

TOYOTA MOTOR CREDIT CORPORATION

November 29, 2012

Technical Director
Financial Accounting Standards Board
File Reference No. 2012-220

Re: Invitation to Comment –*Disclosure Framework*

Dear Sir or Madam:

Toyota Motor Credit Corporation (TMCC, we, our) appreciates the opportunity to comment on the Invitation to Comment – *Disclosure Framework* (the Invitation to Comment), recently issued by the Financial Accounting Standards Board (the Board or FASB).

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

We applaud the Board's desire to improve the effectiveness of disclosures, and we agree with the Board's general approach of designing a disclosure framework as a tool to improve disclosures to better meet the needs of the financial statement user.

However, we do have some concerns with the preliminary disclosure framework included in the Invitation to Comment. Our key comments, and the more significant areas where we believe clarity could be added, are explained below.

The proposed framework as written is vague and could be difficult to apply

The Board has identified three categories of decision questions: (1) general information, (2) information about financial statement line items, and (3) information about other events and conditions. Conceptually we agree with these categories, however we are unclear how the decision questions associated with information about financial statement line items would be applied as the current Accounting Standards Codification is topic-based, with a single transaction or topic affecting multiple financial statement line items. However, some of the decision questions within this category focus on the line item in its entirety. For example, Question L4 asks:

“Does the line item include components of different natures that could affect prospects for future net cash flows differently?”

Additionally, Question L9 asks:

“Does the line item include individual items (or groups) that are measured differently?”

November 29, 2012
Page 2

It is unclear whether a reconciliation would be necessary, with each financial line item having a summary of its various components and measurements, even though the transactions driving the different components are discussed elsewhere. For example, our current disclosure on fair value measurements affects multiple lines of the financial statements which we discuss in its entirety. Would we be required to identify individual line items and discuss it at a financial statement line item level, or would we retain our existing disclosure, but add the line item component summary, and reference between the two? Alternatively, would these questions serve as a high-level check to ensure necessary disclosures are added if not already discussed elsewhere in the document?

Some of the questions appear to go beyond the current footnote requirements and include information currently discussed within Management's Discussion & Analysis (MD&A). For example, Question L5 asks:

“Are the cash flow prospects related to the line item affected by changes in general economic conditions or market factors, and are the conditions, factors, or likely effects on the line item not apparent from the nature of the line item?”

Based on an initial read of this question, one could deduce that information regarding the used vehicle market, our current economic conditions, and other market factors, which are all currently discussed within our MD&A, should actually be disclosed within the footnotes to our financial statements. We believe that these types of forward-looking information should continue to be included in the MD&A rather than in the footnotes to the financial statements. We ask the Board to clarify the factors to be included within the scope of a footnote disclosure and the factors which should remain within the purview of the MD&A.

In a number of the decision questions, the Board made general assumptions about a user's access to reference materials or about a user's understanding of financial statement concepts. We ask that the Board consider better defining the standard to which the financial statement user will be held. This could be either in the form of concepts that are clearly in or clearly out. For example, a financial statement user's understanding of depreciation is clearly something that need not be explained by an entity. However, the effect of an entity's derivative strategy may not be reasonably understood without further clarification by an entity. Without clear guidelines we perceive a risk that some entities will elect to be conservative and include all potential disclosures, thus defeating the objective of disclosing only the most important information; other entities will be aggressive in their assumptions that the average financial statement user will be able to find adequate information from other sources and will exclude meaningful data. Without a more concrete understanding of what is expected of the user, an unacceptable lack of consistency across reporting entities may arise.

Many of the decision questions appear to suggest that multiple scenarios will need to be disclosed, which would counteract the benefit of providing clear, meaningful disclosures to the financial statement users. For example, Question L10 asks:

“Are there acceptable alternative accounting policies or methods that might have been applied to this line item?”

Similarly, Question L16 asks:

“Is there an alternative measure or way of applying a measurement that clearly would be useful in assessing prospects for future cash flows?”

November 29, 2012
Page 3

Pursuant to the information considered for disclosure for Question L10, entities could be required to continually assess the magnitude of the effect of the selected policy if material, though it is a normal and reasonable policy acceptable under U.S. generally accepted accounting principles (GAAP). Similarly, pursuant to Question L16 an entity would need to identify the magnitude or the amount of the difference between the reported measurement and the alternative measurement. The disclosure of multiple measurement metrics or the effect of varying policies would require additional work by the preparer, raising cost-benefit concerns without adequately establishing the benefits to the financial statement users.

