order to increase competitiveness through enhanced cooperation with Misawa Homes Co., Ltd. As a result, Misawa Homes Co., Ltd., previously an affiliated company accounted for under the equity method, is now accounted for as a consolidated subsidiary of Toyota Motor Corporation.

The acquisition was accounted for under the acquisition method. Acquisition-related costs were accounted as expense when incurred, and the estimated fair values of the assets acquired, liabilities assumed and noncontrolling interests as of the date of the acquisition of control are immaterial in value.

The amount of sales of Misawa Homes Co., Ltd. after the date of the acquisition of control, which is included in “Sales of products” of Toyota’s consolidated statements of income for fiscal 2017, is ¥130,046 million. Misawa Homes’ net income does not have a material effect on net income attributable to Toyota Motor Corporation in term of monetary value.

In addition to the above, Toyota made several acquisitions and dispositions during the years ended March 31, 2017, 2018 and 2019, 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, 2018			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale				
Public and corporate bonds	6,276,811	150,198	118,275	6,308,734
Common stocks	676,959	1,910,767	5,611	2,582,115
Other	730,334	8,058	1,413	736,979
Total	7,684,104	2,069,023	125,299	9,627,828
Securities not practicable to determine fair value				
Public and corporate bonds	29,980			
Common stocks	109,875			
Total	139,855			

	Yen in millions			
	March 31, 2019			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale				
Public and corporate bonds	5,837,423	82,022	73,256	5,846,189
Other	289,285	5,406	845	293,846
Total	6,126,708	87,428	74,101	6,140,035
Securities not practicable to determine fair value				
Public and corporate bonds	32,922			

Note: Due to the adoption of the new guidance for financial instruments, as of March 31, 2019, equity securities with readily determinable fair values are measured at fair value with changes in the fair value recognized in net income.

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 as of March 31, 2018 and 2019.

As of March 31, 2018 and 2019, 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 ¥251,940 million and ¥248,046 million for the years ended March 31, 2017 and 2018, respectively. On those sales, gross realized gains were ¥61,038 million and ¥7,684 million and gross realized losses were ¥108 million and ¥278 million, respectively.

During the years ended March 31, 2017 and 2018, Toyota recognized impairment losses on available-for-sale securities of ¥7,073 million and ¥846 million, respectively, which are included in "Other income (loss), net" and other in the accompanying consolidated statements of income.

The carrying amount of equity securities with readily determinable fair values was ¥2,154,951 million as of March 31, 2019.

Gains and losses related to equity securities for the year ended March 31, 2019 are as follows:

	Yen in millions
Net gains (losses) recognized on equity securities	(334,636)
Less: Net gains (losses) recognized on equity securities sold	4,836
Unrealized gains (losses) on equity securities still held as of March 31, 2019	(339,472)

Toyota did not recognize any material impairment or other adjustments on equity securities without readily determinable fair values for the years ended March 31, 2019. The carrying amount of equity securities without readily determinable fair values was ¥279,178 million as of March 31, 2019.

6. Finance receivables:

Finance receivables consist of the following:

	Yen in millions	
	March 31,	
	2018	2019
Retail	11,995,174	12,768,305
Finance leases	1,460,600	1,636,536
Wholesale and other dealer loans	3,281,427	3,489,757
	16,737,201	17,894,598
Deferred origination costs	181,764	204,304
Unearned income	(919,967)	(986,928)
Allowance for credit losses		
Retail	(103,457)	(117,594)
Finance leases	(28,817)	(26,483)
Wholesale and other dealer loans	(36,800)	(39,008)
Total allowance for credit losses	(169,074)	(183,085)
Total finance receivables, net	15,829,924	16,928,889
Less - Current portion	(6,348,306)	(6,647,771)
Noncurrent finance receivables, net	9,481,618	10,281,118

Finance receivables were geographically distributed as follows: in North America 55.7%, in Asia 12.3%, in Europe 12.1%, in Japan 8.2% and in Other 11.7% as of March 31, 2018, and in North America 55.2%, in Asia 13.0%, in Europe 12.3%, in Japan 8.2% and in Other 11.3% as of March 31, 2019.

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, 2019 are summarized as follows:

	Yen in millions		
Years ending March 31,	Retail	Finance leases	Wholesale and other dealer loans
2020	4,089,096	418,450	2,495,356
2021	3,035,992	325,744	235,985
2022	2,434,026	251,888	237,026
2023	1,728,217	113,040	140,418
2024	942,876	42,582	143,747
Thereafter	538,098	6,538	237,225
	12,768,305	1,158,242	3,489,757

Finance leases consist of the following:

	Yen in millions	
	March 31,	
	2018	2019
Minimum lease payments	1,039,103	1,158,242
Estimated unguaranteed residual values	421,497	478,294
	1,460,600	1,636,536
Deferred origination costs	10,411	11,929
Less - Unearned income	(120,884)	(143,838)
Less - Allowance for credit losses	(28,817)	(26,483)
Finance leases, net	1,321,310	1,478,144

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, 2018 and 2019:

	Yen in millions				
	March 31, 2018				
	Retail	Finance leases	Wholesale	Real estate	Working capital
Current	11,802,032	1,448,989	1,721,225	823,007	731,877
30-59 days past due	127,830	5,741	138	—	—
60-89 days past due	32,408	1,760	5,112	—	—
90 days or greater past due	32,904	4,110	—	65	3
Total	11,995,174	1,460,600	1,726,475	823,072	731,880

	Yen in millions				
	March 31, 2019				
	Retail	Finance leases	Wholesale	Real estate	Working capital
Current	12,554,265	1,625,893	1,806,305	873,427	808,755
30-59 days past due	141,111	4,972	191	—	—
60-89 days past due	35,090	1,396	100	—	—
90 days or greater past due	37,839	4,275	393	106	480
Total	12,768,305	1,636,536	1,806,989	873,533	809,235

The tables below show the recorded investment for credit quality of the finance receivable within the wholesale and other dealer loan receivables portfolio segment as of March 31, 2018 and 2019:

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, 2018			
	Wholesale	Real estate	Working capital	Total
Performing	1,532,786	716,187	711,193	2,960,166
Credit Watch	126,181	68,923	12,016	207,120
At Risk	39,338	25,369	6,270	70,977
Default	28,170	12,593	2,401	43,164
Total	1,726,475	823,072	731,880	3,281,427

	Yen in millions			
	March 31, 2019			
	Wholesale	Real estate	Working capital	Total
Performing	1,566,475	743,379	789,948	3,099,802
Credit Watch	156,740	81,848	8,610	247,198
At Risk	58,550	45,564	10,189	114,303
Default	25,224	2,742	488	28,454
Total	1,806,989	873,533	809,235	3,489,757

The tables below summarize information about impaired finance receivables:

	Yen in millions					
	Recorded investment		Unpaid principal balance		Individually evaluated allowance	
	March 31,		March 31,		March 31,	
	2018	2019	2018	2019	2018	2019
Impaired account balances individually evaluated for impairment with an allowance:						
Wholesale	11,582	18,187	11,582	18,187	1,525	3,141
Real estate	9,353	10,545	9,353	10,545	588	1,280
Working capital	5,858	7,451	5,858	7,451	5,429	6,670
Total	26,793	36,183	26,793	36,183	7,542	11,091
Impaired account balances individually evaluated for impairment without an allowance:						
Wholesale	8,818	14,429	8,818	14,429		
Real estate	15,086	16,870	15,086	16,870		
Working capital	2,337	2,220	2,337	2,220		
Total	26,241	33,519	26,241	33,519		
Impaired account balances aggregated and evaluated for impairment:						
Retail	27,151	29,537	26,418	28,788		
Finance leases	100	99	74	75		
Total	27,251	29,636	26,492	28,863		
Total impaired account balances:						
Retail	27,151	29,537	26,418	28,788		
Finance leases	100	99	74	75		
Wholesale	20,400	32,616	20,400	32,616		
Real estate	24,439	27,415	24,439	27,415		
Working capital	8,195	9,671	8,195	9,671		
Total	80,285	99,338	79,526	98,565		

The amount of finance receivables modified as a troubled debt restructuring for the year ended March 31, 2019 was not significant for all classes of finance receivables. Finance receivables modified as troubled debt restructurings for the year ended March 31, 2019 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, 2018	Yen in millions March 31, 2019
Finished goods	1,683,694	1,746,159
Raw materials	435,360	475,504
Work in process	304,929	324,921
Supplies and other	115,806	109,812
Total	2,539,789	2,656,396

9. Vehicles and equipment on operating leases:

Vehicles and equipment on operating leases consist of the following:

	Yen in millions March 31, 2018	Yen in millions March 31, 2019
Vehicles	6,124,699	6,383,788
Equipment	13,373	14,499
Less - Deferred income and other	(203,679)	(259,124)
	5,934,393	6,139,163
Less - Accumulated depreciation	(1,352,840)	(1,428,779)
Less - Allowance for credit losses	(15,013)	(13,314)
Vehicles and equipment on operating leases, net	4,566,540	4,697,070

Rental income from vehicles and equipment on operating leases was ¥850,210 million, ¥927,443 million and ¥959,497 million for the years ended March 31, 2017, 2018 and 2019, respectively. Future minimum rentals from vehicles and equipment on operating leases are due in installments as follows:

Years ending March 31,	Yen in millions
2020	805,907
2021	537,742
2022	245,145
2023	50,834
2024	9,860
Thereafter	1,983
Total minimum future rentals	1,651,471

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, 2017, 2018 and 2019 are as follows:

	Yen in millions		
	For the years ended March 31,		
	2017	2018	2019
Allowance for doubtful accounts at beginning of year	94,853	100,712	98,590
Provision for doubtful accounts, net of reversal	6,519	(74)	(1,375)
Write-offs	(3,839)	(2,374)	(2,472)
Other	3,179	326	(4,370)
Allowance for doubtful accounts at end of year	100,712	98,590	90,373

"Other" includes the impact of currency translation adjustments for the years ended March 31, 2017, 2018 and 2019.

A portion of the allowance for doubtful accounts balance at March 31, 2018 and 2019 totaling ¥72,665 million and ¥74,003 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, 2017, 2018 and 2019 are as follows:

	Yen in millions		
	For the years ended March 31,		
	2017	2018	2019
Allowance for credit losses at beginning of year	167,330	178,101	184,087
Provision for credit losses, net of reversal	92,147	76,143	81,440
Charge-offs	(99,550)	(96,444)	(91,698)
Recoveries	21,757	25,344	26,178
Other	(3,583)	943	(3,608)
Allowance for credit losses at end of year	178,101	184,087	196,399

"Other" primarily includes the impact of currency translation adjustments for the years ended March 31, 2017, 2018 and 2019.

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, 2017, 2018 and 2019 are as follows:

	Yen in millions		
	For the year ended March 31, 2017		
	Retail	Finance leases	Wholesale and other dealer loans
Allowance for credit losses at beginning of year	98,853	24,600	30,828
Provision for credit losses, net of reversal	67,433	1,657	854
Charge-offs	(78,114)	(2,007)	(324)
Recoveries	18,282	194	160
Other	(2,100)	(482)	(622)
Allowance for credit losses at end of year	104,354	23,962	30,896

	Yen in millions		
	For the year ended March 31, 2018		
	Retail	Finance leases	Wholesale and other dealer loans
Allowance for credit losses at beginning of year	104,354	23,962	30,896
Provision for credit losses, net of reversal	52,891	7,115	6,497
Charge-offs	(74,868)	(2,708)	(823)
Recoveries	20,511	315	59
Other	569	133	171
Allowance for credit losses at end of year	103,457	28,817	36,800

	Yen in millions		
	For the year ended March 31, 2019		
	Retail	Finance leases	Wholesale and other dealer loans
Allowance for credit losses at beginning of year	103,457	28,817	36,800
Provision for credit losses, net of reversal	68,470	710	3,990
Charge-offs	(72,657)	(2,903)	(1,111)
Recoveries	20,485	345	45
Other	(2,161)	(486)	(716)
Allowance for credit losses at end of year	117,594	26,483	39,008

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,	
	2018	2019
Current assets	12,766,962	13,555,478
Noncurrent assets	12,326,689	12,464,250
Total assets	25,093,651	26,019,728
Current liabilities	8,061,342	8,322,336
Long-term liabilities and noncontrolling interests	5,940,549	6,398,659
Affiliated companies accounted for by the equity method shareholders' equity	11,091,760	11,298,733
Total liabilities and shareholders' equity	25,093,651	26,019,728
Toyota's share of affiliated companies accounted for by the equity method shareholders' equity	3,162,711	3,313,703
Number of affiliated companies accounted for by the equity method at end of period	57	63

	Yen in millions		
	For the years ended March 31,		
	2017	2018	2019
Net revenues	30,309,263	30,680,535	32,200,711
Gross profit	3,644,267	4,065,344	4,070,621
Net income attributable to affiliated companies accounted for by the equity method	1,099,080	1,344,687	857,832
Equity in earnings of affiliated companies attributable to Toyota Motor Corporation	362,060	470,083	360,066

Entities comprising a significant portion of Toyota's investment in affiliated companies and percentage of ownership are presented below:

	Percentage of ownership	
	March 31,	
Name of affiliated companies	2018	2019
Denso Corporation	24.4%	24.5%
Toyota Industries Corporation	24.9%	24.9%
Aisin Seiki Co., Ltd.	24.9%	24.9%
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 ¥2,334,642 million and ¥2,430,251 million at March 31, 2018 and 2019, respectively, were quoted on various established markets at an aggregate value of ¥3,145,940 million and ¥2,513,886 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, 2017, 2018 and 2019.

Account balances and transactions with affiliated companies are presented below:

	Yen in millions	
	March 31,	
	2018	2019
Trade accounts and notes receivable, and other receivables	301,335	362,831
Accounts payable and other payables	736,023	845,755

	Yen in millions		
	For the years ended March 31,		
	2017	2018	2019
Net revenues	1,914,318	2,004,632	2,213,236
Purchases	5,357,682	5,749,430	6,431,464

Dividends from affiliated companies accounted for by the equity method for the years ended March 31, 2017, 2018 and 2019 were ¥180,326 million, ¥196,403 million and ¥204,322 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.

Related to securitization transactions, ¥1,964,350 million and ¥1,872,564 million retail finance receivables, ¥618,787 million and ¥609,694 million vehicles on operating leases, ¥146,828 million and ¥131,804 million restricted cash and ¥1,952,973 million and ¥1,893,073 million secured debt were included in Toyota's consolidated financial statements as of March 31, 2018 and 2019, 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.

Toyota has variable interests in investment trusts that are VIEs. With respect to some of the investment trusts, Toyota has both the obligation to absorb losses of or the right to receive benefits from the VIEs that could potentially be significant to the VIEs and the power to direct the activities of the VIEs that most significantly impact the VIEs' economic performance through the asset manager. As a result, Toyota is considered the primary beneficiary of the VIEs and therefore consolidates the VIEs. Related to such investment trusts, ¥2,790,679 million marketable securities and other securities investments were included in Toyota's consolidated financial statements as of March 31, 2019.

As for other investment trusts, Toyota determined that it was not the primary beneficiary due to lack of the power to direct the activities of the VIEs that most significantly impact the VIEs' economic performance and, therefore, does not consolidate the VIEs. Investments in the trusts are held at fair value and are included in "Marketable securities and other securities investments" in the accompanying consolidated balance sheets. As of March 31, 2019, the maximum exposure to loss is limited to the carrying value of its investment in the trusts, which totaled ¥22,001 million, compared to ¥446,778 million as of March 31, 2018. Toyota does not provide support that is not contractually required to the trusts.

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, 2018 and 2019 consist of the following:

	Yen in millions	
	March 31,	
	2018	2019
Loans, principally from banks, with a weighted-average interest at March 31, 2018 and March 31, 2019 of 2.14% and of 2.11% per annum, respectively	1,254,444	1,468,430
Commercial paper with a weighted-average interest at March 31, 2018 and March 31, 2019 of 1.65% and of 2.28% per annum, respectively	3,900,469	3,876,544
	5,154,913	5,344,973

As of March 31, 2019, Toyota has unused short-term lines of credit amounting to ¥1,892,166 million of which ¥274,058 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.

Long-term debt at March 31, 2018 and 2019 comprises the following:

	Yen in millions	
	March 31,	
	2018	2019
Unsecured loans, representing obligations principally to banks, due 2018 to 2036 in 2018 and due 2019 to 2041 in 2019 with a weighted-average interest at March 31, 2018 and March 31, 2019 of 2.70% and of 2.78% per annum, respectively	3,215,309	3,441,336
Secured loans, representing obligations principally to finance receivables securitization due 2018 to 2030 in 2018 and due 2019 to 2026 in 2019 with a weighted-average interest at March 31, 2018 and March 31, 2019 of 1.99% and of 2.47% per annum, respectively	1,963,057	1,840,204
Medium-term notes of consolidated subsidiaries, due 2018 to 2046 in 2018 and due 2019 to 2048 in 2019 with a weighted-average interest at March 31, 2018 and March 31, 2019 of 2.18% and of 2.46% per annum, respectively	6,994,629	7,372,550
Unsecured notes of parent company, due 2018 to 2037 in 2018 and due 2019 to 2037 in 2019 with a weighted-average interest at March 31, 2018 and March 31, 2019 of 0.94% and of 1.84% per annum, respectively	370,000	511,980
Unsecured notes of consolidated subsidiaries, due 2018 to 2031 in 2018 and due 2019 to 2031 in 2019 with a weighted-average interest at March 31, 2018 and March 31, 2019 of 2.20% and of 2.12% per annum, respectively	1,569,517	1,566,994
Secured notes of consolidated subsidiaries, due 2018 to 2021 in 2018 and due 2019 to 2022 in 2019 with a weighted-average interest at March 31, 2018 and March 31, 2019 of 7.90% and of 7.78% per annum, respectively	59,513	53,120
Long-term capital lease obligations, due 2018 to 2035 in 2018 and due 2019 to 2035 in 2019 with interest ranging from 0.37% to 14.73% per annum in 2018 and from 0.12% to 14.73% per annum in 2019	20,626	19,021
	14,192,651	14,805,205
Less - Current portion due within one year	(4,186,277)	(4,254,260)
	10,006,374	10,550,945

As of March 31, 2019, approximately 48%, 11%, 11%, 9%, 5% and 16% of long-term debt are denominated in U.S. dollars, euros, Japanese yen, Australian dollars, Canadian dollars and other currencies, respectively.

