27 July 2018

Toyota Motor Finance (Netherlands) B.V.
(**"TMF"** or the **"Company"**)

Annual Financial Report for the financial year ended 31 March 2018

TMF was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands on 3 August 1987 and registered in the Trade Register of the Dutch Chamber of Commerce under number 33194984. TMF is a wholly-owned subsidiary of Toyota Financial Services Corporation ("**TFS**"), which is a wholly-owned subsidiary of Toyota Motor Corporation ("**TMC**"). TMF presents its annual financial report for the financial year ended 31 March 2018.

References herein to "TFS group" means TFS and its subsidiaries and affiliates and "Toyota" means TMC and its consolidated subsidiaries.

1. Management Report

(A) Review of the development and performance of the Company's business during the financial year and the position of the Company at the end of the financial year

The principal activity of the Company is to act as a group finance company for some of the subsidiaries and affiliates of TMC and TFS. The Company raises funds by issuing bonds and notes in the international capital markets and from other sources and on-lends to other Toyota companies. The Company also issues guarantees for debt issuances of certain other Toyota companies. In addition, the Company generates income from other investments and deposits incidental to its primary funding activities. As a group finance company, the Company is dependent on the performance of the subsidiaries and affiliates of TMC and TFS to which the Company grants loans.

The Company's principal borrowings are from short-term commercial paper programmes and from a Euro medium term note programme. In addition, the Company has raised medium-term funds from banks. The Company's funding programmes and related costs are influenced by changes in the capital markets and prevailing interest rates, which may affect its ability to obtain cost-effective funding to support earning asset growth.

The Company lends to the subsidiaries and affiliates of TMC and TFS on both a fixed rate and floating rate basis. Almost all fixed rate lending is swapped into floating on a three-month floating basis in line with the Company's risk management policy.

The Company's liquidity strategy is to maintain the capacity to fund assets and repay liabilities in a timely and cost-effective manner even in the event of adverse market conditions. This capacity primarily arises from the Company's high credit rating, its ability to raise funds in the international capital markets, and its ability to generate liquidity from its balance sheet. This strategy has led the Company to develop a borrowing base that is diversified by market and geographic distribution and type of security, among other factors.

References herein to "fiscal 2018" denote the year ended 31 March 2018 and references herein to "fiscal 2017" denote the year ended 31 March 2017.

Certain financial data has been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

Fiscal 2018 Operating Summary

Revenue decreased by 1.1% to € 83,467 thousand for the twelve months ended 31 March 2018 from € 84,408 thousand for the twelve months ended 31 March 2017, and the cost of funding decreased by 7.1% to € 65,011 thousand for the twelve months ended 31 March 2018 from € 70,013 thousand for the twelve months ended 31 March 2017. Such decreases were primarily due to lower interest rates, partially off-set by an increase in the volume of short- and long-term loans to related companies of 19.4% to € 8,741,070 thousand at 31 March 2018 from € 7,317,966 thousand at 31 March 2017.

Gross profit increased by 28.2% to € 18,456 thousand for the twelve months ended 31 March 2018 from € 14,395 thousand for the twelve months ended 31 March 2017, primarily due to the relative greater decrease in interest expenses compared to interest income.

The loss before tax increased by 210% to € 11,815 thousand for the twelve months ended 31 March 2018 compared to € 3,814 thousand for the twelve months ended 31 March 2017, primarily due to the increase in net losses on financial instruments to €25,709 thousand for the twelve months ended 31 March 2018 compared to €13,692 thousand for the twelve months ended 31 March 2017.

The loss for the year after tax increased by 215% to € 9,463 thousand for the twelve months ended 31 March 2018, compared to € 3,004 thousand for the twelve months ended 31 March 2017.

Current assets increased by 11.9% to € 4,181 million at 31 March 2018 from € 3,738 million at 31 March 2017. Current assets mainly consist of short-term loans to related companies. At 31 March 2018, a total equivalent amount of € 3,751 million has been lent to related companies. Other current assets include derivative financial instruments, collateral deposits paid and cash and cash equivalents.

Current liabilities decreased by 2.5% to € 3,999 million at 31 March 2018 from € 4,103 million at 31 March 2017. This was primarily due to a decrease in the value of collateral deposits received.

Liquidity and Capital Resources

Liquidity risk is the risk arising from the inability to meet obligations when they come due. The Company's liquidity strategy is to maintain the capacity to fund assets and repay liabilities in a timely and cost-effective manner even in the event of adverse market conditions. This capacity primarily arises from the Company's ability to raise funds in the international capital markets as well as its ability to generate liquidity from its balance sheet. This strategy has led the Company to develop a borrowing base that is diversified by market and geographic distribution, type of security, and investor type, among other factors. Credit support provided by TFS provides an additional source of liquidity to the Company, although it is not relied upon in the Company's liquidity planning and capital and risk management.

The following table summarises the outstanding components of the Company's funding sources (Euro in millions):

	31 March	
	2018	2017
Commercial paper	2,454	1,504
Euro medium term notes	4,936	4,113
Loans from group companies	-	383
Loans from bank	1,367	1,211
Total borrowings	8,757	7,211

The Company does not rely on any single source of funding and may choose to realign its funding activities depending upon market conditions, relative costs, and other factors. The Company believes that its funding sources, combined with operating and investing activities, provide sufficient liquidity to meet future funding requirements and business growth. The Company's funding volume is based on asset growth and debt maturities.

(a) Commercial Paper and Other Short Term Loans

Short-term funding needs are met through the issuance of commercial paper in Europe and the United States. Commercial paper outstanding under the Company's commercial paper programmes ranged from approximately € 1,830 million to € 2,811 million during fiscal 2018, with an average outstanding balance of € 2,382 million. The Company's commercial paper programmes are supported by the liquidity facilities discussed later in this section.

(b) Medium Term Notes

Some of the term funding requirements are currently met through the issuance of debt securities under a Euro medium term note ("**EMTN**") programme. To diversify its funding sources, the Company issued in a variety of markets, currencies and maturities, and to a variety of investors, which allows the Company to broaden its distribution of securities and further enhance liquidity.

The following table summarises the Company's components of unsecured term debt (Euro in millions):

	Total unsecured term debt(1)
Balance at 31 March 2017	4,113
Issuances during the twelve months ended 31 March 2018(2)	2,613
Payments during the twelve months ended 31 March 2018	(1,467)
Change in foreign exchange revaluation, amortisation and interest accruals	(323)
Balance at 31 March 2018	4,936

(1) Consists of fixed and floating rate debt. Upon the issuance of fixed rate debt, the Company generally elects to enter into pay-floating rate interest rate swaps.

(2) EMTNs were issued in Euro and non-Euro currencies, had terms to maturity ranging from approximately 1 year to 4 years, had fixed or floating interest rates at the time of issuance ranging from 0% to 5.5%. Concurrent with the issuance of non-Euro denominated notes, the Company entered into cross currency interest rate swap agreements to convert payments of principal and interest on these notes to Euro, Pounds Sterling or U.S. Dollars.

The Company maintains an EMTN programme together with its affiliates Toyota Credit Canada Inc., Toyota Finance Australia Limited and Toyota Motor Credit Corporation (the Company and such affiliates, the "**EMTN Issuers**"), providing for the issuance of debt securities in the international capital markets. In September 2017, the EMTN Issuers renewed the EMTN programme for a one year period. The maximum aggregate principal amount of debt securities that may be issued by the EMTN Issuers and outstanding under the EMTN programme at any time is € 50 billion, or the equivalent in other currencies, of which € 23.3 billion was available for issuance at 31 March 2018. The maximum aggregate principal amount of the EMTN programme may be increased from time to time to allow for the continued use of this source of funding. In addition, the Company may issue bonds or enter into other unsecured financing arrangements through the international capital markets that are not issued under its EMTN programme. Debt securities issued under the EMTN programme are issued pursuant to the terms of an agency agreement, which contains customary terms and conditions. Certain debt securities issued under the EMTN programme are subject to negative pledge provisions.

(c) Loans from Group Companies

During the twelve months ended 31 March 2018 there were no drawdowns under loan facilities from each of TFS and Toyota Motor Credit Corporation to the Company.

Borrowings from Toyota Motor Credit Corporation were fully repaid during the twelve months ended 31 March 2018 as summarised in the following table (Euro in millions):

	Total borrowings from Group Companies
Balance at 31 March 2017	383
Drawdowns during the twelve months ended 31 March 2018	-
Payments during the twelve months ended 31 March 2018	(381)
Change in foreign exchange revaluation and interest accruals	(2)
Balance at 31 March 2018	0

(d) Loans from Third Parties

At 31 March 2018, the Company had entered into seven bilateral bank credit agreements for an aggregate amount of U.S.$ 1,302 million 2-year, 3-year, 4-year and 5-year loans as well as one bilateral credit agreement for a 3-year loan of SG$ 490 million. The ability to make draws under these bilateral credit agreements is subject to covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross default provisions and limitations on consolidations, mergers and sales of assets. The facilities may be used for general corporate purposes and were fully drawn upon as of 31 March 2018. The following table summarises the Company's total borrowings from third parties (Euro in millions):

	Total borrowings from Bank
Balance at 31 March 2017	1,211
Drawdowns during the twelve months ended 31 March 2018	553
Payments during the twelve months ended 31 March 2018	(207)
Change in foreign exchange revaluation, amortisation and interest accruals	(190)
Balance at 31 March 2018	1,367

(e) Liquidity Facilities and Letters of Credit

For additional liquidity purposes, the Company maintains syndicated and bilateral bank credit facilities with certain banks. The Company has entered into three committed syndicated bank credit facilities and five bilateral bank credit facilities.