If a particular measurement or policy is determined to be “correct” or “incorrect” then the Board in its standard-setting process should explicitly require or prohibit its use. In the case where multiple approaches are acceptable under GAAP, an entity must decide which method is most meaningful to its business, and it should disclose that method. We believe the requirement to present the impact of multiple methods or policies is counterintuitive to the Board’s overarching objective of clearly and concisely communicating the most relevant information to the financial statement user.

The Disclosure Framework should be used by the Board in its standard-setting activities

The Board has offered four possibilities for establishing flexible disclosure requirements. Of those four proposed possibilities, we support approach (d), which would establish three or more tiers of information requirements, with reporting entities making their own decisions about which level should be applied for their specific entity. Owing to the level of judgment required in applying the proposed framework, as well as the significance that financial statement disclosures have on the capital markets environment, we do not believe the application of the disclosure framework should reside solely with the reporting entity. Nonetheless, the reporting entity should have the ability to determine the level of disclosures that are most meaningful for its business and for its financial statement users. We believe approach (d) is ideal since it gives the reporting entity the capacity to make disclosures that provide the most meaning to its users while preserving both baseline disclosures and consistency in financial statement reporting.

While the various approaches offered by the Board allow for flexibility in the types of items disclosed, the framework currently does not provide flexibility in how to disclose an item or transaction. We ask the Board to consider providing a reporting entity with the ability to decide how to best disclose a specified disclosure objective. A way to achieve this would be to make specified disclosures not requirements, but “rebuttable presumptions” such that if an entity did not follow the prescribed disclosure the burden is on the reporting entity to explain why an alternative presentation is more meaningful than that prescribed by the Board. For example, in its recent Liquidity & Interest Rate Exposure Draft, the Board proposed the yield associated with financial instruments be disclosed within a repricing gap table. While this information is meaningful to many entities, it may not be meaningful to entities that do not utilize this information in a decision-making capacity. Including a provision allowing an alternative presentation along with the reason for departure from the prescribed disclosure would allow entities to make disclosures more meaningful to their financial statement users.

A clearer understanding of when a disclosure is relevant should be provided

The proposed disclosure framework will require significant judgment regarding the relevance of disclosures. While judgment is necessary to achieve the Board’s ultimate goal of providing more meaningful and relevant financial statement disclosures, we ask the Board to consider providing clearer parameters regarding how entities should determine relevance and, as a byproduct, materiality.

November 29, 2012
Page 4

The assessment of relevance is predicated on the concept of an initial baseline assessment, with the idea that those items that could result in a difference from that baseline expectation would be relevant for disclosure. This would require an entity to develop its own expectation of what a reasonably well-informed user should assume to be normal and routine characteristics of a financial statement item. We ask the Board to consider additional guidance as to how entities might develop this “baseline” assessment. For example, should reporting entities assume a reasonable user is familiar with financial statements in general, therefore anything industry-specific would be considered incremental? Should entities assume a user is well-versed in its industry, therefore only entity-specific items are incremental?

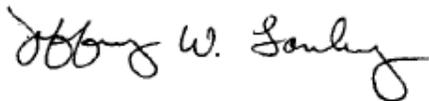
Similarly, we ask the Boards to consider additional clarification on the concept of materiality. Reporting entities currently use materiality in many aspects of the financial reporting process, with different materiality thresholds applied to the various financial statements, financial statement line items and footnote disclosures. Given the Board’s view of disclosures via the lens of the impact on future cash flow prospects, we ask the Board to clarify its expectation of materiality. The Board suggests the practical expedient of considering prospects for future cash flows in terms of ratios or other metrics. While judgment will (and would) ultimately be applied by the reporting entity, more clearly defined metrics will help achieve consistency of application within and across industries.

Without the cooperation of the U.S. Securities and Exchange Commission (SEC), the benefit of a disclosure framework would be limited for public companies

While we understand the SEC has indicated that it plans to take steps to identify and eliminate redundant and out-of-date disclosure requirements, we believe significant cooperation is necessary between the Board and the SEC for the proposed disclosure framework to be effective. For example, the SEC currently has specific disclosure requirements for related parties. Without consensus from the SEC, the application of the disclosure framework questions to related parties will be meaningless for SEC-registrants, since we are required to report data in accordance with SEC regulations. Without commitment from the SEC, the disclosure framework could have unfavorable consequences such as confusion, misrepresentation of data, and duplication of disclosures.

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

Sincerely,



Jeffrey Lankey

Financial Controller