As of March 31, 2019, property, plant and equipment with a book value of ¥641,465 million and other assets aggregating ¥1,936,680 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
2020	4,254,260
2021	3,057,026
2022	3,033,332
2023	2,221,041
2024	1,123,524

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, 2019, Toyota has not received any significant requests from these banks.

As of March 31, 2019, Toyota has unused long-term lines of credit amounting to ¥6,457,394 million.

Interest expense during the years ended March 31, 2017, 2018 and 2019 were ¥352,691 million, ¥415,094 million and ¥499,871 million, respectively. Interest expense related to the financial services business is included in "Cost of financing operations" in the accompanying consolidated statements of income.

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 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, 2017, 2018 and 2019 consist of the following:

	Yen in millions		
	For the years ended March 31,		
	2017	2018	2019
Liabilities for quality assurances at beginning of year	1,403,764	1,696,938	1,702,312
Payments made during year	(604,853)	(586,943)	(489,461)
Provision for quality assurances	919,086	649,377	565,012
Changes relating to pre-existing quality assurances	(24,147)	(56,769)	(1,411)
Other	3,088	(291)	(7,177)
Liabilities for quality assurances at end of year	1,696,938	1,702,312	1,769,275

"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.

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, 2017, 2018 and 2019.

	Yen in millions		
	For the years ended March 31,		
	2017	2018	2019
Liabilities for recalls and other safety measures at beginning of year	925,475	1,275,200	1,275,256
Payments made during year	(444,416)	(456,177)	(396,971)
Provision for recalls and other safety measures	794,009	454,391	428,613
Other	132	1,842	(4,589)
Liabilities for recalls and other safety measures at end of year	1,275,200	1,275,256	1,302,309

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,		
	2017	2018	2019
Income before income taxes:			
Parent company and domestic subsidiaries	1,423,208	1,880,971	1,552,975
Foreign subsidiaries	770,617	739,458	732,490
	2,193,825	2,620,429	2,285,465

The provision for income taxes consists of the following:

	Yen in millions		
	For the years ended March 31,		
	2017	2018	2019
Current income tax expense:			
Parent company and domestic subsidiaries	435,560	565,998	599,521
Foreign subsidiaries	246,639	176,369	147,017
Total current	682,199	742,367	746,538
Deferred income tax expense (benefit):			
Parent company and domestic subsidiaries	(21,756)	45,097	(110,608)
Foreign subsidiaries	(31,543)	(283,058)	24,014
Total deferred	(53,299)	(237,961)	(86,594)
Total provision	628,900	504,406	659,944

Net deferred liabilities as of March 31, 2018 decreased by ¥218,323 million and provision for income taxes for the year ended March 31, 2018 decreased by ¥249,694 million, respectively, resulting from the Tax Cuts and Jobs Act of 2017 of the United States.

Toyota is subject to a number of different income taxes which, in the aggregate, indicate a statutory rate in Japan of approximately 31.1%, 31.1% and 30.9% for the years ended March 31, 2017, 2018 and 2019, respectively. The statutory tax rates in effect for the year in which the temporary differences are expected to 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,		
	2017	2018	2019
Statutory tax rate	31.1%	31.1%	30.9%
Increase (reduction) in taxes resulting from:			
Non-deductible expenses	0.4	0.4	0.4
Deferred tax liabilities on undistributed earnings of foreign subsidiaries	1.3	1.1	1.2
Deferred tax liabilities on undistributed earnings of affiliated companies accounted for by the equity method	3.3	3.8	3.1
Valuation allowance	(0.6)	(2.0)	0.2
Tax credits	(4.8)	(4.3)	(5.3)
The difference between the statutory tax rate in Japan and that of foreign subsidiaries	(1.9)	(1.5)	(2.3)
Unrecognized tax benefits adjustments	0.4	0.2	(0.1)
Revision to reduce deferred tax assets and liabilities at the fiscal year-end due to changes in tax rates	—	—	—
Effect of the Tax Cuts and Jobs Act of 2017 of the United States	—	(9.5)	—
Other	(0.5)	(0.1)	0.8
Effective income tax rate	28.7%	19.2%	28.9%

Significant components of deferred tax assets and liabilities are as follows:

	Yen in millions	
	March 31,	
	2018	2019
Deferred tax assets		
Accrued pension and severance costs	199,366	256,478
Accrued expenses and liabilities for quality assurances	609,257	664,950
Other accrued employees' compensation	112,316	121,024
Operating loss carryforwards for tax purposes	203,897	364,220
Allowance for doubtful accounts and credit losses	63,223	69,049
Property, plant and equipment and other assets	249,320	266,866
Other	348,852	338,744
Gross deferred tax assets	1,786,231	2,081,331
Less - Valuation allowance	(93,814)	(93,599)
Total deferred tax assets	1,692,417	1,987,732
Deferred tax liabilities		
Unrealized gains on securities, net	(635,292)	(493,052)
Undistributed earnings of foreign subsidiaries	(29,967)	(25,972)
Undistributed earnings of affiliated companies accounted for by the equity method	(794,485)	(836,860)
Basis difference of acquired assets	(30,768)	(29,116)
Lease transactions	(751,292)	(946,128)
Other	(74,658)	(169,583)
Gross deferred tax liabilities	(2,316,462)	(2,500,711)
Net deferred tax liability	(624,045)	(512,979)

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,	
	2018	2019
Deferred tax assets		
Investments and other assets - Other	494,120	501,872
Deferred tax liabilities		
Deferred income taxes (Long-term liabilities)	(1,118,165)	(1,014,851)
Net deferred tax liability	(624,045)	(512,979)

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, 2019 in Japan and foreign countries were ¥23,548 million and ¥1,658,779 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 2020 to 2029 and expire in years 2020 to 2039, respectively. Tax credit carryforwards as of March 31, 2019 in Japan and foreign countries were ¥3,296 million and ¥65,796 million, respectively, and the majority of these carryforwards in Japan and foreign countries expire in years 2020 to 2022 and expire in years 2020 to 2039, respectively.

The valuation allowance mainly relates to deferred tax assets of operating loss and foreign tax credit carryforwards for tax purposes that are not more-likely-than-not to be realized. The net changes in the total valuation allowance for deferred tax assets for the years ended March 31, 2017, 2018 and 2019 consist of the following:

	Yen in millions		
	For the years ended March 31,		
	2017	2018	2019
Valuation allowance at beginning of year	151,665	146,623	93,814
Additions	27,147	16,106	13,967
Deductions	(37,891)	(74,435)	(9,801)
Other	5,702	5,520	(4,381)
Valuation allowance at end of year	146,623	93,814	93,599

"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, 2017, 2018 and 2019.

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 ¥3,850,458 million as of March 31, 2019. Toyota estimates an additional tax provision of ¥150,714 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, 2017, 2018 and 2019 is as follows:

	Yen in millions		
	For the years ended March 31,		
	2017	2018	2019
Balance at beginning of year	19,250	21,553	21,564
Additions based on tax positions related to the current year	8,187	612	1,212
Additions for tax positions of prior years	6,076	13,954	1,304
Reductions for tax positions of prior years	(5,593)	(13,217)	(819)
Reductions for tax positions related to lapse of statute of limitations	(9)	—	—
Reductions for settlements	(6,317)	(26)	(6,696)
Other	(41)	(1,312)	703
Balance at end of year	21,553	21,564	17,268

The amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was not material at March 31, 2017, 2018 and 2019, 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, 2017, 2018 and 2019, were not material.

Toyota remains subject to income tax examination for the tax returns related to the years beginning on and after April 1, 2012 and April 1, 2002, with various tax jurisdictions in Japan and foreign countries, respectively.

16. Class Shares:

TMC issued First Series Model AA Class Shares (the "Model AA Class Shares") on July 24, 2015. Presented below is additional information regarding the Model AA Class Shares:

Total number of shares issued	:	47,100,000 shares
Issue price	:	10,598 yen per share
Purchase price	:	10,121.09 yen per share
Voting rights	:	Model AA Class Shares shall have voting rights. The number of shares constituting one unit with respect to Model AA Class Shares shall be 100.
Restrictions on transfer	:	Model AA Class Shares shall have restrictions on transfer.
Dividends	:	(1) If the record date falls in the fiscal year ending on March 31, 2016 : 0.5% of the issue price (2) If the record date falls in the fiscal year ending on March 31, 2017 through March 31, 2020 : the annual dividend rate for the previous fiscal year plus 0.5% of the issue price (3) If the record date falls in the fiscal year ending on March 31, 2021 or later : 2.5% of the issue price
Shareholder's right	:	(1) Shareholder's conversion right into Common Shares Shareholders of the Model AA Class Shares may demand TMC to acquire all or a part of their Model AA Class Shares in exchange for Common Shares on the first business day of April and October of every year, starting October 1, 2020. (2) Shareholder's cash put option Shareholders of the Model AA Class Shares may demand TMC to acquire all or a part of their Model AA Class Shares in exchange for cash on the last business day of March, June, September and December of each year, starting on September 1, 2020.
TMC's right	:	TMC may acquire, on or after April 2, 2021, all of the outstanding Model AA Class Shares in exchange for cash.

The Model AA Class Shares will not be treated as shareholders' equity because the shareholders of the Model AA Class Shares will have cash put options and hence, the Model AA Class Shares will be reported as mezzanine equity, a separate line item between liabilities and shareholders' equity.

Unpaid dividends included in mezzanine equity as of March 31, 2018 and 2019 were ¥3,721 million and ¥4,969 million, respectively.

The difference between the issuance amount and initial carrying amount of the mezzanine equity is adjusted for accretion of the mezzanine equity over a period of time from the issuance date until the Class Shares can first be redeemed.

17. Shareholders' equity:

Changes in the number of shares of common stock issued have resulted from the following:

	For the years ended March 31,		
	2017	2018	2019
Common stock issued			
Balance at beginning of year	3,337,997,492	3,262,997,492	3,262,997,492
Issuance during the year	—	—	—
Purchase and retirement	(75,000,000)	—	—
Balance at end of year	3,262,997,492	3,262,997,492	3,262,997,492

Annual dividends per common share were ¥210, ¥220 and ¥220 for the years ended March 31, 2017, 2018 and 2019, respectively.

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.

The retained earnings reserve included in retained earnings as of March 31, 2018 and 2019 were ¥194,890 million and ¥198,605 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 ¥9,256,045 million and ¥9,958,581 million as of March 31, 2018 and 2019, 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, 2019 include amounts representing year-end cash dividends of ¥339,892 million, ¥120 per common share, which were resolved at the Meeting of the Board of Directors held on May 8, 2019.

Retained earnings at March 31, 2019 include ¥2,771,434 million relating to equity in undistributed earnings of affiliated companies accounted for by the equity method.

The repurchase, reissuance and retirement of treasury stock for the years ended March 31, 2017, 2018 and 2019 are as follows:

For the year ended March 31, 2017

Repurchase of treasury stock

Reason for repurchasing treasury stock -

The repurchase was made to return capital to shareholders in addition to promoting capital efficiency and agile capital policy in view of the business environment.

Details of matters relating to repurchase -

Number of common shares repurchased	116,555,700 shares
Total purchase price for repurchase of shares	¥699,986 million

Reissuance of treasury stock

Reason for reissuing treasury stock and details of matters relating to reissuance -

On August 1, 2016, the parent company implemented share exchange as a result of which the parent company became a wholly owning parent company and Daihatsu Motor Co., Ltd. ("Daihatsu") became a wholly owned subsidiary, and the parent company acquired additional shares of Daihatsu. As a result of this share exchange, the parent company issued 52,856,096 shares of treasury stock, treasury stock decreased by ¥283,561 million and gains on disposal of treasury stock occurred in the amount of ¥27,972 million. As a result, additional paid-in capital increased by ¥27,972 million. As a result of acquiring additional shares of Daihatsu, additional paid-in capital, noncontrolling interests and accumulated other comprehensive income (loss) decreased by ¥53,742 million, ¥255,565 million and ¥2,226 million, respectively.

Retirement of treasury stock

Reason for retiring treasury stock -

The retirement was made to relieve concerns regarding the dilution of common share value due to reissuance of treasury stock in the future.

Details of matters relating to retirement -

Number of common shares retired	75,000,000 shares

The amount on retirement of treasury stock was treated as a reduction in additional paid-in capital and retained earnings. As a result, treasury stock, additional paid-in capital and retained earnings decreased by ¥407,383 million, ¥27,374 million and ¥380,009 million, respectively.

For the year ended March 31, 2018

Repurchase of treasury stock

Reason for repurchasing treasury stock -

The repurchase was made to return capital to shareholders in addition to promoting capital efficiency and agile capital policy in view of the business environment.

Details of matters relating to repurchase -

Number of common shares repurchased	73,708,400 shares
Total purchase price for repurchase of shares	¥499,989 million

Reissuance of treasury stock

Reason for reissuing treasury stock -

On August 4, 2017, the parent company and Mazda Motor Corporation (Mazda) signed an agreement to enter a business and capital alliance, with the aim of further strengthening their lasting partnership. The parent company acquired common stock newly issued by Mazda through a third-party allotment. Mazda acquired the parent company's shares that were equivalent in value to the Mazda shares through a disposition of treasury stock involving a third-party allotment implemented by the parent company.

Details of matters relating to reissuance -

Number of common shares reissued	8,293,300 shares
Amount of proceeds	¥50,000 million

For the year ended March 31, 2019

Repurchase of treasury stock

Reason for repurchasing treasury stock -

The repurchase was made to return capital to shareholders in addition to promoting capital efficiency and agile capital policy in view of the business environment.

Details of matters relating to repurchase -

Number of common shares repurchased	77,622,700 shares
Total purchase price for repurchase of shares	¥549,986 million

18. 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, 2016	(499,055)	1,424,945	(315,122)	610,768
Other comprehensive income (loss) before reclassifications, net of taxes of ¥9,240 million, ¥(9,048) million, ¥(40,099) million and ¥(39,907) million	(57,926)	41,134	82,939	66,147
Reclassifications, net of taxes of ¥— million, ¥23,275 million, ¥(5,255) million and ¥18,020 million	—	(36,855)	10,373	(26,482)
Other comprehensive income (loss), net of tax	(57,926)	4,279	93,312	39,665
Less - Other comprehensive income attributable to noncontrolling interests	5,499	(12,281)	(503)	(7,285)
Equity transaction with noncontrolling interests and other	(8,626)	9,060	(2,660)	(2,226)
Balance at March 31, 2017	(560,108)	1,426,003	(224,973)	640,922
Other comprehensive income (loss) before reclassifications, net of taxes of ¥(3,624) million, ¥38,539 million, ¥(7,568) million and ¥27,347 million	(113,942)	(72,501)	15,814	(170,629)
Reclassifications, net of taxes of ¥— million, ¥9,729 million, ¥(2,500) million and ¥7,229 million	(6,664)	(22,058)	6,501	(22,221)
Other comprehensive income (loss), net of tax	(120,606)	(94,559)	22,315	(192,850)
Less - Other comprehensive income attributable to noncontrolling interests	1,629	(2,022)	(580)	(973)
Equity transaction with noncontrolling interests and other	—	162	(11,562)	(11,400)
Balance at March 31, 2018	(679,085)	1,329,584	(214,800)	435,699
Effect of change in accounting policy	105	(1,309,725)	—	(1,309,620)
Other comprehensive income (loss) before reclassifications, net of taxes of ¥8,703 million, ¥3,382 million, ¥25,795 million and ¥37,880 million	25,639	(6,139)	(62,288)	(42,788)
Reclassifications, net of taxes of ¥— million, ¥6,963 million, ¥(2,892) million and ¥4,071 million	1,377	(15,026)	7,452	(6,197)
Other comprehensive income (loss), net of tax	27,016	(21,165)	(54,836)	(48,985)
Less - Other comprehensive income attributable to noncontrolling interests	2,432	54	3,770	6,256
Balance at March 31, 2019	(649,532)	(1,252)	(265,866)	(916,650)

Reclassifications for the years ended March 31, 2017, 2018 and 2019 consist of the following:

	Yen in millions			
	For the years ended March 31,			Affected line items in the consolidated statements of income
	2017	2018	2019	
Foreign currency translation adjustments:				
	—	(6,664)	1,377	Other income (loss), net
	—	(6,664)	1,377	Income before income taxes and equity in earnings of affiliated companies
	—	(6,664)	1,377	Net income
Unrealized gains (losses) on securities:				
	(24,553)	(4,567)	1,243	Financing operations
	(3,572)	(25,247)	(22,374)	Foreign exchange gain, net
	(31,685)	(1,993)	(827)	Other income (loss), net
	(59,810)	(31,807)	(21,958)	Income before income taxes and equity in earnings of affiliated companies
	23,275	9,729	6,963	Provision for income taxes
	(320)	20	(31)	Equity in earnings of affiliated companies
	(36,855)	(22,058)	(15,026)	Net income
Pension liability adjustments:				
Recognized net actuarial loss	19,432	12,914	14,029	*1
Amortization of prior service costs	(3,804)	(3,913)	(3,685)	*1
	15,628	9,001	10,344	Income before income taxes and equity in earnings of affiliated companies
	(5,255)	(2,500)	(2,892)	Provision for income taxes
	10,373	6,501	7,452	Net income
Total reclassifications, net of tax	(26,482)	(22,221)	(6,197)	

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 20 to the consolidated financial statements for additional information.