Syndicated 364 Day, Three Year and Five Year Credit Agreements

On 13 November 2017, the Company and other Toyota affiliates entered into a U.S.$ 5.0 billion 364 day syndicated bank credit facility pursuant to a 364 Day Credit Agreement, a U.S.$ 5.0 billion three year syndicated bank credit facility pursuant to a Three Year Credit Agreement and a U.S.$ 5.0 billion five year syndicated bank credit facility pursuant to a Five Year Credit Agreement. The ability to make drawdowns under the 364 Day Credit Agreement, the Three Year Credit Agreement and the Five Year Credit Agreement is subject to covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross default provisions and limitations on consolidations, mergers and sales of assets. The 364 Day Credit Agreement, the Three Year Credit Agreement and the Five Year Credit Agreement may be used for general corporate purposes and were not drawn upon as of 31 March 2018. The 364 Day Credit Agreement, the Three Year Credit Agreement and the Five Year Credit Agreement, each dated as of 15 November 2016, were terminated on 13 November 2017.

Bilateral 364 Day Facility Agreements

On 6 June 2018, the Company entered into a € 200 million 364 day bilateral bank credit facility pursuant to a bilateral 364 day facility agreement.

On 6 July 2018 the Company entered into a € 200 million 364 day bilateral bank credit facility pursuant to a bilateral 364 day facility agreement. The previous € 200 million bilateral 364 day facility agreement, entered into on 6 July 2017, was not drawn upon as of 31 March 2018.

Bilateral 364 Day, Three Year and Five Year Revolving Credit Agreements

On 26 March 2018, the Company entered into a € 175 million 364 day bilateral bank credit facility pursuant to a bilateral 364 Day Revolving Credit Agreement, a € 175 million three year bilateral bank credit facility pursuant to a bilateral Three Year Revolving Credit Agreement and a € 150 million five year bilateral bank credit facility pursuant to a bilateral Five Year Revolving Credit Agreement. The ability to make drawdowns under the bilateral 364 Day Revolving Credit Agreement, the bilateral Three Year Revolving Credit Agreement and the bilateral Five Year Revolving Credit Agreement is subject to covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross default provisions and limitations on consolidations, mergers and sales of assets. The bilateral 364 Day Revolving Credit Agreement, the bilateral Three Year Revolving Credit Agreement and the bilateral Five Year Revolving Credit Agreement may be used for general corporate purposes and were not drawn upon as of 31 March 2018. The 364 Day Credit Agreement, the Three Year Credit Agreement and the Five Year Credit Agreement, each dated as of 23 March 2017, terminated (in the case of the 364 Day Credit Agreement) or were terminated (in the case of the Three Year Credit Agreement and the Five Year Credit Agreement) on 26 March 2018.

(f) Credit Support Agreements

Under the terms of a credit support agreement between TMC and TFS ("**TMC Credit Support Agreement**"), TMC agreed to: 1) maintain 100 percent ownership of TFS; 2) cause TFS and its subsidiaries to have a net worth of at least ¥ 10 million; and 3) make sufficient funds available to TFS so that TFS will be able to (i) service the obligations arising out of its own bonds, debentures, notes and other investment securities and commercial paper (collectively "**TFS Securities**") and (ii) honour its obligations incurred as a result of guarantees or credit support agreements that it has extended. The TMC Credit Support Agreement is not a guarantee by TMC of any securities or obligations of TFS. TMC's obligations under the TMC Credit Support Agreement rank *pari passu* with its senior unsecured debt obligations. The TMC Credit Support Agreement is governed by, and construed in accordance with, the laws of Japan.

Under the terms of a similar credit support agreement between TFS and the Company ("**TFS Credit Support Agreement**"), TFS agreed to: 1) maintain 100 percent ownership of the Company; 2) cause the Company and its subsidiaries, if any, to have a net worth of at least €100,000; and 3) make sufficient funds available to the Company so that the Company will be able to service the obligations arising out of its own bonds, debentures, notes and other investment securities and commercial paper (collectively, "**TMF Securities**"). The TFS Credit Support Agreement is not a guarantee by TFS of any TMF Securities or other obligations of the Company. TFS's obligations under the TFS Credit Support Agreement rank *pari passu* with its senior unsecured debt obligations. The TFS Credit Support Agreement is governed by, and construed in accordance with, the laws of Japan.

Holders of TMF Securities have the right to claim directly against TFS and TMC to perform their respective obligations under the TFS Credit Support Agreement and the TMC Credit Support Agreement by making a written claim together with a declaration to the effect that the holder will have recourse to the rights given under the TFS Credit Support Agreement and/or the TMC Credit Support Agreement, as the case may be. If TFS and/or TMC receives such a claim from any holder of TMF Securities, TFS and/or TMC shall indemnify, without any further action or formality, the holder against any loss or damage resulting from the failure of TFS and/or TMC to perform any of their respective obligations under the TFS Credit Support Agreement and/or the TMC Credit Support Agreement, as the case may be. The holder of TMF Securities who made the claim may then enforce the indemnity directly against TFS and/or TMC.

The TMC Credit Support Agreement and the TFS Credit Support Agreement each provide for termination by either party upon 30 days written notice to the other party. Such termination will not take effect until or unless all TFS Securities or all TMF Securities, respectively, have been repaid or each relevant rating agency has confirmed to TFS or the Company, respectively, that the debt ratings of all such TFS Securities or all such TMF Securities, respectively, will be unaffected by such termination.

In connection with the TFS Credit Support Agreement, the Company and TFS are parties to a credit support fee agreement ("**Credit Support Fee Agreement**"). The Credit Support Fee Agreement requires the Company to pay to TFS a semi-annual fee which is based upon the weighted average outstanding amount of TMF Securities entitled to credit support.

(g) Credit Ratings

The cost and availability of unsecured financing is influenced by credit ratings. Lower ratings generally result in higher borrowing costs as well as reduced access to capital markets. Credit ratings are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by the assigning nationally recognised statistical rating organisation ("**NRSRO**"). Each NRSRO may have different criteria for evaluating risk, and therefore ratings should be evaluated independently for each NRSRO. The Company's credit ratings depend in part on the existence of the credit support agreements of TFS and TMC.

Guarantees

The Company has guaranteed the payments of principal and interest with respect to commercial paper, medium term notes and other debt issuance of other TMC subsidiaries. The Company earned fees of € 3,135 thousand in the year ended 31 March 2018 (compared to € 2,604 thousand in the year ended 31 March 2017) for guaranteeing such payments. The nature and amounts of these guarantees are described in Note 30 – Contingent liabilities of the Notes to the Financial Statements. The TFS Credit Support Agreement and the Credit Support Fee Agreement apply to the Company's contingent liability with respect to commercial paper, medium term notes and other debt issuance of the relevant TMC subsidiaries.

Contractual Obligations and Credit-Related Commitments

The Company has certain obligations to make future payments under contracts and credit-related financial instruments and commitments. Aggregate contractual obligations and credit-related commitments in existence at 31 March 2018 are summarised as follows (Euro in millions):

31 March 2018	Payments due by period			
Contractual Obligations	Due within 3 months	Due between 4 and 12 months	Due between 1 and 5 years	Due after 5 years
Related party borrowings	-	-	-	-
Bank borrowings	8	225	1,217	-
Commercial paper	1,740	715	-	-
EMTN	333	1,102	3,828	-
Collateral deposits received	57	-	-	-
Total	2,138	2,042	5,045	-

Critical Accounting Estimates

The Company has identified the estimates below as critical to its business operations and the understanding of its results of operations. The evaluation of the factors used in determining the Company's critical accounting estimates involves significant assumptions, complex analyses, and management judgment. Changes in the evaluation of these factors may significantly impact the financial statements. Different assumptions or changes in economic circumstances could result in additional changes to the determination of the Company's results of operations and financial condition.

Derivative Instruments

The Company manages its exposure to market risks such as interest rate and foreign exchange risks with derivative instruments. These instruments include interest rate swaps, cross-currency swaps, and foreign currency contracts. The Company's use of derivatives is limited to the management of interest rate and foreign exchange risks.

Nature of Estimates and Assumptions Required

Management determines the application of derivatives accounting through the identification of hedging instruments, hedged items, and the nature of the risk being hedged, as well as the methodology used to assess the hedging instrument's effectiveness. The fair values of the Company's derivative financial instruments are calculated by applying standard valuation techniques, such as discounted cash flow analysis employing readily available market data, including interest rates, foreign exchange rates, and volatilities. However, considerable judgment is required in interpreting market data to develop estimates of fair value; therefore, the estimates are not necessarily indicative of the amounts that could be realised or would be paid in a current market exchange.

Employees

At 31 March 2018, the Company had ten employees and two of them were seconded from Toyota affiliates.

The Company has no unionised employees in the Netherlands. The Company has not experienced any strikes or other labour disturbances that have interfered with its operations since its inception, and the Company believes that the relationship among its management and its employees is good.

(B) Risks and Uncertainties facing the Company

The Company's principal activity is to act as a group finance company for some of the subsidiaries and affiliates of TMC and TFS. The Company raises funds by issuing bonds and notes in the international capital markets which have the benefit of the credit support arrangements stated below (see "*Controlling Shareholder – Credit Ratings and Credit Support*") and from other sources and on-lends to other Toyota companies. The Company also issues guarantees for debt issuances of certain other Toyota companies and such guarantees issued by the Company also have the benefit of the same credit support arrangements. The Company's role as a financing vehicle exposes it to a variety of financial risks that include credit risk, liquidity risk, interest rate risk and foreign currency exchange rate risk. The Company has in place a risk management programme that seeks to limit the adverse effects on its financial performance of those risks by entering into agreements to exchange collateral, matching foreign currency assets and liabilities and through the use of financial instruments, including interest rate swaps, cross-currency swaps and foreign currency contracts, to manage interest rate and foreign currency risk.

The Company has no control over how the other Toyota companies to which the Company on-lends funds source their financing. The Company competes with other providers of finance to such Toyota companies and any increases in competitive pressures, such as cost of funding, could have an adverse impact on the Company's financing volume, revenues and margins. Further, the financial condition of the subsidiaries and affiliates of TMC and TFS to which the Company on-lends funds or the Toyota companies to which the Company provides guarantees in respect of their debt issuances, may have an impact on the financial services the Company provides to such subsidiaries and affiliates of TMC and TFS or such Toyota companies. This could have an adverse impact on the Company's results of operations and financial condition.

Each of the Company, TFS and Toyota may be exposed to certain risks and uncertainties that could have a material adverse impact directly or indirectly on its results of operations and financial condition:

General Business, Economic, Geopolitical and Market Conditions

The Company's results of operations and financial condition are affected by a variety of factors, including changes in the overall market for retail contracts, wholesale motor vehicle financing, leasing or dealer financing, the new and used vehicle market, changes in the level of sales of Toyota, Lexus or other vehicles in Toyota's markets, the rate of growth in the number and average balance of customer accounts, the finance industry's regulatory environment in the countries in which Toyota conducts business, competition from other financiers, rate of default by its customers, the interest rates it is required to pay on the funding it requires to support its business, amounts of funding available to it, changes in the funding markets, its credit ratings, the success of efforts to expand Toyota's product lines, levels of operating expenses and general and administrative expenses (including, but not limited to, labour costs, technology costs and premises costs), general economic conditions, inflation, fiscal and monetary policies in the country in which the Company conducts its business as well as Europe and other countries in which the Company issues debt. Further, a significant and sustained increase in fuel prices could lead to lower new and used vehicle purchases. This could reduce the demand for motor vehicle retail, lease and wholesale financing.

Market conditions are subject to periods of volatility which can have the effect of reducing activity in a range of consumer and industry sectors which can adversely impact the financial performance of the Company. Elevated levels of market disruption and volatility, such as in the United States, Europe and Asia, could increase the Company's cost of capital and adversely affect its ability to access the international capital markets and fund its business in a similar manner, and at a similar cost, to the funding raised in the past. These market conditions could also have an adverse effect on the results of operations and financial condition of the Company by increasing the Company's cost of funding. If, as a result, the Company increases the rates it charges its customers, the Company's competitive position could be negatively affected. Challenging market conditions may result in less liquidity, greater volatility, widening of credit spreads and lack of price transparency in credit markets. Changes in investment markets, including changes in interest rates, exchange rates and returns from equity, property and other investments, will affect (directly or indirectly) the financial performance of the Company.

If there is a continued and sustained period of market disruption and volatility:

- there can be no assurance that the Company will continue to have access to the capital markets in a similar manner and at a similar cost as it has had in the past;

- issues of debt securities by the Company may be undertaken at spreads above benchmark rates that are greater than those on similar issuances undertaken during the prior several years;

- the Company may be subject to over-reliance on a particular funding source or a simultaneous increase in funding costs across a broad range of sources; and

- the ratio of the Company's short-term debt outstanding to total debt outstanding may increase if negative conditions in the debt markets lead the Company to replace some maturing long-term liabilities with short-term liabilities (for example, commercial paper).

Any of these developments could have an adverse effect on the Company's results of operations and financial condition.

Geopolitical conditions and other market events may also impact the Company's results of operations and financial condition. Restrictive exchange or import controls or other disruptive trade policies, disruption of operations as a result of systemic political or economic instability, outbreak of war or expansion of hostilities, acts of terrorism or other events, such as the uncertainty caused by the result of the referendum on the United Kingdom's membership of the European Union, could each have a material adverse effect on the Company's results of operations and financial condition.

Sales of Toyota and Lexus Vehicles

The Company's business is dependent upon the performance of Toyota companies to which the Company grants loans and/or in respect of which it issues guarantees and, thereby, sales of Toyota and Lexus vehicles by Toyota companies.

Changes in the volume of Toyota distributor sales may result from:

- governmental action;
- changes in regulation or trade policies;
- changes in consumer demand;
- new vehicle incentive programmes;
- recalls;
- the actual or perceived quality, safety or reliability of Toyota and Lexus vehicles;
- changes in economic conditions;
- increased competition;

- increases in the price of vehicles due to increased raw material costs, changes in import fees or tariffs due to changes to, or withdrawals from, trade agreements;
- currency fluctuations;
- fluctuations in interest rates;
- a significant and sustained increase in fuel prices; and
- decreased or delayed vehicle production due to natural disasters, supply chain interruptions or other events.

In addition, many manufacturers have increased their level of incentive programmes on new vehicles in an attempt to maintain and grow market share; these incentives historically have included a combination of subsidy, price rebates as well as other incentives. In addition, the volume of Toyota distributor sales may also be affected by Toyota's ability to successfully grow through investments in the area of emerging opportunities such as mobility and connected services, vehicle electrification, fuel cell technology and autonomy, which depends on many factors, including advancements in technology, regulatory changes and other factors that are difficult to predict. Any negative impact on the volume of Toyota distributor sales could have a material adverse effect on the Company's business, results of operations and financial condition.

Changes in Consumer Behaviour

A number of trends are affecting the automotive industry. These include a market shift from cars to sport utility vehicles ("SUVs") and trucks, high demand for incentives, the rise of mobility services such as vehicle sharing and ride hailing, the development of autonomous and alternative-energy vehicles, the impact of demographic shifts in attitudes and behaviours toward vehicle ownership and use, the development of flexible alternatives to traditional financing and leasing such as subscription service offerings, changing expectations around the vehicle buying experience, adjustments in the geographic distribution of new and used vehicle sales, and advancements in communications and technology. Any one or more of these trends could adversely affect the automotive industry, Toyota distributors and TMC, and could in turn have an impact on the Company's business, results of operations and financial condition.

Recalls and Other Related Announcements

Toyota periodically conducts vehicle recalls which could include temporary suspensions of sales and production of certain Toyota and Lexus models. As the Company's business is dependent upon the performance of Toyota companies to which the Company grants loans and/or in respect of which it issues guarantees, such events could adversely affect its business.

A decrease in the level of sales, including as a result of the actual or perceived quality, safety or reliability of Toyota and Lexus vehicles or a change in standards of regulatory bodies will have a negative impact on the level of the Company's financing volume. Further, certain Toyota affiliated entities are or may become subject to litigation and governmental investigations, and have been or may become subject to fines or other penalties. These factors could affect sales of Toyota and Lexus vehicles and, accordingly, could have a negative effect on the Company's business, results of operations and financial condition.

Competition Risk

The worldwide financial services industry is highly competitive and neither the Company nor TFS has control over how Toyota dealers source financing for their customers. Competitors of the TFS group (including those of the Company) include commercial banks, credit unions and other financial institutions. To a lesser extent, the TFS group competes with other motor vehicle manufacturers' affiliated finance companies. In addition, online financing options provide consumers with alternative financing sources. Increases in competitive pressures could have an adverse impact on contract volume, market share, net financing revenues and margins. Further, the financial condition and viability of competitors and peers of the TFS group may have an impact on the financial services industry in which the Company operates, resulting in changes in demand for its products and services. This could have an adverse impact on the Company's results of operations and financial condition.

Controlling Shareholder – Credit Ratings and Credit Support

All of the outstanding capital stock and voting stock of the Company is owned directly by TFS. TFS is a wholly-owned holding company subsidiary of TMC.

As a result, TFS effectively controls the Company and is able to directly control the composition of the Company's Board of Management and direct the management and policies of the Company.

The Company raises most of the funding it requires to support its business from the domestic and/or international capital markets. The availability and cost of that funding is influenced by credit ratings. Lower credit ratings generally result in higher borrowing costs as well as reduced access to capital markets. Credit ratings are not recommendations to buy, sell, or hold securities and are subject to revision or withdrawal at any time by the assigning nationally recognised statistical rating organisation ("**NRSRO**"). Each NRSRO may have different criteria for evaluating risk, and therefore ratings should be evaluated independently for each NRSRO.

The credit ratings for notes, bonds and commercial paper issued by the Company, depend, in large part, on the existence of the credit support arrangements with TFS and TMC and on the results of operations and financial condition of TMC and its consolidated subsidiaries. If these arrangements (or replacement arrangements acceptable to the rating agencies) are not available to the Company, or if the credit ratings of TMC and TFS as credit support providers were lowered, the credit ratings for notes, bonds and commercial paper issued by the Company would be adversely impacted.

Credit rating agencies which rate the credit of TMC and its affiliates, including TFS and the Company, may qualify or alter ratings at any time. Global economic conditions and other geopolitical factors may directly or indirectly affect such ratings.

Any downgrade in the sovereign credit ratings of the United States or Japan may directly or indirectly have a negative effect on the ratings of TMC, TFS and the Company. Downgrades or placement on review for possible downgrades could result in an increase in borrowing costs as well as reduced access to the domestic and international capital markets. These factors would have a negative impact on the Company's competitive position, results of operations, liquidity and financial condition.

The credit support arrangements may be amended, provided that such amendment does not have any adverse effects upon any holder of any notes, bonds, commercial paper or certain other securities issued by the Company outstanding at the time of such amendment, and does not require the acceptance of the rating agencies. If the Company for any reason does not have the benefit of these arrangements, the Company would expect the credit ratings of notes, bonds and commercial paper issued by it to be substantially less than the current ratings of notes, bonds and commercial paper issued by it, leading to either significantly constrained access, or no access, to the domestic or international capital markets, substantially higher borrowing costs and potentially an inability to raise the volume of funding necessary for it to operate its business.

Liquidity Risk

Liquidity risk is the risk arising from the inability to meet obligations in a timely manner when they become due. The TFS group's liquidity strategy (including that of the Company) is to maintain the capacity to fund assets and repay liabilities in a timely and cost-effective manner even in adverse market conditions. Disruption in the Company's funding sources may adversely affect its ability to meet its obligations as they become due. An inability to meet obligations in a timely manner would have a negative impact on the Company's ability to refinance maturing debt and fund new asset growth and would have an adverse effect on its results of operations and financial condition.

Use of Models, Estimates and Assumptions

The Company uses quantitative models, estimates and assumptions to price products and services, measure risk, estimate asset and liability values, assess liquidity, manage its balance sheet and otherwise conduct its business and operations. If the design, implementation, or use of any of these models is flawed or if actual results are different from the Company's estimates or assumptions, it may adversely affect its results of operations and financial condition. In addition, to the extent that any inaccurate model outputs are used in reports to regulatory agencies or the public, the Company could be subjected to supervisory actions, litigation, and other proceedings that may adversely affect its business, results of operations and financial condition.