19. 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.

There were no stock-based compensation expenses for stock options as selling, general and administrative expenses for the years ended March 31, 2017, 2018 and 2019, respectively.

The following table summarizes Toyota's stock option activity:

		Yen		Yen in millions
	Number of shares	Weighted-average exercise price	Weighted-average remaining contractual life in years	Aggregate intrinsic value
Options outstanding at March 31, 2016	2,093,500	3,858	1.56	4,384
Granted	—	—		
Exercised	(785,600)	4,006		
Canceled	(115,600)	4,682		
Options outstanding at March 31, 2017	1,192,300	3,682	0.80	2,813
Granted	—	—		
Exercised	(643,800)	3,726		
Canceled	(264,900)	4,154		
Options outstanding at March 31, 2018	283,600	3,153	0.33	1,041
Granted	—	—		
Exercised	(155,100)	3,156		
Canceled	(128,500)	3,153		
Options outstanding at March 31, 2019	—	—	—	—
Options exercisable at March 31, 2017	1,192,300	3,682	0.80	2,813
Options exercisable at March 31, 2018	283,600	3,153	0.33	1,041
Options exercisable at March 31, 2019	—	—	—	—

The total intrinsic value of options exercised for the years ended March 31, 2017, 2018 and 2019 was ¥1,632 million, ¥1,881 million and ¥618 million, respectively.

Cash received from the exercise of stock options for the years ended March 31, 2017, 2018 and 2019 was ¥3,147 million, ¥2,399 million and ¥490 million, respectively.

20. 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.

Information regarding Toyota's defined benefit plans is as follows:

	Yen in millions			
	March 31,			
	Japanese plans		Foreign plans	
	2018	2019	2018	2019
Change in benefit obligation				
Benefit obligation at beginning of year	1,930,498	2,019,310	1,026,024	1,097,981
Service cost	88,964	99,838	35,887	46,930
Interest cost	13,252	12,967	37,817	40,708
Plan participants' contributions	1,266	974	912	1,045
Plan amendments	(58)	(1,067)	(12)	13
Net actuarial (gain) loss	35,017	67,391	66,039	7,755
Acquisition and other	18,206	(20,786)	(26,616)	21,634
Benefits paid	(67,835)	(78,554)	(42,070)	(29,169)
Benefit obligation at end of year	2,019,310	2,100,073	1,097,981	1,186,897
Change in plan assets				
Fair value of plan assets at beginning of year	1,483,889	1,612,879	758,306	815,483
Actual return on plan assets	111,278	3,208	89,924	59,237
Acquisition and other	14,615	(13,705)	(16,009)	12,696
Employer contributions	42,095	41,276	20,961	18,952
Plan participants' contributions	1,266	974	912	1,045
Benefits paid	(40,264)	(44,141)	(38,611)	(24,629)
Fair value of plan assets at end of year	1,612,879	1,600,491	815,483	882,784
Funded status	406,431	499,582	282,498	304,113

Amounts recognized in the consolidated balance sheets as of March 31, 2018 and 2019 are comprised of the following:

	Yen in millions			
	March 31,			
	Japanese plans		Foreign plans	
	2018	2019	2018	2019
Accrued expenses (Accrued pension and severance costs)	27,718	34,298	2,982	3,234
Accrued pension and severance costs	647,134	657,380	284,048	306,026
Investments and other assets - Other (Prepaid pension and severance costs)	(268,421)	(192,096)	(4,532)	(5,147)
Net amount recognized	406,431	499,582	282,498	304,113

Amounts recognized in accumulated other comprehensive income (loss) as of March 31, 2018 and 2019 are comprised of the following:

	Yen in millions			
	March 31,			
	Japanese plans		Foreign plans	
	2018	2019	2018	2019
Net actuarial loss	(248,791)	(339,814)	(119,407)	(91,072)
Prior service costs	32,812	29,801	(1,826)	(1,612)
Net transition obligation	—	—	—	—
Net amount recognized	(215,979)	(310,013)	(121,233)	(92,684)

The accumulated benefit obligation for all defined benefit pension plans was ¥1,959,533 million and ¥2,040,344 million in Japanese plans, ¥1,023,094 million and ¥1,120,453 million in Foreign plans at March 31, 2018 and 2019, 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	
	2018	2019	2018	2019
Projected benefit obligation	833,080	872,867	490,844	535,630
Accumulated benefit obligation	806,774	847,017	468,611	515,918
Fair value of plan assets	170,234	198,315	201,402	215,006

Components of the net periodic pension cost are as follows:

	Yen in millions					
	For the years ended March 31,					
	Japanese plans			Foreign plans		
	2017	2018	2019	2017	2018	2019
Service cost	89,443	88,964	99,838	41,733	35,887	46,930
Interest cost	8,800	13,252	12,967	35,593	37,817	40,708
Expected return on plan assets	(33,524)	(36,409)	(38,551)	(38,893)	(41,048)	(37,530)
Amortization of prior service costs	(4,148)	(4,226)	(3,904)	344	313	219
Recognized net actuarial loss	14,298	7,462	6,927	5,134	5,452	7,102
Amortization of net transition obligation	—	—	—	—	—	—
Net periodic pension cost	74,869	69,043	77,277	43,911	38,421	57,429

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		
	2017	2018	2019	2017	2018	2019
Net actuarial gain (loss)	93,859	39,852	(102,734)	13,647	(17,163)	13,952
Recognized net actuarial loss	14,298	7,462	6,927	5,134	5,452	7,102
Prior service costs	21	58	1,067	996	12	(13)
Amortization of prior service costs	(4,148)	(4,226)	(3,904)	344	313	219
Amortization of net transition obligation	—	—	—	—	—	—
Other	811	(7,979)	4,610	1,962	9,004	7,289
Total recognized in other comprehensive income (loss)	104,841	35,167	(94,034)	22,083	(2,382)	28,549

"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, 2017, 2018 and 2019.

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, 2020 are ¥ (3,400) million and ¥10,100 million in Japanese plans, ¥200 million and ¥4,500 million in Foreign plans , respectively.

Weighted-average assumptions used to determine benefit obligations as of March 31, 2018 and 2019 are as follows:

	March 31,			
	Japanese plans		Foreign plans	
	2018	2019	2018	2019
Discount rate	0.7%	0.6%	3.9%	3.8%
Rate of compensation increase	3.3%	3.1%	3.6%	3.5%

As of March 31, 2018 and 2019, 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, 2017, 2018 and 2019 are as follows:

	For the years ended March 31,					
	Japanese plans			Foreign plans		
	2017	2018	2019	2017	2018	2019
Discount rate	0.5%	0.7%	0.7%	4.2%	4.0%	3.9%
Expected return on plan assets	2.4%	2.4%	2.4%	6.1%	6.0%	5.6%
Rate of compensation increase	2.7%	2.9%	3.3%	3.9%	3.8%	3.6%

During the years ended March 31, 2017, 2018 and 2019, 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.

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 40% 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 50% of the plan assets is invested in equity securities, approximately 40% 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, 2018 and 2019. See note 28 to the consolidated financial statements for three levels of input which are used to measure fair value.

Japanese plans

	Yen in millions			
	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Equity securities				
Common stocks	620,281	—	—	620,281
Commingled funds	—	202,816	—	202,816
	620,281	202,816	—	823,097
Debt securities				
Government bonds	88,959	—	—	88,959
Commingled funds	—	284,870	—	284,870
Other	—	36,567	19	36,586
	88,959	321,437	19	410,415
Insurance contracts	—	201,141	—	201,141
Other	41,446	61,301	—	102,747
Investments measured at net asset value	—	—	—	75,479
Total	750,686	786,695	19	1,612,879

	Yen in millions			
	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Equity securities				
Common stocks	531,159	—	—	531,159
Commingled funds	—	192,012	—	192,012
	531,159	192,012	—	723,171
Debt securities				
Government bonds	98,578	—	—	98,578
Commingled funds	—	286,783	—	286,783
Other	—	54,652	—	54,652
	98,578	341,435	—	440,013
Insurance contracts	—	226,093	—	226,093
Other	84,208	38,439	4,242	126,889
Investments measured at net asset value	—	—	—	84,325
Total	713,945	797,979	4,242	1,600,491

Foreign plans

	Yen in millions			
	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Equity securities				
Common stocks	178,476	—	—	178,476
Commingled funds	—	197,566	—	197,566
	178,476	197,566	—	376,042
Debt securities				
Government bonds	89,928	—	—	89,928
Commingled funds	—	11,642	—	11,642
Other	—	35,032	—	35,032
	89,928	46,674	—	136,602
Insurance contracts	—	—	—	—
Other	12,487	18,107	31,288	61,882
Investments measured at net asset value	—	—	—	240,957
Total	280,891	262,347	31,288	815,483

	Yen in millions			
	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Equity securities				
Common stocks	123,875	—	—	123,875
Commingled funds	—	215,386	—	215,386
	123,875	215,386	—	339,261
Debt securities				
Government bonds	141,054	—	—	141,054
Commingled funds	—	—	—	—
Other	—	164,877	—	164,877
	141,054	164,877	—	305,931
Insurance contracts	—	—	—	—
Other	10,292	24,810	27,903	63,005
Investments measured at net asset value	—	—	—	174,587
Total	275,221	405,073	27,903	882,784

Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

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. Japanese stocks and foreign stocks represent 76% and 24% (as of March 31, 2018) and 73% and 27% (as of March 31, 2019) of common stocks, respectively, in Japanese plans. Common stocks include mainly foreign stocks as of March 31, 2018 and 2019 in Foreign plans.

Quoted market prices for identical securities are used to measure fair value of government bonds. Japanese government bonds and foreign government bonds represent 29% and 71% (as of March 31, 2018) and 33% and 67% (as of March 31, 2019) of government bonds, respectively, in Japanese plans. Government bonds include mainly foreign government bonds as of March 31, 2018 and 2019 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 by the NAV.

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 by the NAV.

The following tables summarize the changes in Level 3 plan assets measured at fair value for the years ended March 31, 2017, 2018 and 2019:

Japanese plans

	Yen in millions								
	For the years ended March 31,								
	2017			2018			2019		
	Debt securities	Other	Total	Debt securities	Other	Total	Debt securities	Other	Total
Balance at beginning of year	146	2,518	2,664	81	496	577	19	—	19
Actual return on plan assets	—	(11)	(11)	—	(4)	(4)	—	(164)	(164)
Purchases, sales and settlements	(65)	(2,011)	(2,076)	(62)	(492)	(554)	(19)	—	(19)
Other	—	—	—	—	—	—	—	4,406	4,406
Balance at end of year	81	496	577	19	—	19	—	4,242	4,242

Foreign plans

	Yen in millions		
	For the years ended March 31,		
	2017	2018	2019
	Other	Other	Other
Balance at beginning of year	30,758	30,903	31,288
Actual return on plan assets	279	2,024	(4,784)
Purchases, sales and settlements	—	—	—
Other	(134)	(1,639)	1,399
Balance at end of year	30,903	31,288	27,903

Toyota expects to contribute ¥40,124 million in Japanese plans and ¥14,330 million in Foreign plans to its pension plans in the year ending March 31, 2020.

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Yen in millions	
Years ending March 31,	Japanese plans	Foreign plans
2020	78,333	26,350
2021	79,217	27,750
2022	82,638	29,423
2023	86,906	31,281
2024	90,064	33,094
from 2025 to 2029	455,028	190,987
Total	872,186	338,885

Postretirement benefits other than pensions and postemployment benefits -

Toyota's U.S. subsidiaries provide certain health care and life insurance benefits to eligible retired employees. In addition, Toyota provides benefits to certain former or inactive employees after employment, but before retirement. These benefits are provided through various insurance companies, health care providers and others. The costs of these benefits are recognized over the period the employee provides credited service to Toyota. Toyota's obligations under these arrangements are not material.

21. Derivative financial instruments:

Toyota employs derivative financial instruments, including foreign exchange forward 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. Toyota does not use derivatives for speculation or trading.

Fair value hedges -

Toyota enters into interest rate swaps and interest rate currency swap agreements mainly to convert its fixed-rate debt to variable-rate debt. Toyota uses interest rate swap agreements in managing interest rate risk exposure. Interest rate swap agreements are executed as either an integral part of specific debt transactions or on a portfolio basis. Toyota uses interest rate currency swap agreements to hedge exposure to currency exchange rate fluctuations on principal and interest payments for borrowings denominated in foreign currencies. Notes and loans payable issued in foreign currencies are hedged by concurrently executing interest rate currency swap agreements, which involve the exchange of foreign currency principal and interest obligations for each functional currency obligations at agreed-upon currency exchange and interest rates.

For the years ended March 31, 2017, 2018 and 2019, the ineffective portion of Toyota's fair value hedge relationships was not material. For fair value hedging relationships, the components of each derivative's gain or loss are included in the assessment of hedge effectiveness.

Undesignated derivative financial instruments -

Toyota uses foreign exchange forward contracts, foreign currency options, interest rate swaps, interest rate currency swap agreements, and interest rate options, to manage its exposure to foreign currency exchange rate fluctuations and interest rate fluctuations from an economic perspective, and for some of which Toyota is unable to or has elected not to apply hedge accounting.

Fair value and gains or losses on derivative financial instruments -

The following table summarizes the fair values of derivative financial instruments as of March 31, 2018 and 2019:

	Yen in millions	
	March 31,	
	2018	2019
Derivative assets		
Derivative financial instruments designated as hedging instruments		
Interest rate and currency swap agreements		
Prepaid expenses and other current assets	154	—
Investments and other assets - Other	668	—
Total	822	—
Undesignated derivative financial instruments		
Interest rate and currency swap agreements		
Prepaid expenses and other current assets	46,425	74,971
Investments and other assets - Other	175,635	114,642
Total	222,060	189,613
Foreign exchange forward and option contracts		
Prepaid expenses and other current assets	34,922	10,720
Investments and other assets - Other	—	—
Total	34,922	10,720
Total derivative assets	257,804	200,333
Counterparty netting	(97,617)	(89,364)
Collateral received	(92,146)	(46,590)
Carrying value of derivative assets	68,041	64,379
Derivative liabilities		
Derivative financial instruments designated as hedging instruments		
Interest rate and currency swap agreements		
Other current liabilities	—	—
Other long-term liabilities	—	—
Total	—	—
Undesignated derivative financial instruments		
Interest rate and currency swap agreements		
Other current liabilities	(34,716)	(28,911)
Other long-term liabilities	(158,830)	(189,157)
Total	(193,546)	(218,068)
Foreign exchange forward and option contracts		
Other current liabilities	(3,610)	(13,847)
Other long-term liabilities	—	—
Total	(3,610)	(13,847)
Total derivative liabilities	(197,156)	(231,915)
Counterparty netting	97,617	89,364
Collateral posted	55,650	110,159
Carrying value of derivative liabilities	(43,889)	(32,392)

The following table summarizes the notional amounts of derivative financial instruments as of March 31, 2018 and 2019:

	Yen in millions			
	March 31,			
	2018		2019	
	Designated derivative financial instruments	Undesignated derivative financial instruments	Designated derivative financial instruments	Undesignated derivative financial instruments
Interest rate and currency swap agreements	12,643	19,895,085	—	21,001,883
Foreign exchange forward and option contracts	—	2,731,534	—	4,005,578
Total	12,643	22,626,619	—	25,007,461

The following table summarizes the gains and losses on derivative financial instruments and hedged items reported in the consolidated statements of income for the years ended March 31, 2017, 2018 and 2019:

	Yen in millions					
	For the years ended March 31,					
	2017		2018		2019	
	Gains or (losses) on derivative financial instruments	Gains or (losses) on hedged items	Gains or (losses) on derivative financial instruments	Gains or (losses) on hedged items	Gains or (losses) on derivative financial instruments	Gains or (losses) on hedged items
Derivative financial instruments designated as hedging instruments						
Interest rate and currency swap agreements						
Cost of financing operations	(339)	1,212	782	(227)	(822)	799
Undesignated derivative financial instruments						
Interest rate and currency swap agreements						
Cost of financing operations	(61,884)		42,220		(18,433)	
Foreign exchange gain (loss), net	12,516		30,339		37,124	
Foreign exchange forward and option contracts						
Cost of financing operations	2,614		6,442		2,240	
Foreign exchange gain (loss), net	81,614		73,115		(69,826)	

Undesignated derivative financial instruments are used to manage economic risks of fluctuations in foreign currency exchange rates and interest rates of certain receivables and payables. Those economic risks are offset by changes in the fair value of undesignated derivative financial instruments.

Cash flows from transactions of derivative financial instruments are included in cash flows from operating activities in the consolidated statements of cash flows.

Credit risk related contingent features -

Toyota enters into International Swaps and Derivatives Association Master Agreements with counterparties. These Master Agreements contain a provision requiring either Toyota or the counterparty to settle the contract or to post assets to the other party in the event of a ratings downgrade below a specified threshold.

The aggregate fair value amount of derivative financial instruments that contain credit risk related contingent features that are in a net liability position after being offset by cash collateral as of March 31, 2019 is ¥4,126 million. The aggregate fair value amount of assets that are already posted as cash collateral as of March 31, 2019 is ¥105,460 million. If the ratings of Toyota decline below specified thresholds, the maximum amount of assets to be posted or for which Toyota could be required to settle the contracts is ¥4,126 million as of March 31, 2019.

22. Other financial instruments:

Toyota has certain financial instruments, including financial assets and liabilities which arose in the normal course of business. These financial instruments are executed with creditworthy financial institutions, and virtually all foreign currency contracts are denominated in U.S. dollars, euros and other currencies of major developed countries. Financial instruments involve, to varying degrees, market risk as instruments are subject to price fluctuations, and elements of credit risk in the event a counterparty should default. In the unlikely event the counterparties fail to meet the contractual terms of a foreign currency or an interest rate instrument, Toyota's risk is limited to the fair value of the instrument. Although Toyota may be exposed to losses in the event of non-performance by counterparties on financial instruments, it does not anticipate significant losses due to the nature of its counterparties. Counterparties to Toyota's financial instruments represent, in general, international financial institutions. Additionally, Toyota does not have a significant exposure to any individual counterparty. Toyota believes that the overall credit risk related to its financial instruments is not significant.

The following table summarizes the estimated fair values of Toyota's financial instruments, excluding marketable securities, other securities investments, investments and other assets in affiliated companies and derivative financial instruments. See note 28 to the consolidated financial statements for three levels of input which are used to measure fair value.

	Yen in millions				
	March 31, 2018				
		Estimated fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Assets (Liabilities)					
Cash and cash equivalents	3,052,269	2,278,060	774,209	—	3,052,269
Time deposits	901,244	—	901,244	—	901,244
Total finance receivables, net	14,508,614	—	—	14,615,409	14,615,409
Other receivables	489,338	—	—	489,338	489,338
Short-term borrowings	(5,154,913)	—	(5,154,913)	—	(5,154,913)
Long-term debt including the current portion	(14,172,025)	—	(12,265,260)	(1,940,888)	(14,206,148)

	Yen in millions				
	March 31, 2019				
		Estimated fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Assets (Liabilities)					
Cash and cash equivalents	3,574,704	2,980,504	594,200	—	3,574,704
Time deposits	1,126,352	—	1,126,352	—	1,126,352
Total finance receivables, net	15,450,745	—	—	15,668,542	15,668,542
Other receivables	568,156	—	—	568,156	568,156
Short-term borrowings	(5,344,973)	—	(5,285,807)	(59,166)	(5,344,973)
Long-term debt including the current portion	(14,786,184)	—	(12,786,541)	(1,833,623)	(14,620,164)

Cash and cash equivalents and time deposits -

In the normal course of business, substantially all cash and cash equivalents and time deposits are highly liquid and are carried at amounts which approximate fair value due to its short duration. Cash equivalents and time deposits include negotiable certificate of deposit measured at fair value on a recurring basis. Where money market funds produce a daily net asset value in an active market, this value is used to determine the fair value of the fund investment, and the investment is classified in Level 1. All other types of cash and cash equivalents and time deposits are classified in Level 2.

Finance receivables, net -

The fair values of finance receivables are estimated by discounting expected cash flows to present value using internal assumptions, including prepayment speeds, expected credit losses and collateral value. Certain impaired finance receivables are measured at fair value on a nonrecurring basis based on collateral values.

As unobservable inputs are utilized, finance receivables are classified in Level 3.

Other receivables -

Other receivables are short-term receivables. These receivables are carried at amounts which approximate fair value, and the difference between the carrying amount and the fair value is not material. These receivables are classified in Level 3.

Short-term borrowings and long-term debt -

The fair values of short-term borrowings and long-term debt including the current portion, except for secured loans provided by securitization transactions using special-purpose entities, are estimated based on the discounted amounts of future cash flows using Toyota's current borrowing rates for similar liabilities. As these inputs are observable, these debts are classified in Level 2.

The fair values of the secured loans provided by securitization transactions are estimated based on current market rates and credit spreads for debt with similar maturities. Internal assumptions including prepayment speeds and expected credit losses are used to estimate the timing of cash flows to be paid on the underlying securitized assets. As these valuations utilize unobservable inputs, the secured loans are classified in Level 3. See note 11 to the consolidated financial statements for information regarding the secured loans.

23. Lease commitments:

Toyota leases certain assets under capital lease and operating lease arrangements.

An analysis of leased assets under capital leases is as follows:

	Yen in millions	
	March 31,	
	2018	2019
Class of property		
Building	17,934	18,519
Machinery and equipment	31,217	28,836
Less - Accumulated depreciation	(30,853)	(30,016)
	18,298	17,339

Amortization expenses under capital leases for the years ended March 31, 2017, 2018 and 2019 were ¥4,586 million, ¥5,541 million and ¥7,879 million, respectively.

Future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of March 31, 2019 are as follows:

Years ending March 31,	Yen in millions
2020	6,536
2021	3,988
2022	2,301
2023	2,081
2024	1,919
Thereafter	5,947
Total minimum lease payments	22,772
Less - Amount representing interest	(3,751)
Present value of net minimum lease payments	19,021
Less - Current obligations	(5,747)
Long-term capital lease obligations	13,274

Rental expenses under operating leases for the years ended March 31, 2017, 2018 and 2019 were ¥92,321 million, ¥112,934 million and ¥115,503 million, respectively.

The minimum rental payments required under operating leases relating primarily to land, buildings and equipment having initial or remaining non-cancelable lease terms in excess of one year at March 31, 2019 are as follows:

Years ending March 31,	Yen in millions
2020	16,078
2021	13,396
2022	11,862
2023	10,219
2024	8,034
Thereafter	32,598
Total minimum future rentals	92,187

24. Other commitments and contingencies, concentrations and factors that may affect future operations:

Commitments -

Commitments outstanding as of March 31, 2019 for the purchase of property, plant and equipment, other assets and services totaled ¥363,319 million.

Guarantees -

Toyota enters into contracts with Toyota 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 maturity of installment payments, and as of March 31, 2019, range from 1 month to 35 years; however, they are generally shorter than the useful lives of products sold. Toyota is required to execute its guarantee primarily when customers are unable to make required payments.

The maximum potential amount of future payments as of March 31, 2019 is ¥3,078,955 million. Liabilities for guarantees totaling ¥8,921 million have been provided as of March 31, 2019. Under these guarantee contracts, Toyota is entitled to recover any amount paid by Toyota from the customers whose original obligations Toyota has guaranteed.

Legal proceedings -

From time-to-time, Toyota issues vehicle recalls and takes other safety measures including safety campaigns relating to its vehicles. Since 2009, 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.

Personal injury and wrongful death claims involving allegations of unintended acceleration are still pending in several consolidated proceedings 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 33 economic loss class action lawsuits in the United States, which, together with similar lawsuits against Takata and other automakers, have been made part of a multi-district litigation proceeding in the United States District Court for the Southern District of Florida, arising out of allegations that airbag inflators manufactured by Takata are defective. Toyota has reached a settlement with the plaintiffs in the United States economic loss class actions. The court approved the settlement on October 31, 2017, and the subsequent appeals have been withdrawn, making the settlement final. The economic loss class action lawsuits against Toyota have been dismissed. Toyota and other automakers have also been named in certain class actions filed in Mexico, Canada, Australia, Israel and Brazil, as well as some other actions by states or territories of the United States. Those actions have not been settled and are being litigated.

Toyota self-reported a process gap in fulfilling certain emissions defect information reporting requirements of the U.S. Environmental Protection Agency ("EPA") and California Air Resources Board, including updates on its repair completion rates for recalled emissions components and certain other reports concerning emissions related defects. Toyota is involved in discussions with the EPA and the Civil Division of the Southern District of New York ("SDNY") on this reporting issue. These agencies have requested certain follow-up information regarding this reporting issue, and Toyota is cooperating with the request.

Toyota also has various other pending legal actions and claims, including without limitation personal injury and wrongful death lawsuits and claims in the United States, and is subject to government investigations from-time-to-time.

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 cash flows.

The parent company has a concentration of labor supply in employees working under collective bargaining agreements and a substantial portion of these employees are working under the agreement that will expire on December 31, 2020.

25. Segment data:

The operating segments reported below are the segments of Toyota for which separate financial information is available and for which operating income/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance.

The major portions of Toyota's operations on a worldwide basis are derived from the Automotive and Financial Services business segments. The Automotive segment designs, manufactures and distributes sedans, minivans, compact cars, sport-utility vehicles, trucks and related parts and accessories. The Financial Services segment consists primarily of financing, and vehicle leasing operations to assist in the merchandising of the parent company and its affiliated companies products as well as other products. The All Other segment includes the design, manufacturing and sales of housing, telecommunications and other businesses.

The following tables present certain information regarding Toyota's industry or geographic segments and overseas revenues by destination as of and for the years ended March 31, 2017, 2018 and 2019.

Segment operating results and assets -

As of and for the year ended March 31, 2017:

	Yen in millions				
	Automotive	Financial Services	All Other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Net revenues					
Sales to external customers	25,032,229	1,783,697	781,267	—	27,597,193
Inter-segment sales and transfers	49,618	39,903	539,785	(629,306)	—
Total	25,081,847	1,823,600	1,321,052	(629,306)	27,597,193
Operating expenses	23,388,874	1,601,172	1,239,725	(626,950)	25,602,821
Operating income	1,692,973	222,428	81,327	(2,356)	1,994,372
Assets	16,156,496	22,507,613	2,170,498	7,915,579	48,750,186
Investment in equity method investees	2,745,437	9,792	—	90,193	2,845,422
Depreciation expenses	912,797	671,155	26,998	—	1,610,950
Capital expenditure	1,293,564	2,182,149	53,710	12,014	3,541,437

As of and for the year ended March 31, 2018:

	Yen in millions				
	Automotive	Financial Services	All Other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Net revenues					
Sales to external customers	26,347,229	1,959,234	1,073,047	—	29,379,510
Inter-segment sales and transfers	50,711	57,774	573,071	(681,556)	—
Total	26,397,940	2,017,008	1,646,118	(681,556)	29,379,510
Operating expenses	24,386,805	1,731,462	1,545,306	(683,925)	26,979,648
Operating income	2,011,135	285,546	100,812	2,369	2,399,862
Assets	17,054,209	23,055,981	2,178,118	8,019,941	50,308,249
Investment in equity method investees	3,054,583	11,713	—	96,415	3,162,711
Depreciation expenses	976,735	723,061	34,237	—	1,734,033
Capital expenditure	1,381,122	2,166,805	62,447	(11,667)	3,598,707

As of and for the year ended March 31, 2019:

	Yen in millions				
	Automotive	Financial Services	All Other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Net revenues					
Sales to external customers	27,034,492	2,120,343	1,070,846	—	30,225,681
Inter-segment sales and transfers	44,585	33,204	605,531	(683,320)	—
Total	27,079,077	2,153,547	1,676,377	(683,320)	30,225,681
Operating expenses	25,040,193	1,830,726	1,570,839	(683,622)	27,758,136
Operating income	2,038,884	322,821	105,538	302	2,467,545
Assets	17,799,376	24,044,700	2,125,271	7,967,602	51,936,949
Investment in equity method investees	3,215,856	12,172	—	85,675	3,313,703
Depreciation expenses	997,312	758,847	36,216	—	1,792,375
Capital expenditure	1,520,366	2,165,609	66,075	(13,163)	3,738,887

Geographic information -

As of and for the year ended March 31, 2017:

	Yen in millions						
	Japan	North America	Europe	Asia	Other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Net revenues							
Sales to external customers	8,798,903	10,033,419	2,517,601	4,279,617	1,967,653	—	27,597,193
Inter-segment sales and transfers	6,031,965	205,672	163,438	540,204	193,421	(7,134,700)	—
Total	14,830,868	10,239,091	2,681,039	4,819,821	2,161,074	(7,134,700)	27,597,193
Operating expenses	13,628,623	9,927,897	2,693,283	4,384,642	2,102,380	(7,134,004)	25,602,821
Operating income (loss)	1,202,245	311,194	(12,244)	435,179	58,694	(696)	1,994,372
Assets	14,791,969	17,365,237	2,846,469	4,486,021	2,819,935	6,440,555	48,750,186
Long-lived assets	3,376,157	5,274,928	313,182	828,619	404,223	—	10,197,109

As of and for the year ended March 31, 2018:

	Yen in millions						
	Japan	North America	Europe	Asia	Other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Net revenues							
Sales to external customers	9,273,672	10,347,266	2,940,243	4,497,374	2,320,955	—	29,379,510
Inter-segment sales and transfers	6,751,172	227,144	244,981	650,765	132,344	(8,006,406)	—
Total	16,024,844	10,574,410	3,185,224	5,148,139	2,453,299	(8,006,406)	29,379,510
Operating expenses	14,364,926	10,435,511	3,110,198	4,714,940	2,340,636	(7,986,563)	26,979,648
Operating income	1,659,918	138,899	75,026	433,199	112,663	(19,843)	2,399,862
Assets	15,797,024	16,936,704	3,346,179	4,893,582	2,986,661	6,348,099	50,308,249
Long-lived assets	3,511,663	5,179,139	359,355	797,435	420,081	—	10,267,673

As of and for the year ended March 31, 2019:

	Yen in millions						
	Japan	North America	Europe	Asia	Other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Net revenues							
Sales to external customers	9,520,148	10,585,934	3,055,654	4,832,392	2,231,553	—	30,225,681
Inter-segment sales and transfers	7,105,213	231,313	183,197	680,639	101,890	(8,302,252)	—
Total	16,625,361	10,817,247	3,238,851	5,513,031	2,333,443	(8,302,252)	30,225,681
Operating expenses	14,933,686	10,702,732	3,113,983	5,055,542	2,242,333	(8,290,140)	27,758,136
Operating income	1,691,675	114,515	124,868	457,489	91,110	(12,112)	2,467,545
Assets	16,465,702	17,452,216	3,872,301	5,176,990	3,067,270	5,902,470	51,936,949
Long-lived assets	3,607,843	5,469,262	453,921	729,494	424,974	—	10,685,494

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

Revenues are attributed to geographies based on the country location of the parent company or the subsidiary that transacted the sale with the external customer.

There are no any individually material countries with respect to revenues, and long-lived assets included in other foreign countries.

Unallocated amounts included in assets represent assets held for corporate purposes, which mainly consist of cash and cash equivalents and marketable securities and other securities investments. Such corporate assets were ¥9,177,953 million, ¥9,386,399 million and ¥9,329,020 million, as of March 31, 2017, 2018 and 2019, respectively.

Transfers between industry or geographic segments are made at terms and conditions in the ordinary course of business. In measuring the reportable segments' income or losses, operating income consists of revenue less operating expenses.

Overseas revenues by destination -

The following information shows revenues that are attributed to countries based on location of customers, excluding customers in Japan. In addition to the disclosure requirements under U.S.GAAP, Toyota discloses this information in order to provide financial statements users with valuable information.

	Yen in millions		
	For the years ended March 31,		
	2017	2018	2019
North America	10,054,431	10,403,647	10,675,298
Europe	2,341,364	2,730,915	2,873,737
Asia	4,414,236	4,793,110	5,355,991
Other	3,923,621	4,186,666	3,944,854

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

Certain financial statements data on non-financial services and financial services businesses -

The financial data below presents separately Toyota's non-financial services and financial services businesses.

Balance sheets -

	Yen in millions	
	March 31,	
	2018	2019
Assets		
Non-Financial Services Businesses		
Current assets		
Cash and cash equivalents	2,390,524	2,790,212
Marketable securities	1,546,459	1,108,540
Trade accounts and notes receivable, less allowance for doubtful accounts	2,304,676	2,489,105
Inventories	2,539,497	2,656,396
Prepaid expenses and other current assets	1,818,687	2,118,922
Total current assets	10,599,843	11,163,175
Investments and other assets	11,861,394	11,643,209
Property, plant and equipment	5,901,958	6,178,503
Total Non-Financial Services Businesses assets	28,363,195	28,984,887
Financial Services Business		
Current assets		
Cash and cash equivalents	661,745	784,492
Marketable securities	221,901	18,620
Finance receivables, net	6,348,306	6,647,771
Prepaid expenses and other current assets	957,122	997,116
Total current assets	8,189,074	8,447,999
Noncurrent finance receivables, net	9,481,618	10,281,118
Investments and other assets	1,019,574	808,592
Property, plant and equipment	4,365,715	4,506,991
Total Financial Services Business assets	23,055,981	24,044,700
Eliminations	(1,110,927)	(1,092,638)
Total assets	50,308,249	51,936,949

Assets in the non-financial services include unallocated corporate assets.