The Company's assumptions and estimates often involve matters that are inherently difficult to predict and are beyond the Company's control (for example, macro-economic conditions). In addition, such estimates and assumptions often involve complex interactions between a number of dependent and independent variables, factors, and other assumptions. As a result, the Company's actual experience may differ materially from these estimates and assumptions. A material difference between the estimates and assumptions and the actual experience may adversely affect the Company's results of operations and financial condition.

Impact of Changes to Accounting Standards

The International Accounting Standards Board ("**IASB**") is continuing its programme to develop new accounting standards where it perceives they are required and to rewrite existing standards where it perceives they can be improved. In particular, the IASB and the Financial Accounting Standards Board in the United States continue to work together to harmonise the accounting standards of the United States and International Financial Reporting Standards ("**IFRS**"). Any future change in IFRS adopted by the IASB may have a beneficial or detrimental impact on the reported earnings of the Company.

Credit Risk

Credit risk is the risk of loss arising from the failure of a customer to meet the terms of any contract with the Company or otherwise fail to perform as agreed. An increase in credit risk would require a provision, or would increase the Company's provision, for credit losses, which would have a negative impact on the Company's results of operations and financial condition. There can be no assurance that the Company's monitoring of credit risk, the taking and perfection of collateral and its efforts to mitigate credit risk are, or will be, sufficient to prevent an adverse effect on its results of operations and financial condition. A weaker economic environment evidenced by, among other things, unemployment, underemployment and consumer bankruptcy filings, may affect some of the Company's customers' ability to make their scheduled payments.

Market Risk

Market risk is the risk that changes in interest rates, foreign currency exchange rates and other relevant market parameters or prices cause volatility in the Company's results of operations, financial condition and cash flows. An increase in interest rates could have an adverse effect on the Company's business, results of operations and financial condition by increasing the cost of capital and the rates it may charge other Toyota companies, which could, in turn, decrease financing volumes and market share, thereby resulting in a decline in the competitive position of the Company.

Derivative financial instruments are entered into by the Company to economically hedge or manage its exposure to market risk. However, changes in interest rates, foreign currency exchange rates and market prices cannot always be predicted or hedged.

Changes in interest rates or foreign currency exchange rates could affect the Company's interest expense and the value of its derivative financial instruments, which could result in volatility in its results of operations, financial condition and cash flows. Changes in the fair value of derivatives, to the extent that they are not offset by the translation of the items economically hedged, may introduce volatility in the Company's income statement and produce anomalous results.

Operational Risk

Operational risk is the risk of loss resulting from, among other factors, inadequate or failed processes, systems or internal controls, the failure to perfect collateral, theft, fraud, natural disasters or other catastrophes (including without limitation, explosions, fires, floods, earthquakes, terrorist attacks, riots, civil disturbances and epidemics) that could affect the Company.

Operational risk can occur in many forms including, but not limited to, errors, business interruptions, failure of controls, failure of systems or other technology, deficiencies in the Company's insurance risk management programme, inappropriate behaviour or misconduct by employees of, or those contracted to perform services for, the Company and vendors that do not perform in accordance with their contractual agreements. The Company is also exposed to the risk of inappropriate or inadequate documentation of contractual relationships. These events can potentially result in financial losses or other damages to the Company, including damage to reputation.

The Company relies on a framework of internal controls designed to provide a sound and well-controlled operating environment. Due to the complex nature of the Company's business and the challenges inherent in implementing control structures across large organisations, problems may be identified in the future that could have a material effect on the Company's results of operations and financial condition.

Risk of Failure or Interruption of the Information Systems

The Company relies on internal and third party information and technological systems to manage its operations which creates meaningful operational risk for the Company. Any failure or interruption of the Company's information systems or the third party information systems on which it relies as a result of inadequate or failed processes or systems, human error, employee misconduct, catastrophic events, external or internal security breaches, acts of vandalism, computer viruses, malware, ransomware, misplaced or lost data, or other events could disrupt the Company's normal operating procedures, damage its reputation and have an adverse effect on its business, results of operations and financial condition.

In addition, any upgrade or replacement of the Company's existing transaction systems and treasury systems could have a significant impact on its ability to conduct its core business operations and increase the risk of loss resulting from disruptions of normal operating processes and procedures that may occur during the implementation of new systems. For example, the development and implementation of new systems and any future upgrades related thereto may require significant expenditure and divert management attention and other resources from the Company's core business operations. There are no assurances that such new systems will provide the Company with any of the anticipated benefits and efficiencies. There can also be no assurance that the time and resources management will need to devote to implementation and upgrades, potential delays in the implementation or upgrade or any resulting service interruptions, or any impact on the reliability of the Company's data from any upgrade of its legacy system, will not have a material adverse effect on its business, results of operations and financial condition.

Risk of a Security Breach or a Cyber-attack

The Company collects and stores certain personal and financial information from customers, employees and other third parties. Security breaches or cyber-attacks involving the Company's systems or facilities, or the systems or facilities of the Company's service providers, could expose the Company to a risk of loss of personally identifiable information of customers, employees and third parties or other proprietary or competitively sensitive information, business interruptions, regulatory scrutiny, actions and penalties, litigation, reputational harm, a loss of confidence and other financial and non-financial costs, all of which could potentially have an adverse impact on the Company's future business with current and potential customers, its results of operations and financial condition.

The Company relies on encryption and other information security technologies licensed from third parties to provide security controls necessary to help in securing online transmission of confidential information pertaining to customers, employees and other aspects of the Company's business. Advances in information system capabilities, new discoveries in the field of cryptography or other events or developments may result in a compromise or breach of the technology that the Company uses to protect sensitive data. A party who is able to circumvent these security measures by methods such as hacking, fraud, trickery or other forms of deception could misappropriate proprietary information or cause interruption to the operations of the Company. The Company may be required to expend capital and other resources to protect against such security breaches or cyber-attacks or to remedy problems caused by such breaches or attacks. The Company's security measures are designed to protect against security breaches and cyber-attacks, but the Company's failure to prevent such security breaches and cyber-attacks could subject it to liability, decrease its profitability and damage its reputation. Even if a failure of, or interruption in, the systems or facilities of the Company is resolved in a timely manner or an attempted cyber incident or other security breach is successfully avoided or thwarted, it may require the Company to expend substantial resources or to take actions that could adversely affect customer satisfaction or behaviour and expose the Company to reputational harm.

The Company could also be subjected to cyber-attacks that could result in slow performance and loss or temporary unavailability of its information systems. Information security risks have increased because of new technologies, the use of the internet and telecommunications technologies (including mobile devices) to conduct financial and other business transactions, and the increased sophistication and activities of organised crime, perpetrators of fraud, hackers, terrorists, and others. The Company may not be able to anticipate or implement effective preventative measures against all security breaches of these types, especially because the techniques used change frequently and because attacks can originate from a wide variety of sources. The occurrence of any of these events could have a material adverse effect on the Company's business, results of operations and financial condition.

Counterparty Credit Risk

The Company has exposure to many different financial institutions and routinely executes transactions with counterparties in the financial industry. The Company's debt, derivative and investment transactions, and its ability to borrow under committed and uncommitted credit facilities, could be adversely affected by the actions and commercial soundness of other financial institutions. The Company cannot guarantee that its ability to borrow under committed and uncommitted credit facilities will continue to be available on reasonable terms or at all. Deterioration of social, political, employment or economic conditions in a specific country or region may also adversely affect the ability of financial institutions, including the Company's derivative counterparties and lenders, to perform their contractual obligations. Financial institutions are interrelated as a result of trading, clearing, lending or other relationships and, as a result, financial and political difficulties in one country or region may adversely affect financial institutions in other jurisdictions, including those with which the Company has relationships. The failure of any of the financial institutions and other counterparties to which the Company has exposure, directly or indirectly, to perform their contractual obligations, and any losses resulting from that failure, may materially and adversely affect the Company's liquidity, results of operations and financial condition.

Regulatory Risk

Regulatory risk is the risk to the Company arising from the failure or alleged failure to comply with applicable regulatory requirements and the risk of liability and other costs imposed under various laws and regulations, including changes in applicable law, regulation and regulatory guidance.

Changes to Laws, Regulations or Government Policies

Changes to the laws, regulations or to the policies of governments (state or local) of the Netherlands or of any other national governments (federal, state or local) of any other jurisdiction in which the Company conducts its business or international organisations (and the actions flowing from such changes to policies) may have a negative impact on the Company's business or require significant expenditure by it, or significant changes to its processes and procedures, to ensure compliance with those laws, regulations or policies so that it can effectively carry on its business.

Compliance with applicable law is costly and can affect the Company's results of operations. Compliance requires forms, processes, procedures, controls and the infrastructure to support these requirements. Compliance may create operational constraints and place limits on pricing, as the laws and regulations in the financial services industry are designed primarily for the protection of consumers. Changes in regulation could restrict the Company's ability to operate its business as currently operated, could impose substantial additional costs or require the Company to implement new processes, which could adversely affect its business, prospects, financial performance or financial condition. The failure to comply could result in significant statutory civil and criminal fines, penalties, monetary damages, attorney or legal fees and costs, restrictions on the Company's ability to operate its business, possible revocation of licenses and damage to the Company's reputation, brand and valued customer relationships. Any such costs, restrictions, revocations or damage could adversely affect the Company's business, prospects, results of operations or financial condition.

Taxation

The Company is subject to numerous tax laws and is required to remit many different types of tax revenues based on self-assessment and regulation. The Company interprets the tax legislation and accounts to the authorities based on its knowledge of the tax laws at the time of its assessment. Tax laws, or the interpretation thereof, are subject to change through legislation, tax rulings or court interpretation. Changes to the application or interpretation of tax laws may adversely impact the Company's results of operations and financial condition.

The Company may also be subject to an audit by tax authorities after its self-assessment. If the Company has not accounted correctly for its tax liabilities, this may adversely impact the Company's results of operations and financial condition.

Legal Proceedings

The Company is, and may be, from time to time, subject to various legal actions, governmental proceedings and other claims arising in the ordinary course of business. A negative outcome in one or more of these legal proceedings may adversely affect the Company's results of operations and financial condition.