	Yen in millions	
	March 31,	
	2018	2019
Liabilities		
Non-Financial Services Businesses		
Current liabilities		
Short-term borrowings	541,968	579,901
Current portion of long-term debt	179,994	173,379
Accounts payable	2,556,393	2,616,143
Accrued expenses	2,980,981	3,075,411
Income taxes payable	429,616	300,703
Other current liabilities	1,797,724	1,755,737
Total current liabilities	8,486,676	8,501,274
Long-term liabilities		
Long-term debt	642,691	784,256
Accrued pension and severance costs	917,133	948,377
Other long-term liabilities	1,111,843	1,059,237
Total long-term liabilities	2,671,667	2,791,870
Total Non-Financial Services Businesses liabilities	11,158,343	11,293,144
Financial Services Business		
Current liabilities		
Short-term borrowings	4,929,478	5,113,888
Current portion of long-term debt	4,053,538	4,127,133
Accounts payable	40,251	39,187
Accrued expenses	145,127	161,105
Income taxes payable	32,711	20,295
Other current liabilities	870,634	997,842
Total current liabilities	10,071,739	10,459,450
Long-term liabilities		
Long-term debt	9,574,118	9,974,516
Accrued pension and severance costs	14,049	15,029
Other long-term liabilities	678,858	722,279
Total long-term liabilities	10,267,025	10,711,824
Total Financial Services Business liabilities	20,338,764	21,171,274
Eliminations	(1,110,934)	(1,092,679)
Total liabilities	30,386,173	31,371,739
Mezzanine equity	491,974	498,073
Total Toyota Motor Corporation shareholders' equity	18,735,982	19,348,152
Noncontrolling interests	694,120	718,985
Total shareholders' equity	19,430,102	20,067,137
Total liabilities, mezzanine equity and shareholders' equity	50,308,249	51,936,949

Statements of income -

	Yen in millions		
	For the years ended March 31,		
	2017	2018	2019
Non-Financial Services Businesses			
Net revenues	25,845,453	27,448,165	28,133,676
Costs and expenses			
Cost of revenues	21,557,194	22,613,450	23,400,550
Selling, general and administrative	2,511,647	2,721,362	2,591,249
Total costs and expenses	24,068,841	25,334,812	25,991,799
Operating income	1,776,612	2,113,353	2,141,877
Other income (expense), net	200,370	222,326	(161,608)
Income before income taxes and equity in earnings of affiliated companies	1,976,982	2,335,679	1,980,269
Provision for income taxes	562,452	738,763	580,031
Equity in earnings of affiliated companies	360,130	467,718	357,527
Net income	1,774,660	2,064,634	1,757,765
Less - Net income attributable to noncontrolling interests	(89,337)	(89,533)	(97,500)
Net income attributable to Toyota Motor Corporation - Non-Financial Services Businesses	1,685,323	1,975,101	1,660,265
Financial Services Business			
Net revenues	1,823,600	2,017,008	2,153,547
Costs and expenses			
Cost of revenues	1,221,268	1,320,348	1,418,636
Selling, general and administrative	379,904	411,114	412,090
Total costs and expenses	1,601,172	1,731,462	1,830,726
Operating income	222,428	285,546	322,821
Other income (expense), net	(5,618)	(794)	(17,658)
Income before income taxes and equity in earnings of affiliated companies	216,810	284,752	305,163
Provision for income taxes	66,583	(234,356)	79,903
Equity in earnings of affiliated companies	1,930	2,365	2,539
Net income	152,157	521,473	227,799
Less - Net income attributable to noncontrolling interests	(6,518)	(2,589)	(5,214)
Net income attributable to Toyota Motor Corporation - Financial Services Business	145,639	518,884	222,585
Eliminations	147	(2)	23
Net income attributable to Toyota Motor Corporation	1,831,109	2,493,983	1,882,873

Statements of cash flows -

	Yen in millions			Yen in millions		
	For the year ended March 31, 2017			For the year ended March 31, 2018		
	Non-Financial Services Businesses	Financial Services Business	Consolidated	Non-Financial Services Businesses	Financial Services Business	Consolidated
Cash flows from operating activities						
Net income	1,774,660	152,157	1,926,985	2,064,634	521,473	2,586,106
Adjustments to reconcile net income to net cash provided by operating activities						
Depreciation	939,795	671,155	1,610,950	1,010,972	723,061	1,734,033
Provision (reversal) for doubtful accounts and credit losses	6,519	92,147	98,666	(74)	76,143	76,069
Pension and severance costs, less payments	21,796	1,457	23,253	5,027	(741)	4,286
Losses on disposal of fixed assets	30,461	212	30,673	35,010	279	35,289
Unrealized losses (gains) on marketable securities	4,422	2,651	7,073	459	387	846
Deferred income taxes	(59,668)	6,504	(53,299)	64,143	(302,103)	(237,961)
Equity in earnings of affiliated companies	(360,130)	(1,930)	(362,060)	(467,718)	(2,365)	(470,083)
Changes in operating assets and liabilities, and other	206,455	258,091	286,247	205,434	312,828	494,543
Net cash provided by operating activities	2,564,310	1,182,444	3,568,488	2,917,887	1,328,962	4,223,128
Cash flows from investing activities						
Additions to finance receivables	—	(22,894,114)	(13,636,694)	—	(25,153,088)	(15,058,516)
Collection of and proceeds from sales of finance receivables	—	22,006,010	12,927,981	—	24,117,335	14,046,312
Additions to fixed assets excluding equipment leased to others	(1,206,738)	(17,140)	(1,223,878)	(1,276,788)	(14,329)	(1,291,117)
Additions to equipment leased to others	(152,550)	(2,165,009)	(2,317,559)	(155,114)	(2,152,476)	(2,307,590)
Proceeds from sales of fixed assets excluding equipment leased to others	40,189	1,049	41,238	70,755	1,065	71,820
Proceeds from sales of equipment leased to others	72,659	1,165,619	1,238,278	63,402	1,147,870	1,211,272
Purchases of marketable securities and security investments	(2,104,202)	(412,806)	(2,517,008)	(2,273,805)	(779,111)	(3,052,916)
Proceeds from sales of and maturity of marketable securities and security investments	1,435,267	466,274	1,901,541	1,762,189	761,349	2,523,538
Payment for additional investments in affiliated companies, net of cash acquired	44,274	—	44,274	(576)	—	(576)
Changes in investments and other assets, and other	582,649	(60,345)	571,888	260,015	(106,597)	197,681
Net cash used in investing activities	(1,288,452)	(1,910,462)	(2,969,939)	(1,549,922)	(2,177,982)	(3,660,092)
Cash flows from financing activities						
Proceeds from issuance of long-term debt	111,727	4,541,541	4,603,446	212,387	4,666,579	4,793,939
Payments of long-term debt	(82,840)	(3,773,644)	(3,845,554)	(170,072)	(4,314,294)	(4,452,338)
Increase (decrease) in short-term borrowings	51,523	233,331	273,037	(122,222)	461,052	347,738
Dividends paid to Toyota Motor Corporation class shareholders	(3,697)	—	(3,697)	(6,194)	—	(6,194)
Dividends paid to Toyota Motor Corporation common shareholders	(634,475)	—	(634,475)	(620,698)	—	(620,698)
Dividends paid to noncontrolling interests	(63,936)	—	(63,936)	(63,764)	—	(63,764)
Reissuance (repurchase) of treasury stock	(703,986)	—	(703,986)	(447,818)	—	(447,818)
Net cash provided by (used in) financing activities	(1,325,684)	1,001,228	(375,165)	(1,218,381)	813,337	(449,135)
Effect of exchange rate changes on cash and cash equivalents and restricted cash and cash equivalents	(11,262)	(2,224)	(13,486)	(16,124)	(27,464)	(43,588)
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	(61,088)	270,986	209,898	133,460	(63,147)	70,313
Cash and cash equivalents and restricted cash and cash equivalents at beginning of year	2,318,152	621,276	2,939,428	2,257,064	892,262	3,149,326
Cash and cash equivalents and restricted cash and cash equivalents at end of year	2,257,064	892,262	3,149,326	2,390,524	829,115	3,219,639

	Yen in millions		
	For the year ended March 31, 2019		
	Non-Financial Services Businesses	Financial Services Business	Consolidated
Cash flows from operating activities			
Net income	1,757,765	227,799	1,985,587
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	1,033,528	758,847	1,792,375
Provision (reversal) for doubtful accounts and credit losses	(1,375)	81,440	80,065
Pension and severance costs, less payments	30,477	1,168	31,645
Losses on disposal of fixed assets	33,676	2,226	35,902
Unrealized losses (gains) on marketable securities	338,626	846	339,472
Deferred income taxes	(110,346)	23,742	(86,594)
Equity in earnings of affiliated companies	(357,527)	(2,539)	(360,066)
Changes in operating assets and liabilities, and other	(17,488)	15,557	(51,789)
Net cash provided by operating activities	2,707,336	1,109,086	3,766,597
Cash flows from investing activities			
Additions to finance receivables	—	(26,000,249)	(15,884,610)
Collection of and proceeds from sales of finance receivables	—	24,925,930	14,859,103
Additions to fixed assets excluding equipment leased to others	(1,435,964)	(16,761)	(1,452,725)
Additions to equipment leased to others	(137,314)	(2,148,848)	(2,286,162)
Proceeds from sales of fixed assets excluding equipment leased to others	63,955	1,482	65,437
Proceeds from sales of equipment leased to others	60,657	1,324,417	1,385,074
Purchases of marketable securities and security investments	(1,737,107)	(103,248)	(1,840,355)
Proceeds from sales of and maturity of marketable securities and security investments	2,255,635	443,163	2,698,798
Payment for additional investments in affiliated companies, net of cash acquired	5,010	—	5,010
Changes in investments and other assets, and other	(268,946)	(4,130)	(246,811)
Net cash used in investing activities	(1,194,074)	(1,578,244)	(2,697,241)
Cash flows from financing activities			
Proceeds from issuance of long-term debt	286,085	4,747,506	5,000,921
Payments of long-term debt	(142,556)	(4,336,250)	(4,442,232)
Increase (decrease) in short-term borrowings	49,161	144,277	164,282
Dividends paid to Toyota Motor Corporation class shareholders	(8,690)	—	(8,690)
Dividends paid to Toyota Motor Corporation common shareholders	(636,116)	—	(636,116)
Dividends paid to noncontrolling interests	(69,367)	—	(69,367)
Reissuance (repurchase) of treasury stock	(549,637)	—	(549,637)
Net cash provided by (used in) financing activities	(1,071,120)	555,533	(540,839)
Effect of exchange rate changes on cash and cash equivalents and restricted cash and cash equivalents	(42,454)	813	(41,641)
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	399,688	87,188	486,876
Cash and cash equivalents and restricted cash and cash equivalents at beginning of year	2,390,524	829,115	3,219,639
Cash and cash equivalents and restricted cash and cash equivalents at end of year	2,790,212	916,303	3,706,515

26. Net revenues

Summary by business segments and products -

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

	Yen in millions
	For the year ended March 31, 2019
Sales of products	
Automotive	
Vehicles	23,066,190
Parts and components for overseas production	625,483
Parts and components for after service	2,093,437
Other	1,249,382
Total automotive	27,034,492
All other	1,070,846
Total sales of products	28,105,338
Financial services	2,120,343
Total net revenues	30,225,681

The majority of sales of products are revenues recognized from contracts with customers based on ASC 606 "Revenue from Contracts with customers," and receivables related to such revenues are recognized as "Trade accounts and notes receivable, less allowance for doubtful accounts." For the year ended March 31, 2019, ¥84,230 million of financial service revenues were accounted for under ASU 2014-09.

Contract liabilities -

Contract liabilities consist of the following:

	Yen in millions	
	April 1, 2018	March 31, 2019
Contract liabilities	519,422	675,018

Contract liabilities are mainly related to advances received from customers. On the consolidated financial statements, contract liabilities are included in "Other current liabilities" or "Other long-term liabilities". For the year ended March 31, 2019, the amount of revenue recognized which was included in the contract liability balance as of April 1, 2018 was ¥336,206 million.

Performance obligations -

As of March 31, 2019, which is the end of the reporting period, the aggregate amount of transaction price allocated to unsatisfied performance obligations related to contracts that have original expected durations in excess of one year was ¥553,218 million.

The main contents of unsatisfied performance obligations related to contracts are insurance revenues and maintenance revenues.

For insurance revenues, we receive the payment agreed upon in the contract at the inception of the contract, and revenue is recognized over the term of the contract, which ranges from 3 to 120 months. As of March 31, 2019, the unsatisfied performance obligations related to insurance revenues was ¥212,384 million, and we expect to recognize as revenue ¥63,611 million in fiscal 2020, and ¥148,773 million thereafter.

For maintenance revenues, we receive the payment agreed upon in the contract at the inception of the contract, and revenue is recognized over the term of the contract, which ranges from 18 to 84 months.

Unsatisfied performance obligations for sales of products related to contracts that have an original expected duration of one year or less have been excluded from this disclosure.

27. Per share amounts:

Reconciliations of the differences between basic and diluted net income attributable to Toyota Motor Corporation per common share for the years ended March 31, 2017, 2018 and 2019 are as follows:

	Yen in millions	Thousands of shares	Yen
	Net income attributable to Toyota Motor Corporation	Weighted-average common shares	Net income attributable to Toyota Motor Corporation per common share
For the year ended March 31, 2017			
Net income attributable to Toyota Motor Corporation	1,831,109		
Accretion to Mezzanine equity	(4,849)		
Dividends to Toyota Motor Corporation Model AA Class Shareholders	(4,946)		
Basic net income attributable to Toyota Motor Corporation per common share	1,821,314	3,008,088	605.47
Effect of dilutive securities			
Model AA Class Shares	9,795	47,100	
Assumed exercise of dilutive stock options	(6)	638	
Diluted net income attributable to Toyota Motor Corporation per common share	1,831,103	3,055,826	599.22
For the year ended March 31, 2018			
Net income attributable to Toyota Motor Corporation	2,493,983		
Accretion to Mezzanine equity	(4,849)		
Dividends to Toyota Motor Corporation Model AA Class Shareholders	(7,442)		
Basic net income attributable to Toyota Motor Corporation per common share	2,481,692	2,947,365	842.00
Effect of dilutive securities			
Model AA Class Shares	12,291	47,100	
Assumed exercise of dilutive stock options	(4)	301	
Diluted net income attributable to Toyota Motor Corporation per common share	2,493,979	2,994,766	832.78
For the year ended March 31, 2019			
Net income attributable to Toyota Motor Corporation	1,882,873		
Accretion to Mezzanine equity	(4,850)		
Dividends to Toyota Motor Corporation Model AA Class Shareholders	(9,938)		

	Yen in millions	Thousands of shares	Yen
	Net income attributable to Toyota Motor Corporation	Weighted-average common shares	Net income attributable to Toyota Motor Corporation per common share
Basic net income attributable to Toyota Motor Corporation per common share	1,868,085	2,871,534	650.55
Effect of dilutive securities			
Model AA Class Shares	14,788	47,100	
Assumed exercise of dilutive stock options	(0)	40	
Diluted net income attributable to Toyota Motor Corporation per common share	1,882,873	2,918,674	645.11

In addition to the disclosure requirements under U.S.GAAP, Toyota discloses the information below in order to provide financial statements users with valuable information.

The following table shows Toyota Motor Corporation shareholders' equity per share as of March 31, 2018 and 2019. Toyota Motor Corporation shareholders' equity per share amounts are calculated by dividing Toyota Motor Corporation shareholders' equities' amount at the end of each period by the number of shares issued and outstanding, excluding treasury stock at the end of the corresponding period.

	Yen in millions	Thousands of shares	Yen
	Toyota Motor Corporation shareholders' equity	Common shares issued and outstanding at the end of the year (excluding treasury stock)	Toyota Motor Corporation shareholders' equity per share
As of March 31, 2018	18,735,982	2,909,924	6,438.65
As of March 31, 2019	19,348,152	2,832,439	6,830.92

28. Fair value measurements:

In accordance with U.S.GAAP, Toyota classifies fair value into three levels of input as follows which are used to measure it.

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; valuation of assets or liabilities using inputs, other than quoted prices, that are observable

Level 3: Valuation of assets or liabilities using unobservable inputs which reflect the reporting entity's assumptions

The following table summarizes the fair values of the assets and liabilities measured at fair value on a recurring basis as of March 31, 2018 and 2019. Transfers between levels of the fair value are recognized at the end of their respective reporting periods:

	Yen in millions			
	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	44,897	774,209	—	819,106
Time deposits	—	400,000	—	400,000
Marketable securities and other securities investments				
Public and corporate bonds	4,778,019	1,523,227	7,488	6,308,734
Common stocks	2,582,115	—	—	2,582,115
Other	169,282	50,746	—	220,028
Investments measured at net asset value	—	—	—	516,951
Derivative financial instruments	—	257,795	9	257,804
Total	7,574,313	3,005,977	7,497	11,104,738
Liabilities				
Derivative financial instruments	—	(194,935)	(2,221)	(197,156)
Total	—	(194,935)	(2,221)	(197,156)

	Yen in millions			
	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	249,193	594,200	—	843,393
Time deposits	—	520,000	—	520,000
Marketable securities and other securities investments				
Public and corporate bonds	4,378,543	1,452,475	15,171	5,846,189
Common stocks	2,154,951	—	—	2,154,951
Other	189,389	6,007	—	195,396
Investments measured at net asset value	—	—	—	98,451
Derivative financial instruments	—	200,256	77	200,333
Total	6,972,076	2,772,938	15,248	9,858,713
Liabilities				
Derivative financial instruments	—	(231,915)	—	(231,915)
Total	—	(231,915)	—	(231,915)

Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

The following is description of the assets and liabilities measured at fair value, information about the valuation techniques used to measure fair value, key inputs and significant assumptions:

Cash equivalents and time deposits -

Cash equivalents include money market funds and other investments with original maturities of three months or less. Cash equivalents classified in Level 2 include negotiable certificate of deposit with original maturities of three months or less. These are measured at fair value using primarily observable interest rates in the market. Time deposits consist of negotiable certificates of deposit with original maturities over three months. These are measured at fair value using primarily observable interest rates in the market.