Industry and Business Risks – Toyota

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. 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 globalisation in the worldwide automotive industry, possibly resulting in industry reorganisations. 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 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 31 March 2018, the world economy has continued its moderate recovery due to the global expansion of trade and production and solid domestic demand. The Japanese economy has been on a moderate recovery due to improvements in employment and income conditions. For the automotive industry, although markets have progressed in a steady manner in the developed countries and expanded in China, markets in 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 continue or progress 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 or shutdowns due to attacks by hackers, computer viruses, breaches due to unauthorised 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. Such incidents 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

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 localised 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.

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 aluminium, 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 – Toyota

The automotive industry is subject to various governmental regulations

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. Many governments also impose tariffs and other trade barriers, taxes and levies, or enact price or exchange controls. Toyota has incurred, and expects to incur in the future, significant costs in complying with these regulations. If Toyota launches products that result in safety measures such as recalls, Toyota may incur various costs including significant costs for free repairs. Furthermore, new legislation or changes in existing legislation may also subject Toyota to additional expenses in the future. If Toyota incurs significant costs related to implementing safety measures or meeting laws and governmental regulations, 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.

Toyota may be adversely affected by natural calamities, political and economic instability, fuel shortages or interruptions in social infrastructure, wars, terrorism and labour 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, labour 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.

2. Annual Report & Financial Statements for the financial year ended 31 March 2018 and Auditor's Report

The Annual Report & Financial Statements were adopted by the Annual General Meeting held on 24 July 2018

TOYOTA MOTOR FINANCE (NETHERLANDS) B.V.
REGISTERED NUMBER: 33194984

Annual Report & Financial Statements for the year ended 31 March 2018

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BOARD OF MANAGEMENT

Hiroyasu Ito
Katsunobu Katayama

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Report of the Board of Management for the year ended 31 March 2018

The Board of Management herewith submits its report and the Financial Statements of Toyota Motor Finance (Netherlands) B.V. ("the Company") for the year ended 31 March 2018. The Company operates under a single tier board structure.

Overview of activities

The principal activity of the Company is to act as a group finance subsidiary and to provide finance services to Toyota group companies. The Company raises funds by issuing bonds and notes in the international capital markets and from other sources and on-lends to other Toyota companies. The Company also issues guarantees for debt issuances of other Toyota companies. The Company is not engaged in any Research and Development activities.

A loss of € 9.5 million was incurred in the year compared to a loss of € 3.0 million for the year ended 31 March 2017.

At the reporting date, a total equivalent amount of € 8,741 million had been lent to related companies, compared to € 7,318 million at 31 March 2017.

Gross profit for the year increased to € 18.5 million from € 14.4 million for the year ended 31 March 2017. The loss before tax for the year of € 11.8 million compares to a loss before tax of € 3.8 million for the year ended 31 March 2017. The decline in interest income from € 81.8 million to € 80.3 million and interest expense from € 62.5 million to € 55.1 million is in line with declining interest rates through the year. The increase in loss is primarily due to an increase of mark-to-market losses on derivatives. The mark-to-market losses on derivatives are caused by the relative decline in Euro interest rates compared to the interest rates of other currencies. More details of the reasons for the volatility of the Company's results are given in note 10 of the Notes to the Financial Statements.

During the year the Company has increased the proportion of funding from the capital markets, mainly by increasing CP and EMTN funding. At 31 March 2018, there were net current assets of € 182 million, compared to net current liabilities of € 365 million for the year ending 31 March 2017. The excess of current assets over current liabilities is due to an increase in short-term lending and collateral deposits paid compared to a decrease in collateral deposits received for the year ending 31 March 2018.

The nature of the activities of the Company has remained unchanged during the year ended 31 March 2018 from the prior year, and there have been no significant events since the reporting date.

Risk management

The Board of Management utilises risk management policies and receives regular reports from the business to enable prompt identification of risks so that appropriate actions may be taken.

Financial risk: the Company employs written policies and procedures that set out specific guidelines to manage foreign exchange risk, interest rate risk, credit risk, liquidity risk and the use of financial instruments to manage these. Please refer to note 31 of the Financial Statements where the Company has explained the risks and uncertainties to which the Company is exposed and its use of financial instruments.

Operational risk: the Company has an adequate administrative organisation and system of internal controls in place. There are control mechanisms in place to test the adequacy of the internal controls and security, and risk evaluations of operational activities are performed on a continuous basis.

Legal and Compliance risk: the regulatory environment in which the Company operates is continuously changing with existing legislation being regularly updated or new laws being implemented. Greater emphasis is being placed by regulators on integrity risks, particularly in respect of customer due diligence and transparency. The Company is continuously reviewing the changes in the legal and compliance environment and implements where applicable changes in its policies and processes.

Financial reporting and disclosure risk: governance surrounding financial reporting and disclosure risk promotes the importance of accurate, timely and complete financial reporting. The accounting department is responsible for financial reporting. Policies, procedures and controls are in place to prevent and detect errors in the financial information and to reduce subjective judgements in measurement and reporting.

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Composition of the Board

The size and composition of the Board of Management and the combined experience and expertise should reflect the best fit for the profile and strategy of the Company. Currently the Board consists of two male board members. The Company is aware that the gender diversity is below the goals as set out in article 2.276 section 2 of the Dutch Civil Code and the Company will pay close attention to gender diversity in the process of recruiting and appointing new managing directors.

Future outlook

It is expected that the nature of the activities of the Company will remain unchanged during the year to 31 March 2019. Future financial performance is expected to be profitable and will depend largely on the net interest margin earned on loans to Toyota group companies and changes in value of derivatives entered into for risk management purposes. The Company does not expect changes in its capacity to extract funds from the capital markets. The number of personnel is expected to remain at ten.

Report of the Board of Management
for the year ended 31 March 2018

Board of Management

Hiroyasu Ito

Katsunobu Katayama

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Statement of comprehensive income for the year ended 31 March 2018

	Note	2018 €'000	2017 €'000
Interest income	5	80,332	81,804
Guarantee fee income	6	3,135	2,604
Revenue		83,467	84,408
Interest expenses	7	(55,113)	(62,489)
Fee expenses	8	(9,898)	(7,524)
Cost of funding		(65,011)	(70,013)
Gross profit		18,456	14,395
Administration expenses	9	(4,611)	(4,562)
Net losses on financial instruments	10	(25,709)	(13,692)
Dividend income	11	49	45
Loss before tax		(11,815)	(3,814)
Taxation	13	2,352	810
Loss for the year		(9,463)	(3,004)
Other comprehensive income, net of tax: Items that will be reclassified subsequently to Profit or Loss			
Fair value gains on available for sale investments	28	4	167
Total comprehensive loss for the year		(9,459)	(2,837)
Attributable to: **Owners of the parent**		**(9,459)**	**(2,837)**

The notes on pages 9 to 39 are an integral part of these Financial Statements

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Statement of financial position as at 31 March 2018

	Note	2018 €'000	2017 €'000
Assets			
Current assets			
Loans to related companies	14	3,750,637	3,470,478
Other receivables	20	246,327	102,764
Current tax assets	21	-	88
Derivative financial instruments	16	57,761	162,990
Cash and cash equivalents	22	126,634	1,872
Total current assets		4,181,359	3,738,192
Non-current assets			
Loans to related companies	14	4,990,433	3,847,488
Derivative financial instruments	16	148,235	366,704
Available-for-sale investment - related company	15	1,119	1,115
Property, plant and equipment	17	-	-
Deferred tax assets	19	1,650	-
Total non-current assets		5,141,437	4,215,307
Liabilities			
Current liabilities			
Borrowings	23	3,836,448	3,600,166
Derivative financial instruments	16	91,263	125,301
Financial guarantee liability	24	7,431	5,332
Current tax liability	21	1,209	-
Other liabilities and accrued expenses	25	62,899	372,567
Bank overdraft	22	1	-
Total current liabilities		3,999,251	4,103,366
Net current assets (liabilities)		182,108	(365,174)
Non-current liabilities			
Borrowings	23	4,920,462	3,610,575
Derivative financial instruments	16	257,077	79,382
Deferred tax liabilities	19	-	4,711
Total non-current liabilities		5,177,539	3,694,668
Net assets		**146,006**	**155,465**
Shareholder's equity			
Equity attributable to owners of the parent			
Share capital	27	908	908
Retained earnings		144,734	154,197
Fair value reserve	28	364	360
Total shareholder's equity		**146,006**	**155,465**

The notes on pages 9 to 39 are an integral part of these Financial Statements

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Statement of changes in equity for the year ended 31 March 2018

Attributable to owners of the parent	Note	Share Capital €'000	Retained Earnings €'000	Fair Value Reserves €'000	Total €'000
Balance at 31 March 2016		908	157,201	193	158,302
Fair value gains	28	-	-	167	167
Result for the year		-	(3,004)	-	(3,004)
Total comprehensive income for the year		-	(3,004)	167	(2,837)
Balance at 31 March 2017		**908**	**154,197**	**360**	**155,465**
Fair value gains	28	-	-	4	4
Result for the year		-	(9,463)	-	(9,463)
Total comprehensive income for the year		-	(9,463)	4	(9,459)
Balance at 31 March 2018		**908**	**144,734**	**364**	**146,006**

The notes on pages 9 to 39 are an integral part of these Financial Statements

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Statement of cash flows for the year ended 31 March 2018

	Note	2018 €'000	2017 €'000
Loss for the year		(9,463)	(3,004)
Adjustments for:			
Depreciation and amortisation		-	7
Dividend income		(49)	(45)
Taxation		(2,352)	(810)
Interest income		(80,332)	(81,804)
Interest expense		55,113	62,489
Fair value unrealised gains and losses		462,700	(216,212)
Unrealised foreign exchange gains and losses		(528,997)	252,897
Increase in loans to related companies		(1,458,806)	(894,873)
(Increase) / decrease in other current assets		(141,463)	19,555
Increase / (decrease) in other current liabilities		(309,693)	133,540
		(2,013,342)	**(728,260)**
Interest received		78,057	82,733
Interest paid		(41,683)	(54,465)
Tax paid		(2,711)	(3,204)
Cash flow from operating activities		**(1,979,679)**	**(703,196)**
Dividend received	11	49	45
Cash flow from investing activities		49	45
Proceeds from borrowings		25,616,623	19,669,071
Repayment of borrowings		(23,512,815)	(18,964,524)
Cash flow from financing activities		2,103,808	704,547
Net increase in cash and cash equivalents		124,178	1,396
Cash and cash equivalents at the beginning of the year		1,872	2,071
Exchange losses on cash and cash equivalents		583	(1,595)
Cash and cash equivalents at the end of the year	22	**126,633**	**1,872**

The notes on pages 9 to 39 are an integral part of these Financial Statements

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Notes to the Financial Statements

1. General information

Toyota Motor Finance (Netherlands) B.V. ('the Company') is a wholly-owned subsidiary of Toyota Financial Services Corporation. The principal activity of the Company is to act as a group finance subsidiary. The Company raises funds by issuing bonds and notes in the international capital markets and from other sources and on- lends to other Toyota companies. The Company also issues guarantees for debt issuance of other Toyota companies.