Marketable securities and other securities investments -

Marketable securities and other securities investments include public and corporate bonds, common stocks and other investments. Public and corporate bonds include government bonds. Japanese bonds and foreign bonds including U.S., European and other bonds represent 16% and 84% (as of March 31, 2018) and 17% and 83% (as of March 31, 2019) of public and corporate bonds, respectively. Listed stocks on the Japanese stock markets represent 93% and 91% of common stocks as of March 31, 2018 and 2019, respectively. Toyota uses primarily quoted market prices for identical assets to measure fair value of these securities.

Derivative financial instruments -

See note 21 to the consolidated financial statements about derivative financial instruments. Toyota primarily 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. The usage of these models does not require significant judgment to be applied. These derivative financial instruments are classified in Level 2. 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. Toyota assesses the reasonableness of changes of the quotes using observable market data. These derivative financial instruments are classified in Level 3. Toyota's derivative fair value measurements consider assumptions about counterparty and Toyota's own non-performance risk, using such as credit default probabilities.

The following table summarizes the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the periods ended March 31, 2017, 2018 and 2019:

	Yen in millions		
	For the year ended March 31, 2017		
	Marketable securities and other securities investments	Derivative financial instruments	Total
Balance at beginning of year	10,334	2,849	13,183
Total gains (losses)			
Included in income (loss)	(16)	(7,310)	(7,326)
Included in other comprehensive income (loss)	60	—	60
Purchases and issuances	1,126	—	1,126
Settlements	(2,282)	(2,693)	(4,975)
Other	(275)	(368)	(643)
Balance at end of year	8,947	(7,522)	1,425

	Yen in millions		
	For the year ended March 31, 2018		
	Marketable securities and other securities investments	Derivative financial instruments	Total
Balance at beginning of year	8,947	(7,522)	1,425
Total gains (losses)			
Included in income (loss)	17	805	822
Included in other comprehensive income (loss)	(12)	—	(12)
Purchases and issuances	3,860	—	3,860
Settlements	(4,739)	4,320	(419)
Other	(585)	185	(400)
Balance at end of year	7,488	(2,212)	5,276

	Yen in millions		
	For the year ended March 31, 2019		
	Marketable securities and other securities investments	Derivative financial instruments	Total
Balance at beginning of year	7,488	(2,212)	5,276
Total gains (losses)			
Included in income (loss)	1	3,169	3,170
Included in other comprehensive income (loss)	82	—	82
Purchases and issuances	5,254	—	5,254
Settlements	(2,875)	(784)	(3,659)
Other	337	(96)	241
Balance at end of year	10,287	77	10,364

"Included in income (loss)" in marketable securities and other securities investments and derivative financial instruments are included in "Other income (loss), net" and "Cost of financing operations" in the accompanying consolidated statements of income, respectively.

In the reconciliation table above, derivative financial instruments are presented net of assets and liabilities. "Other" includes the currency translation adjustments for the years ended March 31, 2017, 2018 and 2019.

As of March 31, 2019, the Level 3 assets and liabilities measured at fair value on a recurring basis are not significant.

Certain assets and liabilities are measured at fair value on a nonrecurring basis. During the years ended March 31, 2018 and 2019, Toyota measured certain finance receivables at fair value of ¥45,492 million and ¥58,611 million based on the collateral value, resulting in loss of ¥4,190 million and loss of ¥3,305 million, respectively. This fair value measurement on a nonrecurring basis is classified in Level 3. See note 22 to the consolidated financial statements for the fair value measurement. These Level 3 financial assets are not significant.

29. Significant subsequent events:

At the Meeting of the Board of Directors held on May 9, 2019, Toyota resolved to conclude contracts aimed toward the establishment of a new joint venture ("Prime Life Technologies Corporation" or "joint venture") related to a town development business with Panasonic Corporation.

Toyota will make Toyota Housing Corporation and Misawa Homes Co., Ltd. its wholly-owned subsidiaries and thereafter will transfer all of the outstanding shares of those two subsidiaries to the joint venture by a joint share transfer. Management is evaluating the impact of this agreement on Toyota's consolidated financial statements.

ITEM 19. EXHIBITS

Index to Exhibits

1.1	Amended and Restated Articles of Incorporation of the Registrant (English translation) (incorporated by reference to Exhibit 1.1 to Toyota's Annual Report on Form 20-F for the fiscal year ended March 31, 2015, filed with the SEC on June 24, 2015 (file no. 001-14948))
1.2	Amended and Restated Regulations of the Board of Directors of the Registrant (English translation)
1.3	Amended and Restated Regulations of the Audit & Supervisory Board of the Registrant (English translation) (incorporated by reference to Exhibit 1.3 to Toyota's Annual Report on Form 20-F for the fiscal year ended March 31, 2016, filed with the SEC on June 24, 2016 (file no. 001-14948))
2.1	Amended and Restated Share Handling Regulations of the Registrant (English translation) (incorporated by reference to Exhibit 2.1 to Toyota's Annual Report on Form 20-F for the fiscal year ended March 31, 2015, filed with the SEC on June 24, 2015 (file no. 001-14948))
2.2	Form of Deposit Agreement among the Registrant, The Bank of New York (predecessor of The Bank of New York Mellon), as depositary, and the owners and beneficial owners from time to time of American Depositary Receipts, including the form of American Depositary Receipt (incorporated by reference to Exhibit 1 to Toyota's Registration Statement on Form F-6, filed with the SEC on November 7, 2006 (file no. 333-138477))
2.3	Form of ADR (included in Exhibit 2.2)
2.4	Description of Securities
8.1	List of Principal Subsidiaries (See "Organizational Structure" in "Item 4. Information on the Company")
11.1	Code of Ethics of the Registrant applicable to its members of the board of directors and operating officers, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions (English translation)
12.1	Certifications of the Registrant's President and Executive Vice President, both Members of the Board, pursuant to Section 302 of the Sarbanes-Oxley Act
13.1	Certifications of the Registrant's President and Executive Vice President, both Members of the Board, pursuant to Section 906 of the Sarbanes-Oxley Act
15.1	Consent of Independent Registered Public Accounting Firm
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

TOYOTA MOTOR CORPORATION

By: /s/ Masayoshi Shirayanagi

Name: **Masayoshi Shirayanagi**
Title: **Operating Officer**

Date: June 21, 2019

For reference purpose only

Exhibit 1.2

(TRANSLATION)

REGULATIONS OF THE BOARD OF DIRECTORS OF TOYOTA MOTOR CORPORATION

Established: February 27, 1952
As last amended on June 1, 2019
(Aa004-26)

Article 1. (Regulations of the Board of Directors)

Except as provided for in laws, ordinances or the Articles of Incorporation, matters relating to the Board of Directors of Toyota Motor Corporation (the "Company") shall be governed by the provisions of these Regulations.

Article 2. (Purpose and Composition)

1. The Board of Directors shall be composed of all the Members of the Board of Directors and shall make decisions on the execution of business, supervise the execution of the duties of Members of the Board of Directors, and designate and dismiss the Representative Directors.
2. Audit & Supervisory Board Members shall be present and, whenever necessary, give their opinions at a meeting of the Board of Directors.
3. The Board of Directors is able to request Operating Officers and other members admitted by the Chairman to be present and give explanation or comment. However, Operating Officers and other members admitted by the Chairman are not able to participate in resolutions.

Article 3. (Person to Convene Meeting and Notice of Meeting)

1. A meeting of the Board of Directors shall be convened by the Chairman of the Board of Directors or the President, Member of the Board of Directors. In the event that the positions of both the Chairman of the Board of Directors and the President, Member of the Board of Directors are vacant or that both of them are prevented from convening, such meeting shall be convened by the Vice Chairman of the Board of Directors, or other Members of the Board of Directors in that order and according to their rank, if there are multiple persons holding the same position.
2. Notice of convening a meeting of the Board of Directors shall be dispatched to each Member of the Board of Directors and each Audit & Supervisory Board Member at least three (3) days before the date of the meeting. In the case of urgency, however, such period may be shortened.
3. A meeting of the Board of Directors may be held without following the convening procedure, if consented to by all the Members of the Board of Directors and the Audit & Supervisory Board Members.

Article 4. (Chairmanship and Method of Adopting Resolutions)

1. The Chairman of the Board of Directors or the President, Member of the Board of Directors shall preside as chairman at a meeting of the Board of Directors. In the event that the positions of both the Chairman of the Board of Directors and the President, Member of the Board of Directors are vacant or that both of them are prevented from so presiding as chairman, the Vice Chairman of the Board of Directors or other Members of the Board of Directors shall preside as chairman in that order and according to their rank in the case that there are multiple persons holding the same position.

2. Resolutions of the Board of Directors shall be adopted at meetings at which a majority of the Members of the Board of Directors who are entitled to vote shall be present, by a majority of the Members of the Board of Directors so present.
3. With respect to matters to be resolved by the Board of Directors, the Company shall deem that such matters were approved by a resolution of the Board of Directors when all the Members of the Board of Directors express their agreement in writing or by electronic records. Provided, however, that this provision shall not apply when any Audit & Supervisory Board Member expresses his/her objection to such matters.
4. With respect to matters to be reported to the Board of Directors, Members of the Board of Directors, Audit & Supervisory Board Members or Accounting Auditors shall not be required to report such matters to the Board of Directors when such matters are notified to all the Members of the Board of Directors and Audit & Supervisory Board Members.

Article 5. (Matters to be Resolved)

The following matters shall be subject to the resolution of the Board of Directors:

(1) Matters provided for in the Corporation Act or other laws or ordinances;

(2) Matters provided for in the Articles of Incorporation;

(3) Matters delegated to the Board of Directors by resolution of a general meeting of shareholders; and

(4) Other important managerial matters.

Article 6. (Matters to Be Reported)

Members of the Board of Directors shall report to the Board of Directors on the following matters:

(1) State of execution of business and such other matters as are provided for in the Corporation Act or other laws or ordinances; and

(2) Such other matters as the Board of Directors may deem necessary.

Article 7. (Meetings and Minutes)

1. A meeting of the Board of Directors shall be held in Japanese, minutes shall be prepared each time a meeting of the Board of Directors is held and such minutes shall be kept on file at the head office for ten years.
2. Minutes shall set forth matters provided for in the laws or ordinances and the Members of the Board of Directors and Audit & Supervisory Board Members present shall sign or affix their names and seals thereto.
3. Minutes shall be prepared in Japanese.

Article 8. (TMC Executives' Meeting)

1. The Board of Directors shall establish TMC Executives' meeting in which important matters are discussed in order to enhance efficiency and effectiveness of decision-making on management and execution of the company.
2. Matters related to the establishment, function changes, and abolition of TMC Executives' meeting shall be submitted to the Board of Directors.

Supplementary Provisions

Article 1. (Effective Date)

These Regulations shall become effective as of June 1, 2019.

Article 2. (Amendment to Regulations)

Any amendment to these Regulations shall be made by a resolution of the Board of Directors.

MATTERS TO BE SUBMITTED TO THE BOARD OF DIRECTORS

General Rules of the "Matters To Be Submitted To The Board of Directors" (this "List")

1. Pursuant to Article 5(1), (2) and (3) of the Regulations of the Board of Directors, matters and items defined in I-1, 2 and 3 of this List shall, without fail, be submitted to the Board of Directors.

2. In addition, pursuant to Article 5(4) of the Regulations of the Board of Directors, for matters and items defined in I-4 of this List, materiality must be appropriately judged and matters must be submitted accordingly to the Board of Directors.

3. Materiality shall be determined by the Executive(s) and others responsible for their divisions and for the accounting areas,* taking into consideration "submission standards," "special rules," "definitions" and "explanations" in this List. If the amount of transaction does not meet the submission standards at first, but there occurs a possibility that it may exceed such standards later on, such transaction shall be submitted to the Board of Directors at the time such possibility arises.

4. Pursuant to Article 6 of the Regulations of the Board of Directors, matters and items defined in II of this List shall be reported to the Board of Directors without delay.

* Business Unit/Company President or Executive Vice President, or Chief Officer / Chief Executive Officer or Deputy Chief Officer (TMC Executives' meeting : Chairman of applicable meetings / Divisions not belonging to a group: Operating Officer or Executive General Manager responsible for the applicable division)

Standard for re-submission

If material changes are made to a matter previously submitted to the Board of Directors (such as 20% or more of increase in the amount approved by the Board of Directors), such matter shall be re-submitted to the Board of Directors.

I. Matters to be Resolved:

1. Matters provided for in the Companies Act or other laws or ordinances:

Classifications	Items	Relevant Articles of Applicable Law
		Companies Act
Shares; stock acquisition rights:	Fixing the record date	Article 124
	Acquisition of the Company's own shares held by its subsidiaries	Article 163
	Cancellation of the Company's own shares	Article 178
	Share-splits	Article 183
	Free Allotment of shares	Article 186
	Reduction of the number of shares constituting one unit (*tangen*) of shares or abolition of the provisions which define such number	Article 195
	Auction of shares held by shareholders whose whereabouts are unknown	Article 197
	Issuance of new shares	Article 201
	Disposition of the Company's own shares	Article 201

Classifications	Items	Relevant Articles of Applicable Law
	Approval of undertaking a contract for the total number of shares of subscription or similar ones with transfer restrictions	Articles 205 and 244
	Issuance of stock acquisition rights	Article 240
	Approval of transferring stock acquisition rights with transfer restrictions	Article 265
	Acquisition of stock acquisition rights with acquisition clause	Articles 273 and 274
	Cancellation of stock acquisition rights	Article 276
General meetings of shareholders:	Free Allotment of stock acquisition rights	Article 278
	Convening of a general meeting of shareholders	Article 298
Board of Directors; Members of the Board of Directors:	Designation and dismissal of Representative Directors	Article 362
	Approval of Members of the Board of Directors' competing transactions	Article 365
	Approval of Members of the Board of Directors' transactions for their own account	Article 365
	Approval of Members of the Board of Directors' transactions involving conflict of interests	Article 365
Accounts:	Approval of financial statements, business reports and the accompanying detailed statements	Article 436
	Approval of extraordinary financial statements	Article 441
	Approval of consolidated financial statements	Article 444
	Reduction in the amount of capital (with conditions)	Article 447
	Reduction in the amount of reserves (with conditions)	Article 448
Bonds:	Offering of bonds	Article 362
	Issuance of bonds with stock acquisition rights	Article 240
Others:	Disposition and acquisition of important property*1	Article 362
	Borrowing of a large amount of money	Article 362
	Appointment and removal of managers and other important employees	Article 362
	Establishment, alteration and abolition of branch offices and other important organizations	Article 362

Classifications	Items	Relevant Articles of Applicable Law
	Development of a system to ensure the appropriateness of business operations of the Company and business group consisting of the parent company and subsidiaries	Article 362
	Other important business execution	Article 362

2. Matters provided for in the Articles of Incorporation:

Classifications	Items	Relevant Articles of the Articles of Incorporation
Shares:	Acquisition of Company's own shares	Articles 7 and 46
	Acquisition of shares with acquisition clause	Article 19
	Selection of registration agent and its location of business	Article 9
	Amendment to the Share Handling Regulations	Article 10
	Approval of transferring shares with transfer restrictions	Article 21
General meeting of shareholders:	The order in which to assume chairmanship of a general meeting of shareholders	Article 25
Board of Directors; Members of the Board of Directors:	Appointment and removal of Members of the Board of Directors with specific titles	Article 33
	Amendment to the Regulations of the Board of Directors	Article 32
	Exemption of Members of the Board of Directors from their liabilities	Article 35
Audit & Supervisory Board Members:	Exemption of Audit & Supervisory Board Members from their liabilities	Article 42
Accounts:	Distribution of interim dividends from surplus	Article 46
	Reduction in the amount of reserves	Article 46
	Other disposition of surplus	Article 46
	Distribution of dividends from surplus	Article 46
Others:	Appointment of Honorary Chairman and Senior Advisor	Article 34

3. Matters delegated to the Board of Directors by resolution of a general meeting of shareholders:

Classifications	Items
Shares:	Acquisition of Company's own shares
	Issuance of new shares or stock acquisition rights on favorable conditions
Others:	Other matters delegated to the Board of Directors

4. Other important managerial matters:

Classifications	Items
Management:	Business Plan (profit planning, Hoshin Guideline, etc.)
	Important business alliances and important joint ventures
	Launching of new projects
	Short-form and simplified corporate splits
	Short-form and simplified share exchanges
	Simplified acquisition of an entire business of another company
	Approval of interim and quarterly accounts
	Approval of consolidated accounts (including interim and quarterly accounts)
	Decision on filing, appealing or closing important disputes
	Establishment, changes in functions, and abolition of TMC Executives' meeting
	Other important matters
Personnel affairs; organization:	Members of the Board of Directors, Operating Officers, and "senior professional/ senior management" (*kanbushoku*) assumption of offices in other companies (in the case of new offices in listed companies only)
	Members of the Board of Directors and Operating Officers' assumption of offices in important associations (in the case of new offices only)
	Assignment of Members of the Board of Directors and Operating Officers to take charge of group, field, plant, technical center and any other organizations similar thereto (Excluding changes in the same organization)
	Treatment and discipline relating to Members of the Board of Directors and Operating Officers
	Appointment and removal of Operating Officers
	Appointment and removal of Senior Technical Executive (*gikan*) and Advisor (*komon*)
	Approval of Operating Officers' competing transactions
	Approval of Operating Officers' transactions for their own account
	Approval of Operating Officers' transactions involving conflict of interests
	Changes in important working conditions
	Other important matters
Production; Sales; Technology development:	Long-term or annual production, shipment or sales plans
	Long-term or annual equipment plans
	Licensing, acquisition or transfer of important intellectual property rights
	Other important matters
Group management:	Incorporation, dissolution, acquisition and transfer of subsidiaries
	Important group managerial matters
	Other important matters
Others:	Other important managerial matters

II. Matters to be reported:

Items	Relevant Articles of Applicable Law
	Companies Act
State of execution of business	Article 363
Important facts about a competing transaction	Article 365
Important facts about any Member of the Board of Director's transactions for his/her own accounts	Article 365
Important facts about any transactions involving conflict of interests	Article 365
Members of the Board of Directors, Operating Officers and "senior professional/senior management" (*kanbushoku*) retirement from offices in other companies (Listed companies only)	
Members of the Board of Directors and Operating Officers' retirement from offices in important associations	
Audit & Supervisory Board Members' assumption (in the case of new offices only) and retirement from offices in other companies (Listed companies only)	
Audit & Supervisory Board Members' assumption (in the case of new offices only) and retirement from offices in important associations	
Monthly production/shipment/sales results	
Important matters, such as incorporation of subsidiaries by a joint venture company	
Management status of a system to ensure the appropriateness of business operations of the Company and business group consisting of the parent company and subsidiaries	Article 362
Other important matters	

1. Out of "I. Matters to be Resolved" of the "Matters to be Submitted to the Board of Directors", the matters described in "Others" in "1. Matters provided for in the Companies Act or other laws or ordinances" shall be submitted to the Board of Directors in accordance with the standards contained in this Appendix 1.

Appendix 1

Items		Standard
(1)	Disposition and acquisition of important property:	
1	purchase and disposition of land (excluding land for business use)	5,000,000,000 Yen*2 or more per transaction
2	acquisition and transfer of leaseholds	5,000,000,000 Yen*3 or more per transaction
3	investments (excluding fund management investments)	5,000,000,000 Yen*4 or more per transaction
4	capital expenditure (excluding model change and renewal of aging assets)	30,000,000,000 Yen*5 or more per transaction

Items			Standard
	5	loans (excluding renewal of bills and notes, and loans as part of financial business)	5,000,000,000 Yen*6 or more per transaction, or loans outstanding of 5,000,000,000 Yen*6 or more per company
	6	discharge of debts	200,000,000 Yen or more per transaction
	7	donations (excluding those via Japan Automobile Manufacturers Association, Inc.)	200,000,000 Yen or more per transaction
(2)	Disposition and Acquisition of important property		Important matters will be submitted at the initial phase (overview, the maximum amount of money, etc.). Discussion of overall project (delegation of operational details). Multiple year appropriation is allowed if necessary. (Report is required.)
(3)	Borrowings of large amounts of money:		
	1	borrowing	5,000,000,000 Yen or more per transaction
	2	guarantee of obligations	5,000,000,000 Yen*7 or more per transaction, or outstanding guarantee of obligation of 5,000,000,000 Yen*6 or more per company
(4)	Appointment and removal of managers and other important employees		Assignment of "senior professional/senior management" (*kanbushoku*) to take charge of group, field, plant, technical center and any other organizations similar thereto (excluding transfers within the same organization) Appointment of operating officers at membership companies (limited liability company, etc.) and limited liability partnerships, and removal of operating officers at such companies*8
(5)	Establishment, alteration and abolition of branch offices and other important organizations		Establishment, alteration and abolition of group, field, plant, technical center and any other similar organizations

(*1) Purchase and disposition of land

In the case where any of the acquisition price, book value, or transaction price is 5,000,000,000 Yen or more per transaction, a submission shall be required.

(*2) Definition of "leaseholds"

"Leasehold" is a right which is obtained by a temporary payment of concession money as a setup fee for leasehold, when leasing land for the purpose of owning buildings (excluding parking space, etc.).

(*3) Special rules regarding "investment"

(I) Even if the amount is below 5,000,000,000 Yen, if the conditions match either of the following, a submission shall be required.

(i) Investment made to subsidiaries which were insolvent as of the end of the most recent closing date of accounts or those anticipated to become insolvent during their current fiscal period.

(ii) Investment made to companies other than the subsidiaries.

(II) Notwithstanding (I) above, such submission may be omitted by the decision(s) of the Executive(s) and others responsible for their divisions and for the accounting areas, in the case where the amount of investment is below 2,000,000,000 Yen.

(III) After the investment is made, if such investment comes to fall under (i) or (ii) in (I) above, whether or not to submit such matter to the Board of Directors shall be decided by the responsible Executive(s) and others as defined in (II) above.

(*4) Capital expenditure

1 Explanation of "capital expenditure"

The main coverage of this item shall be those such as the construction of new factories, production lines, buildings and sales bases, among others, which change the structure of business and may possibly pose new management risks.

2 Special rules regarding "capital expenditure"

(I) Even if the amount is below 30,000,000,000 Yen, if new factories are constructed, a submission shall be required.

(II) In making a submission, attention shall be made to show a project overall picture such as vehicles and unit components.

(*5) Special rules regarding "loans"

(I) Even if the amount is below 5,000,000,000 Yen, if the conditions match any of the following, a submission shall be required.

(i) Loans made available to companies which were insolvent as at the end of the most recent closing date of accounts or those anticipated to become insolvent during their current fiscal period (whether or not such finance is directed to the subsidiaries).

(ii) Loans made available to companies (excluding the subsidiaries) which have their head office located in countries or areas having a country risk rating below A.

(iii) Unsecured loans made available to companies other than the subsidiaries.

(II) Notwithstanding (I) above, such submission may be omitted by the decision(s) of the Executive(s) and others responsible for their divisions and for the accounting areas, in the case where amounts of loans and loans outstanding are below 2,000,000,000 Yen.

(III) After the loan is made available, if such loan comes to fall under (i), (ii) or (iii) in (I) above, whether or not to submit such matter to the Board of Directors shall be decided by the responsible Executive(s) and others as defined in (II) above.

(*6) Special rules regarding "guarantee of obligations"

(I) Even if the amount is below 5,000,000,000 Yen, if the conditions match either of the following, a submission shall be required.

(i) Guarantee of obligation made to subsidiaries which were insolvent as at the end of the most recent closing date of accounts or those anticipated to become insolvent during their current fiscal period.

(ii) Guarantee of obligation made to companies other than the subsidiaries.

(II) Notwithstanding (I) above, such submission may be omitted by the decision(s) of the Executive(s) and others responsible for their divisions and for the accounting areas, in the case where amounts of guarantee of obligation and outstanding guarantee of obligation are below 2,000,000,000 Yen.

(III) After the guarantee of obligation is made, if such guarantee comes to fall under (i) or (ii) in (I) above, whether or not to submit such matter to the Board of Directors shall be decided by the responsible Executive(s) and others as defined in (II) above.

(*7) Special rules regarding "membership companies (limited liability company, etc.) and limited liability partnerships"

(I) An overall business plan must be submitted when a membership company (LLC, etc.) and LLP is established or investment is newly made.

(II) If material changes are made to a business plan previously submitted to a meeting of the Board of Directors, such matters shall be re-submitted to a meeting of the Board of Directors.

2. Out of "I. Matters to be Resolved" of the "Matters to be Submitted to the Board of Directors", the matters relating to "Management" in "4. Other important managerial matters" shall be submitted to the Board of Directors in accordance with the standards contained in this Appendix 2.

Appendix 2

Items	Standard
(1) Business Plan (profit planning, Hoshin Guideline, etc.):	
1 Definition of "Business Plan"	
(1) "profit planning"	Short-term profit planning (revenue, capital expenditure, R&D cost, etc.), Sales and Production Plan, (initial annual plan, etc.), Mid-tem profit planning, Vision, etc.
(2) "Hoshin Guideline"	Hoshin Guideline (if revised)
(2) Important business alliances and important joint ventures:	
1 Definition of "business alliance" and "joint venture"	
(1) "Business alliance"	Used when businesses such as sales tie-up, continuous provision of products, acceptance/ entrustment of production, joint production, joint development, or technology licensing, etc. are commenced or terminated, or material changes with respect to these businesses are made.
(2) "Joint venture"	Used when Toyota Motor Corporation ("TMC") and a business partner or its subsidiary make joint investment to establish or acquire a joint venture company and have such joint venture company conduct businesses for the purposes of the subject joint venture.
2 Materiality standards for "important business alliances and important joint ventures"[*1]	
(1) Monetary standard	In case TMC plans to spend 5,000,000,000 Yen or more in total for loan and investment, capital expenditures, etc. at the beginning of the plan.
(2) Qualitative standard	In case the subject business alliance or joint venture (including with a dominant competitor) may materially affect TMC's management in terms of sales, profits, etc.

Items	Standard
(3) Launching of new projects:	
1 Definition of "launching of new projects"	Used when TMC launches a business not relating to its existing business areas (such as automobiles, industrial vehicles, housing, information and telecommunication, boats and ships, airplanes, biotechnology or financial businesses.) Other than launch of business by TMC itself, launch of business through business alliance or through its subsidiary or joint venture company (excluding companies in which TMC invests without being required to include such companies' operating results in its consolidated financial statements pursuant to the Financial Instruments and Exchange Act) shall also be considered as "launching of new projects."
(4) Decision on filing, appealing or closing important disputes*2	
1 Monetary standard	In case that value of subjects (amount TMC sues for or amount to be borne by TMC*3) is 2,000,000,000 Yen or more.
2 Qualitative standard	In case of legal actions such as filing of legal action with respect to important intellectual property rights or dispute with a public entity with respect to environmental issues, which may materially affect TMC's management, business, rights or brand image, etc.

(*1) Materiality standards for "important business alliances and important joint ventures"

If a business alliance or joint venture falls under either the "Monetary standard" or "Qualitative standard", it shall be submitted to the Board of Directors.

(*2) Materiality standards for "Decision on filing, appealing or closing important disputes"

(*3) The reasonable settlement amount or the amount of the latest judgement, whichever is higher. However, the amount to be compensated by insurance and/or third party should be deducted from TMC's responsible amount.

If a case falls under either "Monetary standard" or "Qualitative standard", it shall be submitted to the Board of Directors.

3. Out of "I. Matters to be Resolved" of the "Matters to be Submitted to the Board of Directors", the matters relating to "Personnel affairs, organization" in "4. Other important managerial matters" shall be submitted to the Board of Directors in accordance with the standards contained in this Appendix 3.

Appendix 3

Items	Standard
(1) Members of the Board of Directors and Operating Officers' assumption of offices in important associations (in case of new offices only)	In case that Members of the Board of Directors or Operating Officers of TMC assume or resign from a position such as chairman, board chairman, committee chairman, etc. of Japan Business Federation, The Japan Chamber of Commerce and Industry, Japan Association of Corporate Executives, Japan Automobile Manufacturer Association,

Items	Standard
	Counsel of government authorities or other important associations comparable to these associations
(2) Changes in important working conditions:	In case that certain actions such as changes in working conditions with respect to employment which may materially affect TMC's management and employees

4. Out of "I. Matters to be Resolved" of the "Matters to be Submitted to the Board of Directors", the matters relating to "Production; Sales; Technology development" in "4. Other important managerial matters" shall be submitted to the Board of Directors in accordance with the standards contained in this Appendix 4.

Appendix 4

Materiality standard for "licensing, acquisition or transfer of important intellectual property rights"

Certain actions such as licensing of intellectual property rights relating to TMC's essential technologies or transfer of TMC's trademark, which may materially affect TMC's management, such licensing, transfer or acquisition shall be deemed material.

5. Out of "I. Matters to be Resolved" of the "Matters to be Submitted to the Board of Directors", the matters relating to "Group Management" in "4. Other important managerial matters" shall be submitted to the Board of Directors in accordance with the standards contained in this Appendix 5.

Appendix 5

Items	Standard
(1) Incorporation, dissolution, acquisition and transfer of subsidiaries:	
1 Definition of "incorporation, dissolution, acquisition and transfer of subsidiaries"	
(1) "Subsidiary"	A joint stock company of which TMC holds a majority of its voting rights, or other companies judged to be a subsidiary of TMC pursuant to Article 3 of the Implementation Rules of the Companies Act. (including a membership company such as a limited liability company, a partnership, any other business entities similar thereto)
(2) "Incorporation"	Used when a subsidiary is established.
(3) "Dissolution"	Used when a subsidiary is dissolved.
(4) "Acquisition"	Used when a subsidiary is obtained through, for example, acquisition of shares (excluding cases which fall under incorporation).
(5) "Transfer"	Used when a company loses its status as a subsidiary of TMC through, for example, TMC's sale of shares of the subsidiary (excluding cases which fall under dissolution).

Items	Standard
2 Submission standard of "incorporation, dissolution, acquisition and transfer of subsidiaries"	
(1) Directly held subsidiary[*1]	Matters to be resolved
(2) Principal subsidiary, not falling under (1) above[*2]	Matters to be resolved
(3) Subsidiary with capital of 2,000,000,000 Yen or more, not falling under (1) or (2) above	Matters to be reported
(4) Subsidiary, not falling under (1)-(3) above	Submission not necessary in principle
(2) Important group managerial matters[*3]	
1 Monetary standard	In case a wholly owned subsidiary[*i] conducts Items 1~5 of "Disposition and acquisition of important property" as defined above, amounts, quantities, special rules, definitions and explanations of the same Items shall apply. However, such submission may be omitted, in the case where submission of a matter is a formality, the matter virtually requires no managerial decision (transfer of land/equipment conducted between wholly owned subsidiaries etc.) and the matter is judged not to have TMC's group managerial materiality.
2 Qualitative standard	If in case of "Disposition and acquisition of important property"[*ii], "Borrowing of a large amount of money"[*iii], business alliance, joint venture or reorganization of business, etc., conducted by subsidiary of TMC, which may materially affect TMC's group management and reputation[*iv].

(*1) "Directly held subsidiary" shall mean a subsidiary of which TMC directly holds a majority of the total voting rights.

(*2) Examples of "principal subsidiary" are as follows:

(i) Subsidiary engaged in a new business

(ii) Subsidiary with a substantial amount of capital (5,000,000,000 Yen or more)

(iii) Subsidiary established as a result of a business alliance or joint venture with a dominant competitor

(iv) Subsidiary which was insolvent as of the end of the most recent closing date of accounts or that is anticipated to become insolvent during its current fiscal period (this shall apply only to acquisition)

(v) Other managerially important subsidiary

(*3) If a matter falls under either "Monetary standard" or "Qualitative standard", it shall be submitted to the Board of Directors.

(*i) "Wholly owned subsidiary" shall mean a subsidiary of which TMC directly or indirectly holds all of the total voting rights.

(*ii) In conducting Items 1~7 of "Disposition and acquisition of important property" as defined above, materiality shall be determined with reference to amount, quantity, special rules, definition and explanation defined in the same Items.

(*iii) In conducting Items 1~2 of "Borrowing of a large amount of money" as defined above, materiality shall be determined with reference to amount, quantity and special rules defined in the same Items.

(*iv) With respect to other items, materiality shall be determined with reference to TMC's submission standards of matters to be submitted to the Board of Directors.

6. Out of "II. Matters to be reported" of the "Matters to be Submitted to the Board of Directors", the matters falling under "State of execution of business" shall be submitted to the Board of Directors in accordance with the standards contained in this Appendix 6.

Appendix 6

Items	Standard
(1) Report of the execution status of business:	Improve contents of report to the supervision side while enhancing the decision-making process by operating officers (1) Progress of important investment in new businesses and risk taking status shall be reported as appropriate. (2) As for report by in-house company/region, the annual plans will be confirmed in the Hoshin Guideline. As for other organizations, report will be made by project. (Outside Board Member Meeting can be utilized.)

Exhibit 2.4

DESCRIPTION OF THE COMMON STOCK AND RELATED MATTERS

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, the Book-Entry Transfer Act and related legislation. Capitalized terms used but not defined herein have the meanings given to them in Toyota's annual report on Form 20-F for the fiscal year ended March 31, 2019.

General

Toyota's authorized number of shares as of March 31, 2018 was 10,000,000,000 common shares, of which 3,262,997,492 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 per 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 23, 2017, there were 47,100,000 shares of First Series Model AA Class Shares issued and outstanding. Neither the common shares nor the First Series Model AA Class Shares have any par value.

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 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. There are no restrictions imposed by Toyota's articles of incorporation or share handling regulations on the transfer of common shares. 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.

Dividends

Dividends — General

Toyota normally pays dividends twice per year, including an interim dividend and a year-end dividend. Toyota's articles of incorporation provide that retained earnings can be distributed as dividends pursuant to a resolution of its board of directors. Toyota's board of directors resolves to pay year-end dividends to holders of common shares and registered pledgees of common shares of record as of March 31, the record date, in 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 a resolution of its board of directors. 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.

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. 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.

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.

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.

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 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.

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, 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.

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 two business day prior to a record date (or if the record date is not a business day, three business days prior thereto), for the purpose of dividends or rights offerings. However, in connection with the scheduled shortening of the settlement period of shares listed on any Japanese stock exchange, the ex-dividend date and ex-rights date is expected to become the preceding business day before the record date (or if the record date is not a business day, two business days prior thereto) if the record date is on or after July 18, 2019 (provided, however, such transition date is subject to change).

Acquisition or Disposition of Shares or ADS

Under the Foreign Exchange and Foreign Trade Law and the cabinet orders and ministerial ordinances thereunder, 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 system. 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.

DESCRIPTION OF THE AMERICAN DEPOSITARY SHARES

An American Depositary Receipt, or ADR, is a negotiable certificate delivered by a United States bank or trust company acting as depositary. In the same way that a share certificate of a U.S. issuer would evidence shares, an ADR evidences American Depositary Shares, which are also referred to as ADSs. Each ADS represents an ownership interest in two shares of Toyota's common stock, which shares are held in Japan on deposit by the depositary or its agent for the benefit of holders of ADRs.