The Company is incorporated and domiciled in the Netherlands. The address of its registered office is World Trade Center, Tower H, Level 10, Zuidplein 90, 1077 XV, Amsterdam, the Netherlands.

The ultimate management company and controlling party and the largest undertaking into which the Company's results are consolidated is Toyota Motor Corporation, which is incorporated in Japan.

The smallest undertaking into which the Company's results are consolidated is Toyota Financial Services Corporation, which is incorporated in Japan.

The Financial Statements of Toyota Motor Corporation can be obtained from http://www.toyota-global.com.

These Financial Statements have been approved for issue by the Board of Management on 24 July 2018.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Company has no subsidiary, joint venture or associated company investments and is therefore not required to prepare consolidated financial statements.

Basis of preparation

- The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union and also in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code.
- As a result of the accounting policies adopted, the Financial Statements of the Company are also consistent with all IFRS issued by the International Accounting Standards Board (IASB) and interpretations issued by IFRIC.
- The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation to fair values of available-for-sale financial assets, and financial assets and liabilities at fair value through profit or loss.
- The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note 3.
- The Company's Financial Statements are presented in Euro, which is the Company's functional and reporting currency. Except as indicated financial information presented has been presented in Euro and rounded to the nearest thousand.

Going concern

There was an excess of current assets over current liabilities at 31 March 2018. Management of liquidity risk is explained in note 31.5 and, having assessed the available liquidity facilities and credit support facilities in place, the directors have a reasonable expectation that the Company has adequate resource to continue to fund its current obligations for the foreseeable future and therefore the Financial Statements have been prepared on a going concern basis.

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Changes in accounting policy and disclosures

New and amended standards effective for the financial year starting 1 April 2017

Amendment to IAS 7 *Statement of cash flows* specifies that an entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

IAS 12 *Income Taxes* implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognises both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognised, with limited exceptions, as deferred tax liabilities or deferred tax assets.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2017 and not early adopted

IFRS 9, *Financial instruments*, addresses the classification, measurement and recognition of financial assets and financial liabilities.

IFRS 9 Financial instruments was endorsed by the EU in November 2016. This endorsement means that IFRS 9 will apply to the Company from 1 April 2018 onwards and that the Company will apply these principles retrospectively from such date. In line with the transitional provisions of the standard, the Company will not restate comparative figures. IFRS 9 will replace the current standard for recognition and measurement of financial instruments (IAS 39) and includes requirements for the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. The new impairment model for financial assets is an expected credit loss model, and is expected to result in the earlier recognition of credit losses. The Company does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9.

Classification and measurement
The classification and measurement of financial assets under IFRS 9 is determined by the business model in which the assets are held and whether the contractual cash flows are solely payments of principal and interest (SPPI). Under IFRS 9, financial assets can be measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). These categories replace the IAS 39 classifications of loans and receivables, Available for Sale (AFS), FVTPL, and held-to-maturity.
The business model in which a financial asset is held is determined at portfolio level. Portfolios are based on how groups of financial assets are managed together to achieve a particular business objective. Financial assets can only be classified at amortised cost or FVOCI when the contractual cash flows are SPPI. The classification and measurement of financial liabilities remains the same as under IAS 39. There were no other significant changes in the classification and measurement of financial instruments as at 1 April 2018.

Impairments
IFRS 9 replaces the 'incurred loss' model with the 'expected credit loss model', which is designed to be forward-looking. The standard requires a three stage approach to measure expected credit losses on financial assets that are measured at amortised cost or FVOCI, as well as for loan commitments and financial guarantee contracts. The Company's derivatives counterparty exposure is collateralised and this collateral is assessed weekly, as described in the Financial Risk Management chapter, credit risk, of the Annual Report. Additionally, exposures are short-term and the portion of the lifetime expected credit losses associated with default events occurring in the next 12 months will be equivalent to the lifetime expected credit losses. As such, the introduction of the IFRS 9 expected credit loss model is not expected to have a significant impact.

Amendment to IFRS 15 *Revenue from contracts with customers* IFRS15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The Company has made an assessment of its revenue from contracts and has determined that the amendment will have no impact on the Financial Statements of the Company.

Amendment to IFRS1 *First-time Adoption of International Financial Reporting Standards* In the amendment the short-term exemptions in paragraphs E3-E7 were deleted because they have served their intended purpose. The amendment is expected to have no impact on the Financial Statements of the Company.

Amendment to IFRS 16 *Leases* IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a

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low value. The Company has made an assessment of its leases and has determined that the amendment will have no impact on the Financial Statements of the Company.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Segmental reporting

The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Management that makes strategic decisions.

Foreign currency

Transactions and balances

The Financial Statements are presented in Euro, which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, in 'Net losses on financial instruments'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other fair value changes in the carrying amount of the security. Translation differences are recognised in the income statement, and other fair value changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equity securities held at fair value through profit or loss are recognised in the income statement, in 'Net losses on financial instruments'. Translation differences on non-monetary financial assets such as equity securities classified as available-for-sale are included in the fair value reserve in equity.

Financial assets

Financial assets are classified in the following categories: loans and receivables, available-for-sale investments, held to maturity financial assets or financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the investments at initial recognition. Regular-way trades of derivatives contracts are accounted for on a trade date basis, and regular-way trades of all other financial assets are accounted for on a settlement date basis. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when the rights to receive cash flows from the assets has expired.

a) Loans and receivables

The Company's loans to Toyota group related entities are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, whose recoverability is based solely on the credit risk of the related company and where the Company has no intention of trading the loan. Loans and receivables are initially recognised at fair value including any incremental funding costs. Subsequent recognition is at amortised cost using the effective interest method. Guarantee fees receivable from fellow subsidiaries in respect of debt guaranteed by the Company are included in 'Other receivables' in the Statement of financial position.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally (but not exclusively) investment securities intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in interest rates or market prices. Therefore, based on the expectation of management, available-for-sale investments are classified between current and non-current. They are initially measured at fair value including direct and incremental transaction costs. Subsequent measurement is at fair value, with changes in fair value being recognised in equity except for impairment losses and translation differences, which are recognised in the Statement of comprehensive income. Upon de-recognition of the asset, or where there is objective evidence that the investment security is impaired, the cumulative gains and losses recognised in equity are removed from equity and recognised in the Statement of comprehensive income.

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c) Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments that the Company has the ability and intention to hold to maturity. They are initially measured at fair value including direct and incremental transaction costs. Subsequent measurement is at amortised cost using the effective interest method. As of 31 March 2018 there were no held to maturity financial assets.

d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. Derivatives are categorised as 'held for trading' unless they are designated as hedging instruments. The Company enters into derivatives to mitigate the risks associated with other underlying financial assets and financial liabilities.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently adjusted at fair value. Transaction costs are expensed in the Statement of comprehensive income. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Consequently, all changes in the fair value of any derivative instruments, net of accrued interest on derivatives, are recognised immediately in the Statement of comprehensive income, within 'Net losses on financial instruments'. Accrued interest on derivatives is recorded in the income statement within "Interest expense".

Impairment of financial assets

A financial asset, or portfolio of financial assets, is impaired, and an impairment loss incurred, if there is objective evidence that an event or events since initial recognition of the asset has or have adversely affected the amount or timing of future cash flows from the asset. The Company assesses financial assets for impairment at each reporting date. Evidence of impairment would include a debt issuer being unable to pay as and when the debt falls due.

The Company measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of estimated future cash flows from the asset or group of assets discounted at the effective interest rate of the instrument at initial recognition.

Impairment losses are assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant. In making a collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics. Future cash flows from these portfolios are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted, on the basis of current observable data, to reflect the effects of current conditions not affecting the period of historical experience.

Impairment losses are recognised in profit or loss and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses.

If in a subsequent period the amount of the impairment loss reduces and the reduction can be described to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. Once an impairment loss has been recognised on a financial asset or group of financial assets, interest income is recognised on the carrying amount using the effective interest rate at which estimated future cash flows were discounted in measuring impairment.

Financial investments are held at fair value with unrealised gains and losses recognised directly in other comprehensive income, net of applicable taxes. When financial investments are sold, collected or impaired, the cumulative gain or loss recognised in other comprehensive income is transferred to 'Other income' in the income statement. Interest-bearing securities and equities classified as available-for-sale investments are assessed at each reporting date to determine whether they are impaired. For equities, this review considers factors such as the credit standing and prospects of the issuer, any deduction in fair value below cost, its direction and whether the reduction is significant or prolonged. In general, triggers used for a significant or prolonged decline in the fair value below cost are 20% and 9 months respectively.

Property, plant and equipment

Items of property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is charged to profit or loss on a straight-line basis so as to write off the depreciable amount of property, plant and equipment over the estimated useful life of the assets as follows:

- Fixture & Fittings: 5 years
- Furniture: 5 years
- Computer hardware: 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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Gains and losses on disposal of items of property, plant and equipment are determined by comparing proceeds with the carrying amount. These are included in 'Administration expenses' in the Statement of comprehensive income.

Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the asset's estimated useful life and is included in 'Administration expenses' in the Statement of comprehensive income.

The estimated useful economic lives are as follows:

- Computer software: 5 years

The assets' values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposal of items of intangible assets are determined by comparing proceeds with the carrying amount. These are included in 'Administration expenses' in the Statement of comprehensive income.

Impairment of non-financial assets

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

At each reporting date the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated.

Property, plant, equipment as well as intangible assets are subject to an impairment review if there are events or changes in circumstance which indicate that the carrying amount may not be recoverable.

Cash and cash equivalents

Cash and cash equivalents are defined as cash and deposits which can be realised within three months. These include overnight money market deposits with banks, current account and deposit account balances with banks and short-term investments.

Cash and cash equivalents are measured at amortised cost.

The cash flow statement has been drawn up in accordance with the indirect method, making a distinction between cash flows from operating, investment and financing activities. Cash flows related to interest payments, receipts and tax payments are classified as cash flows from operating activities.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently at amortised cost. Recognition and de-recognition is on a settlement basis.

Depending on the maturity date of the contract the borrowing is classified as current or non-current.

Taxation

The charge for current tax is based on the results for the period as adjusted for items that are not taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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Guarantees

The Company issues guarantees to debt holders of fellow Toyota Motor Corporation subsidiaries. The Company receives guarantee fees from these fellow subsidiaries in respect of the guaranteed debt in issuance. Guarantees are classified as financial liabilities under IAS39, and as such the guarantees are recognised in the Statement of financial position.

The guarantees are initially stated at fair value, which is determined by reference to the present value of the future fee cash flows at the point of issuance of the debt being guaranteed. Guarantees are derecognised at the point of repayment of the guaranteed debt.

Subsequent measurement of the guarantee liability is the higher of the amount determined by IAS 37 "Provisions, contingent liabilities and contingent assets" or the amortised initial present value recognition of the guarantee using the effective interest rate method.

Revenue recognition

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and subsequently continues unwinding the discount as interest income.

The effective interest rate method calculates the amortised cost of a financial asset or liability, and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

The calculation includes all amounts received or paid by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition or issue of a financial instrument, and all other premiums and discounts.

Interest on derivatives and the amortisation of the interest component of foreign exchange derivatives are recognised on an effective yield basis within interest expense in the Statement of comprehensive income.

Guarantee fee income

Guarantee fee income is recognised during the life of the guarantee on an accruals basis in accordance with the substance of the relevant agreements.

Dividend income

Dividend income is recognised when the right to receive payment is established.

3. Critical accounting estimates and judgements

The notes to the Financial Statements set out areas where significant judgement, complex calculations or assumptions have been used to arrive at the Financial Statements presented. Areas of significant judgement or complexity will include the fair valuation of financial instruments, loans and guarantees.

3.1 Fair value estimation of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and market assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine the fair value for the remaining financial instruments. The fair value of interest rate swaps, cross currency swaps and forward foreign exchange contracts is calculated as the present value of the estimated future cash flows.

The nominal value less impairment provision of other receivables and payables, normally maturing within 30 days, are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

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3.2 Initial recognition and valuation of guarantees

The initial fair value recognition of guarantee liabilities, in relation to related party debt issuance, is required by IAS 39. As the guarantees of related party debt are not actively traded and no initial fee is charged for entering into the guarantee, a valuation technique is required to assess the initial liability to the third-party debt holder.

The Company uses the discounted future income cash flows over the life of the guarantee to assess the initial guarantee liability. The initial recognition of the guarantee liability is calculated using the market interest rates applicable to the specific currency of debt issuance on the date the related party issues the debt.

The estimation of the initial fair value of the guarantees is subject to a significant level of management judgement and complexity, as the individual related group companies do not have a separate credit rating from that of the overall Toyota Motor Corporation group. A guarantee asset is recognised of an amount equal to the guarantee liability. Changes in the value of the guarantee liability are matched by equal changes in the value of the guarantee asset; since such changes have no impact on the Statement of comprehensive income, no sensitivity analysis of the guarantee liability is included in the notes to the Financial Statements.

4. Breakdown by geographical market

The Company consists of a single operating reporting segment as defined under IFRS 8. Income generation is principally from lending to related companies, with other income generation from guarantees of related companies and from other investment and deposit income incidental to the primary funding activities.

Income can be categorised geographically as follows:

Income by area	**2018 €'000**	**2017 €'000**
Russia (group)	22,478	26,472
UK (group)	21,245	22,436
Norway (group)	9,853	9,314
Thailand (group)	8,690	5,112
South Africa (group)	7,517	5,953
Poland (group)	3,235	2,770
Other countries (group)	8,782	10,910
Interest received from others	1,667	1,441
Total	**83,467**	**84,408**

5. Interest income

Interest income	**2018 €'000**	**2017 €'000**
Interest income on loans to related companies	78,665	80,364
Interest income on deposits	389	22
Interest (premium) income on commercial paper	870	842
Interest income on collateral deposits paid	371	576
Interest income on corporate tax	37	-
Total	**80,332**	**81,804**

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6. Guarantee fee income

The Company guarantees the debt of certain other Toyota Motor Corporation subsidiaries for which it receives guarantee fee income. All guarantee fee income is from related parties. Guarantee fee income for the year 2018 was € 3,135,000 (2017: € 2,604,000).

7. Interest expenses

Interest expenses	**2018 €'000**	**2017 €'000**
Interest charge on Euro medium term notes	(96,675)	(114,315)
Interest expense from bank borrowing	(21,523)	(15,319)
Interest expense on commercial paper	(19,101)	(4,607)
Interest paid on loan assets	(1,221)	(543)
Interest expense on loans from related companies	(1,216)	(3,065)
Interest expense on collateral deposits received	(293)	(248)
Interest on bank overdraft	-	1
Interest component of foreign exchange derivative contracts	3,010	1,473
Net interest on swap agreements	81,906	74,134
Total	**(55,113)**	**(62,489)**

8. Fee expenses

The Company has the benefit of credit support agreements with Toyota Financial Services Corporation and Toyota Motor Corporation, for which it pays credit support fees based on the Company's debt issuance and guarantees issued to related parties. The credit support fees charged in the year by related parties were € 9,898,000 (2017: € 7,524,000).

9. Administration expenses

Administration expenses	**2018 €'000**	**2017 €'000**
Staff costs	(1,241)	(1,438)
Legal fees	(721)	(716)
Related party costs	(678)	(740)
Committed facilities	(615)	(416)
Independent auditor's expenses	(379)	(307)
Communication expenses	(169)	(149)
Office rent	(109)	(110)
Rating annual fees	(87)	(81)
Tax advisor fees	(21)	(23)
Other administration expenses	(591)	(575)
Depreciation of PPE	-	(7)
Total	**(4,611)**	**(4,562)**

The Company had an average of 10 employees, 2 seconded and 8 local (2017: 9 employees, 2 seconded and 7 local) during the year.

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Staff costs consist of the following expenses and include the payroll costs of seconded employees:

Staff costs	**2018 €'000**	**2017 €'000**
Wages, salaries and bonuses (on accruals basis)	(1,121)	(1,341)
Social security costs	(74)	(57)
Pension premiums (defined pension scheme on accruals basis)	(46)	(40)
Total	**(1,241)**	**(1,438)**

Remuneration of key management below consist of all payments and benefits to directors of the Company.

Compensation to key management	**2018 €'000**	**2017 €'000**
Short-term employee benefits	(271)	(402)
Total	**(271)**	**(402)**

10. Net gains (losses) on financial instruments

Net gains and losses arise from both foreign exchange rate movements and from interest rate movements on the following categories of financial instruments:

Net gains (losses) on financial instruments	**2018 €'000**	**2017 €'000**
(Losses) / gains arising from foreign exchange rate movements		
Derivative instruments	(548,838)	325,738
Loans and receivables at amortised cost	(249,582)	(24,606)
Financial liabilities measured at amortised cost	798,152	(301,176)
	(268)	(44)
(Losses) / gains arising from interest rate movements		
Fair value losses on derivative instruments	(25,441)	(13,648)
Total	**(25,709)**	**(13,692)**

The Company issues debt to third parties and loans to related parties in a number of currencies, and then swaps this borrowing and lending back into one of four funding books: US Dollar (USD), Pound Sterling (GBP), Japanese Yen (JPY) and Euro (EUR).

The effect of foreign exchange rate movements on the market value of the derivatives is offset by equal and opposite exchange losses or gains on the underlying financial assets and liabilities. The net gains and losses arising from foreign exchange rate movements arise from the Company's net foreign exposure to GBP, USD and other currencies.

The Company measures derivatives at fair value whereas the other financial assets and liabilities are measured at amortised cost. The Company does not apply hedge accounting. Therefore, the effect of interest

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movements on the market value of the derivatives is not offset by an opposite movement on the underlying financial assets and liabilities leading to volatility in the Statement of comprehensive income.

The increase in losses on derivatives, from € 13,692,000 for the year ending March 2017 to € 25,709,000 loss for the year ending March 2018, was caused by (i) the increase in interest rates for the funding currencies, and (ii) the reversal of previous gains for derivatives coming to maturity during the period.

11. Dividend income

The Company received a dividend from Toyota Leasing (Thailand) Co. Ltd. of € 49,000 in the year (2017: € 45,000).

12. Independent auditor's expenses

Administration expenses include the following fees paid to the Company's independent auditors EY, for 2018, and Deloitte, for 2017, for the statutory audit:

Independent auditor's expenses	**2018 €'000**	**2017 €'000**
Audit (statutory) – EY	(145)	-
Audit (statutory) – Deloitte Netherlands	(15)	(130)
Other audit services – Deloitte Luxembourg	(18)	(45)
Audit - other assurance services – PricewaterhouseCoopers	(74)	(80)
Audit - other assurance services – Deloitte Netherlands	(53)	(52)
Audit - other assurance services – EY	(74)	-
Total	**(379)**	**(307)**

Other assurance services consist of fees paid to PricewaterhouseCoopers, EY and Deloitte for Comfort Letters relating to the issuing of Euro medium term notes. Also included under other assurance services are fees paid to PricewaterhouseCoopers Aarata (Japan) for translation services provided in translating the Comfort Letters and accompanying documents.