The terms of the ADRs are contained in the deposit agreement dated as of September 27, 1999 among Toyota, The Bank of New York Mellon, as depositary, and the owners and beneficial owners of ADRs issued thereunder. The principal executive office of the depositary is located at 240 Greenwich Street, New York, New York 10286. The following is a summary of the material provisions of the deposit agreement and, thus, it does not contain all information that may be relevant to holders of ADRs. Investors should read the entire deposit agreement (including the form of ADR) for complete information. Toyota has filed a copy of the deposit agreement as an exhibit to Toyota's annual report on Form 20-F, which can be accessed on the SEC's website (http://www.sec.gov).

The depositary will deliver ADRs based on the deposit of common shares with Sumitomo Mitsui Banking Corporation as custodian under the deposit agreement. Deposited common shares will be represented by ADSs. If a holder's ownership interest is held through a broker, dealer or other third party, that broker, dealer or third party will provide documentation showing the holder's beneficial interest in the ADSs. Only persons in whose names ADRs are registered on the books of the depositary will be treated as holders of ADRs by the depositary and by Toyota. In this "Description of the American Depositary Shares," the term "holders" shall refer only to persons in whose name ADRs are registered on the books of the depositary. The depositary owes no duties to anyone other than Toyota and holders of ADSs.

Deposit of Common Shares and Issuance of ADRs

Common shares deposited with the custodian must be accompanied by documents specified in the deposit agreement, including instruments showing that those common shares have been properly transferred to the person on whose behalf the deposit is being made. The custodian will hold all deposited common shares for the account of the depositary. Holders thus have no direct ownership interest in the common shares and only have those rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited common shares. The deposited common shares and any additional items are referred to as deposited securities.

Upon each deposit of common shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary, the depositary will execute and deliver an ADR or ADRs in the name of the person entitled thereto evidencing the number of ADSs to which that person is entitled. ADRs will be delivered at the depositary's Corporate Trust Office.

Surrender of ADRs and Delivery of Deposited Securities

Holders are entitled to receive the deposited securities underlying the ADSs upon surrender of ADRs to the depositary with delivery instructions for the deposited securities. In addition, holders must pay all fees, taxes and governmental charges that may apply. Deposited securities are normally delivered at the custodian's office unless the holder requests, at his own risk and expense, that they be delivered to another place. The depositary may only restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing transfer books of the depositary or Toyota's transfer books or the deposit of common shares in connection with voting at a shareholders' meeting, or the payment of dividends,
- the payment of fees, taxes and similar charges,
- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs, or
- compliance with any Japanese law relating to the unit share system.

Effect of the Unit Share System

As a result of the unit share system, 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 representing common shares that do not constitute an integral number of whole units, the depositary will deliver to that holder only those common shares that constitute a whole unit. The depositary will then issue to the holder a new ADR representing the remaining common shares. Holders of an ADR that represents less than a whole unit of underlying common shares will be unable to withdraw the underlying common 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.

Dividends and Other Distributions on Deposited Securities

Toyota may make various types of distributions with respect to its securities. Except as stated below, to the extent the depositary is legally permitted it will deliver those distributions to holders in proportion to their interests in the following manner:

Cash

The depositary shall convert cash dividends or other distributions from foreign currency to U.S. dollars if this is permissible and can be done on a reasonable basis. The depositary will hold the foreign currency it cannot convert for the account of the ADR holders who have not been paid. The depositary will not invest the foreign currency and it will not be liable for interest. The depositary will endeavor to distribute cash in a practicable manner, and may deduct any taxes required to be withheld, its fees, any expenses of converting foreign currency and transferring funds to the United States, and other expenses and adjustments.

Common Shares

In the case of a distribution in common shares, the depositary may execute and deliver additional ADRs to evidence the number of ADSs representing those common shares. Only whole ADSs will be issued. Any common shares which would result in fractional ADSs will be sold and the net proceeds will be distributed to the holders entitled thereto. If the depositary does not distribute additional ADRs, the existing ADRs will also represent the new common shares.

Rights

In the case of a distribution of rights to subscribe for additional common shares or other rights, if Toyota provides satisfactory evidence that the depositary may lawfully distribute those rights, the depositary may arrange for holders to instruct the depositary as to the exercise of those rights. However, if Toyota does not furnish that evidence, the depositary may:

- sell those rights if practicable and distribute the net proceeds as cash, or
- allow those rights to lapse, whereupon holders of ADRs will receive nothing.

Toyota has no obligation to file a registration statement under the Securities Act to make any rights available to holders. Any sale or lapse of rights may reduce the holders' equity interest in Toyota.

Other Distributions

In the case of a distribution of securities or property other than those described above, the depositary may either: distribute those securities or property in any manner it deems fair and equitable; or sell those securities or property and distribute any net proceeds as cash.

The depositary may choose any practicable method of distribution for any specific holder, including the distribution of foreign currency, securities or property, or it may retain such items on behalf of the holder as deposited securities.

There can be no assurance that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, common shares or other securities at a specified price, nor that any of those transactions can be completed within a specified time period.

Record Date

The depositary may fix a record date for determining the holders who shall be entitled to receive distributions, exercise voting rights, receive notices, or act on other matters. This record date will be as near as possible to the corresponding record date set by Toyota.

Voting of Deposited Securities

After receiving voting materials from Toyota and if Toyota requests, the depositary will notify the holders of any shareholder meeting or solicitation of consents or proxies. This notice will describe how the holder may instruct the depositary to exercise the voting rights for the common shares which underlie that holder's ADRs. If the depositary receives instructions on or before a date set by the depositary, the depositary will endeavor to vote the common shares in accordance with the holder's instructions. If the depositary does not receive instructions from a holder on or before the date established by the depositary for that purpose, the depositary will deem that holder to have instructed the depositary to give a proxy to a person designated by Toyota to vote the number of common shares underlying that holder's ADRs. However, if Toyota informs the depositary that Toyota does not wish to have any proxy given or if substantial opposition to the proposal exists or if the proposal materially and adversely affects the rights of shareholders, a discretionary proxy will not be issued. Because there is no guarantee that holders will receive voting materials in time to instruct the depositary to vote, it is possible that holders or persons who hold their ADRs through brokers, dealers or other third parties will not have the opportunity to exercise their rights to vote. The depositary will not itself exercise any voting discretion. Furthermore, neither the depositary nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast or for the effect of any vote.

In voting or exercising the right to vote, the depositary will, to the extent possible, aggregate the common shares for which the same or similar instructions have been given so as to be able to vote the largest number of whole units as possible. As a result of this aggregation, holders of ADRs representing less than a whole unit of common shares may or may not have their votes counted with respect to any particular matter voted upon.

Inspection of Transfer Books

The depositary will maintain books for the registration, transfer, combination and split-up of ADRs. These books will be available for inspection by the holders for the purpose of communicating with holders in the interest of Toyota's business or a matter related to the deposit agreement.

Changes Affecting Deposited Securities

If Toyota takes actions that affect the deposited securities, including (1) any split-up, consolidation or other reclassification of deposited securities and (2) any recapitalization, reorganization, merger, consolidation or sale of all or substantially all Toyota's assets, then the depositary may choose to:

1. amend the form of ADR,
2. distribute the additional or amended ADRs,
3. distribute cash, securities or other property it has received in connection with those actions,
4. sell any securities or property received and distribute the proceeds as cash, or
5. none of the above.

If the depositary does not choose any of 1 to 4 above, any of the cash, securities or other property it receives shall constitute part of the deposited securities and each ADR will then represent a proportionate interest in that property.

Amendment and Termination of Deposit Agreement

Toyota and the depositary may jointly amend the deposit agreement. The holders must be given at least 30 days' notice of any amendment that imposes or increases any fees or charges (except for taxes and other charges specifically payable by holders under the deposit agreement), or affects any substantial existing right of holders. If a holder continues to hold ADRs after being so notified, that holder is deemed to agree to this amendment. No amendment may take away any holder's right to cancel ADRs and to receive the deposited securities underlying the ADRs, except to comply with requirements of law.

If directed by Toyota, the depositary shall terminate the deposit agreement by giving the holders at least 90 days' prior notice. The depositary may also terminate the deposit agreement by providing notice if it has resigned and no successor has been appointed within 90 days after its resignation. After termination, the depositary's only responsibility will be to deliver deposited securities to holders who surrender their ADRs, and to hold or sell distributions received on deposited securities. At any time after the expiration of one year from the termination date, the depositary may sell the deposited securities which remain and hold the net proceeds from those sales, without liability for interest, in trust for the holders who have not yet surrendered their ADRs. After making the sale, the depositary shall have no obligations except to account for those proceeds and other cash.

Liability of Holders for Taxes

Holders must also pay any tax or other governmental charge payable by the custodian or the depositary on any ADR, deposited security or distribution. If a holder owes any tax or other governmental charge, the depositary may (1) deduct the amount of taxes owed from any cash distributions, or (2) sell deposited securities and deduct the amount owing from the net proceeds of that sale. In either case the holder remains liable for any shortfall. If any tax or governmental charge is required to be withheld on any non-cash distribution, the depositary may sell the distributed property or securities to pay those taxes and distribute any remaining net proceeds to the holder entitled thereto.

Conditions to the Issuance of ADRs and Other Transactions

The depositary, the custodian or Toyota may refuse to:

- deliver, register or transfer an ADR or ADRs,
- effect a split-up or combination of ADRs,
- deliver distributions on any ADRs, or
- permit the withdrawal of deposited securities (unless the deposit agreement provides otherwise)

until the following conditions have been met:

- the holder has paid all taxes, governmental charges, and fees and expenses as required in the deposit agreement,
- the holder has provided the depositary with any information it may deem necessary or proper, including without limitation, proof of identity and the genuineness of any signature, and
- the holder has complied with all regulations that the depositary may establish under the deposit agreement.

The depositary may also suspend the issuance of ADRs, the deposit of common shares, the registration, transfer, split-up or combination of ADRs, or the withdrawal of deposited securities (unless the deposit agreement provides otherwise), if the register for ADRs or any deposited securities is closed or if the depositary or Toyota decides that this action is advisable.

Limitation on Liability

The deposit agreement expressly limits the obligations and liability of the depositary, Toyota and its and Toyota's respective agents. The depositary and Toyota will not be liable:

- if they are prevented or hindered in performing any obligations by circumstances beyond their control, including, without limitation, requirements of law, the terms of the deposited securities and acts of God,
- for exercising or failing to exercise discretion under the deposit agreement,
- if they perform their obligations without negligence or bad faith, or
- for any action based on advice or information from legal counsel, accountants, any person presenting common shares for deposit, any holder, or other qualified person.

The deposit agreement also provides that the depositary and Toyota have no obligation to become involved in a lawsuit or other proceeding related to the ADRs or the deposit agreement on behalf of the owners of ADRs or any other party unless Toyota or it has received an indemnity satisfactory to it. In addition, the deposit agreement permits the depositary and Toyota to rely upon any documents they believe in good faith to be genuine and to have been signed or presented by the proper party.

Pre-released ADRs

The depositary may deliver ADRs not only against the deposit with the custodian of common shares (or rights to receive common shares from Toyota or any registrar, transfer agent, clearing agent or similar entity), but also against the agreement by a qualified third party to deliver to the depositary the common shares within a specified period of time. ADRs issued against this type of agreement are called "pre-released ADRs." Pre-released ADRs may be issued only if:

- the depositary has received collateral for the full market value of the pre-released ADRs,
- the pre-released ADRs are terminable by the depositary upon not more than five business days' notice, and
- each recipient of pre-released ADRs agrees in writing that he or she:
  - owns the underlying common shares,
  - assigns all rights in those common shares to the depositary, and
  - will not transfer those common shares except to close out the pre-release.

Governing Law

The deposit agreement is governed by the laws of the State of New York except with respect to its authorization and execution by Toyota, which are governed by the laws of Japan.

Exhibit 11.1

The Code of Ethics for Directors and Officers

Article 1. (Purpose)

This document comprises a code of ethics (the "Code") for directors and officers (including presidents, executive vice presidents and fellows who are appointed under Article 2 of the Regulations Concerning Operating Officers; together with directors, collectively called the "Officers") of Toyota Motor Corporation (the "Company") that sets forth the basic rules that, in addition to those outlined in "Guiding Principles at Toyota," "Toyota Code of Conduct " and other guidelines and internal regulations of the Company, each Officer shall comply with in the performance of their professional management duties.

Article 2. (Objective)

This Code seeks to ensure honest and ethical conduct by all Officers, as well as their compliance with applicable laws and regulations.

Article 3. (Scope of Application)

This Code shall be applicable to all Officers.

Article 4. (Disclosure of this Code of Ethics)

This Code shall be appropriately disclosed in accordance with applicable laws and regulations.

Article 5. (Honest and Ethical Conduct)

1. Each Officer shall act honestly and ethically in the course of any business activity of the Company.
2. No Officer may engage in or otherwise enter into any act or transaction that gives rise to an actual or potential conflict of interest between such Officer and the Company without first reporting such matter to the Board of Directors and obtaining prior approval therefrom in accordance with the applicable provisions of the Companies Act of Japan and the internal regulations of the Company. Such Officer may not participate in the determination of the Board of Directors resolution relating to the granting of such approval.

Article 6. (Ensuring Fairness and Accuracy of Financial Disclosure; Appropriate Disclosure)

1. The chairman of the board, president, accounting and financial officers and persons performing similar functions shall be responsible for ensuring that documents submitted to applicable governmental authorities and other information made public by the Company with respect to the Company's financial position and financial statements are fair and readily comprehensible in content and the method of presentation, and that such documents and information are timely disclosed.
2. The chairman of the board, president, accounting and financial officers and persons performing similar functions shall be responsible for establishing and maintaining disclosure controls and internal controls for documents and information specified in the previous paragraph.
3. In connection with the preparation of the Company's financial statements, an Officer may not act in a way that may cause a material misunderstanding to or otherwise materially mislead any employee or independent public accountant involved in the preparation of such financial statements.

Article 7. (Compliance with Laws and Regulations)

The Officers shall comply with all applicable laws, rules and regulations, including those related to the prohibition of insider trading, in each of the countries and regions in which the Company operates.

Article 8. (Reporting of Unlawful Acts and Unethical Conduct)

1. Each Officer shall promptly report to the Board of Directors, Representative Director, Disclosure Committee, Sustainability Meeting, or other responsible division or person appointed by these committees, in the event that such Officer or other Officers have acted in violation of the applicable laws or ethics.
2. Officers may contact the “Compliance Hotline” set up by the Company at an outside law firm with any legal or ethical inquiries or to report any breach of applicable laws or ethics. Upon receiving such report or other such inquiry, the designated law firm shall conduct necessary investigations and provide a report or recommendation to the Company while ensuring the anonymity of the person making such a contact. The Company shall then take appropriate measures based on such report or recommendation.

Article 9. (Accountability for Adherence to the Code)

1. Each Officer recognizes that legal compliance and ethical conduct form the basis for all corporate activities, and is obligated to comply with this Code.
2. The Company shall take appropriate disciplinary action in accordance with applicable laws and internal regulations of the Company against any Officer who acts in violation of the Code.
3. Officers who are subject to disciplinary action pursuant to the previous paragraph may not participate in any meeting, relating to the determination of such disciplinary action, of the Board of Directors, Disclosure Committee, Sustainability Meeting, or other investigative committees appointed thereby.

Article 10. (Exemption)

An exemption from the Code shall only be granted pursuant to a resolution of the Board of Directors, and any such exemption shall be appropriately disclosed in accordance with applicable laws.

Article 11. (Amendment)

1. Any amendment of this Code shall only be effected by a resolution of the Board of Directors.
2. The Sustainability Meeting shall be responsible for regularly evaluating the appropriateness of this Code, and for making recommendations relating to any necessary amendments of the Code to the Board of Directors.

Supplementary Provision

Article 1. (Effective Date)

This Code shall become effective on January 1, 2019.

Exhibit 12.1

CERTIFICATIONS

I, Akio Toyoda, certify that:

1. I have reviewed this annual report on Form 20-F of Toyota Motor Corporation (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting(as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the Audit & Supervisory Board (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: June 21, 2019

/s/ AKIO TOYODA

Akio Toyoda
President, Member of the Board of Directors
Toyota Motor Corporation

CERTIFICATIONS

I, Koji Kobayashi, certify that:

1. I have reviewed this annual report on Form 20-F of Toyota Motor Corporation (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting(as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the Audit & Supervisory Board (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: June 21, 2019

/s/ Koji Kobayashi

Koji Kobayashi
Executive Vice President, Member of the Board of Directors
Toyota Motor Corporation

Exhibit 13.1

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Toyota Motor Corporation, a Japanese corporation (the "*Company*"), does hereby certify that, to such officer's knowledge:

1. The accompanying Annual Report of the Company on Form 20-F for the period ended March 31, 2019 (the "*Report*") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ AKIO TOYODA

Name: **Akio Toyoda**
Title: **President, Member of the Board of Directors**

Date: June 21, 2019

By: /s/ KOJI KOBAYASHI

Name: **Koji Kobayashi**
Title: **Executive Vice President,**
Member of the Board of Directors

Date: June 21, 2019

(A signed original of this written statement required by Section 906 has been provided to Toyota Motor Corporation and will be retained by Toyota Motor Corporation and furnished to the U.S. Securities and Exchange Commission or its staff upon request.)

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form F-3 (No. 333-225851) of Toyota Motor Corporation of our report dated June 21, 2019 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Aarata LLC
Nagoya, Japan
June 21, 2019