13. Taxation

Taxation	**2018 €'000**	**2017 €'000**
Current		
Taxation on profit (loss) for the year	(4,557)	(3,287)
Prior period tax adjustment	548	685
	(4,008)	(2,602)
Deferred		
Origination / reversal of timing differences	6,361	3,412
Total	**2,352**	**810**

The tax on the Company's loss before tax differs from the theoretical amounts that would arise using the weighted average tax rate applicable to the result of the Company as follows:

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Reconciliation of tax charge	2018 €'000	2017 €'000
Result before tax	(11,815)	(3,814)
Average applicable tax rate for the year	24.93%	24.90%
Tax calculated at domestic tax rates applicable	2,945	950
Change in tax rates on deferred tax balances	19	14
Irrecoverable withholding tax	(1,170)	(849)
Taxable expense	(1)	(1)
Non-taxable income	11	11
Prior period tax adjustment	548	685
Total	**2,352**	**810**

The current tax rate is 25% for calendar year 2018 (2017: 25%) in the Netherlands.

14. Loans to related companies

The Company lends to other Toyota Motor Corporation subsidiaries on both a fixed rate and a floating rate basis. All fixed rate lending (with tenors longer than six months) is swapped into three month floating basis in line with the Company's risk management policy.

The currency of related party lending is determined by counterparty demand and then either funded directly from one of four main funding books (USD, GBP, JPY and EUR) or swapped back into the appropriate funding currency using a matching currency swap.

Loans to related companies	2018 €'000	2017 €'000
Current loans to related companies	3,750,637	3,470,478
Non-current loans to related companies	4,990,433	3,847,488
Total	**8,741,070**	**7,317,966**

No related party loans are overdue and there is no impairment of related party loans either in the current or previous financial years. There has been no renegotiation of any loans that would otherwise have been past due or impaired.

Interest rates on group lending can be either fixed or floating. The interest range for group lending on 31 March 2018 was between (0. 805)% and 12.55% per annum, depending on the currency of the loan.

No impairment provisions or losses have been incurred in the current or previous financial year for any class of financial assets.

15. Available-for-sale investment - related company

The Company owns 0.047% (2017: 0.047%) of the issued share capital of Toyota Leasing (Thailand) Co. Ltd. ("TLT"), a company domiciled in Thailand. TLT has issued share capital of 51.4 million shares (face value 1,000 Thai Baht (THB) per share). Of the registered share capital of THB 51,400,000,000, THB 15,100,000,000 is fully paid up. The original cost of the investment in 1997 was € 750,000.

Management has assessed the fair value of the investment in TLT with reference to discounted cash flow modelling of TLT assets and liabilities, and by applying the current market interest rates and exchange rates prevailing on 31 March 2018. The investment in TLT shares at the reporting date is measured at fair value. The valuation of TLT, although using third-party market data, is subject to management judgement when assessing the probable cash flows from the current asset base.

Investment in Toyota Leasing (Thailand) Co. Ltd.	2018 €'000	2017 €'000
Balance at the start of year	1,115	948
Fair value adjustment	4	167
Total	**1,119**	**1,115**

16. Derivative financial instruments

The derivative financial instruments are categorised as held for trading and are carried at fair value through profit or loss. The fair values of derivative contracts are shown in the table below. Additional disclosures are set out in the accounting policies relating to risk management.

Derivative financial instruments Current assets	2018 €'000	2017 €'000
Interest swaps	129	198
Cross-currency swaps	53,420	153,952
Forward foreign currency contracts	4,212	8,840
Total current assets	**57,761**	**162,990**
Derivative financial instruments Non-current assets		
Interest swaps	1,755	1,575
Cross-currency swaps	146,480	365,129
Total non-current assets	**148,235**	**366,704**
Derivative financial instruments Total assets	**205,996**	**529,694**

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Derivative financial instruments **Current liabilities**	**2018** **€'000**	**2017** **€'000**
Interest swaps	1,691	1,409
Cross-currency swaps	89,177	123,402
Forward foreign currency contracts	395	490
Total current liabilities	**91,263**	**125,301**
Derivative financial instruments **Non-current liabilities**		
Interest swaps	3,437	4,143
Cross-currency swaps	253,640	75,239
Total non-current liabilities	**257,077**	**79,382**
Derivative financial instruments **Total liabilities**	**348,340**	**204,683**

Derivative assets and liabilities are recognised at fair value through the income statement.

In accordance with IAS 39, "Financial instruments: Recognition and measurement", the Company has reviewed all contracts for embedded derivatives and found there are none. Derivative assets and liabilities are recognised at fair value through the income statement. The majority of derivative contracts have collateral agreements attached. Therefore, the debit/credit valuation adjustment is not considered material and is not considered in determining the fair value of derivative assets and liabilities.

17. Property, plant and equipment

Property, plant and equipment	**2018** **Computer hardware and office equipment** **€'000**	**2017** **Computer hardware and office equipment** **€'000**
Cost		
Cost b/fwd at 1 April 2017 / 2016	82	82
Additions		
Disposals	-	-
Total	**82**	**82**
Depreciation		
Depreciation b/fwd at 1 April 2017 / 2016	82	75
Depreciation charge for the year		7
Disposals	-	-
Total	**82**	**82**
Reconciliation at the beginning and end of the year		
Opening net book amount - at 1 April 2017 / 2016	-	7
Closing net book amount - at 31 March 2018 / 2017	**-**	**-**

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18. Intangible assets

Intangible assets	**2018 Computer software €'000**	**2017 Computer software €'000**
Cost		
Cost b/fwd at 1 April 2017 / 2016	9	9
Disposals	-	-
Total	**9**	**9**
Amortisation		
Amortisation b/fwd at 1 April 2017 / 2016	9	9
Amortisation charge for the year		
Disposals	-	-
Total	**9**	**9**
Reconciliation at the beginning and end of the year		
Opening net book amount - at 1 April 2017 / 2016	-	-
Closing net book amount - at 31 March 2018 / 2017	**-**	**-**

19. Deferred tax

Deferred tax is provided in full on temporary differences under the balance sheet liability method, using the current tax rate of 25.0%. The tax rates apply to calendar years.

The movement on the deferred tax account is shown below:

Deferred tax	**2018 €'000**	**2017 €'000**
Deferred tax b/fwd 1 April 2017 / 2016	(4,711)	(8,123)
Fair valuation of assets and liabilities through profit or loss	6,361	3,412
Total	**1,650**	**(4,711)**

Deferred tax assets have been recognised for all tax gains and other temporary differences giving rise to deferred tax assets, because it is possible that these assets will crystallise.

20. Other receivables

Other receivables	**2018 €'000**	**2017 €'000**
Deposit for rented property	36	39
Prepaid rent	32	32
Collateral deposits paid	237,000	95,900
Interest receivable (cash collateral posted)	9	63
Other receivable	-	10
Related party receivables	1,787	1,355
Non-related party receivables	32	33
Financial guarantee receivable	7,431	5,332
Total	**246,327**	**102,764**

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Collateral deposits paid are cash deposits with derivative counterparties held as collateral in respect of derivative contracts. The fair value of those deposits approximates the carrying amount.

21. Current taxes

Current taxes are charged based on the prevailing tax rates. The tax rates apply to calendar years and profit for the accounting year is therefore pro-rated between the two calendar years on a day-count basis to compute the effective tax rate. The current tax rate is 25.0% for calendar year 2018 (2017: 25.0%) in the Netherlands. Corporation tax asset at 31 March 2018 is € 0 (2017: € 88,000). Corporation tax liability at 31 March 2018 is € 1,209,000 (2017: € 0). The tax payments are made during the year in which the profits are earned on an estimated basis. The extent to which the final taxable charge differs from the original estimated amount results in a current tax asset or liability due to over or under payment of tax respectively.

22. Cash and cash equivalents

Cash and cash equivalents	**2018 €'000**	**2017 €'000**
Cash and bank balances	4,568	1,872
Deposits	122,066	-
Overdraft	(1)	-
Total	**126,633**	**1,872**

As of 31 March 2018 there are no restrictions on cash and cash equivalents.

23. Borrowings

Borrowings	**2018 Current €'000**	**2018 Non-current €'000**	**2017 Current €'000**	**2017 Non-current €'000**
Commercial paper	2,453,947	-	1,504,171	-
Medium term notes	1,181,566	3,754,165	1,443,137	2,669,716
Loans payable group company	-	-	382,597	-
Loans payable bank	200,935	1,166,297	270,261	940,859
Total	**3,836,448**	**4,920,462**	**3,600,166**	**3,610,575**

Borrowings by currency	**2018 Current €'000**	**2018 Non-current €'000**	**2017 Current €'000**	**2017 Non-current €'000**
Pound Sterling	1,601,670	404,753	1,736,894	-
United States Dollar	1,499,026	2,345,706	900,759	1,902,605
Australian Dollar	102,795	1,188,538	499,182	1,099,670
New Zealand Dollar	236,744	375,699	173,170	608,300
Other	396,213	605,766	290,161	-
Total	**3,836,448**	**4,920,462**	**3,600,166**	**3,610,575**

Borrowings	**01 Apr. 17 – 31 Mar. 18**	**01 Apr. 16 - 31 Mar. 17**
	€'000	**€'000**
Commercial paper		
Start	1,504,171	956,312
Accrued interest	612	2
Issue	22,450,829	17,630,019
Redemption	(21,457,527)	(17,142,290)
Amortisation	833	(493)
FX revaluation	(44,971)	60,621
Total	**2,453,947**	**1,504,171**
Medium term notes		
Start	4,112,853	3,475,704
Accrued interest	(7,016)	578
Issue	2,612,695	831,351
Redemption	(1,467,358)	(455,891)
Amortisation	13,669	10,147
FX revaluation	(329,112)	250,964
Total	**4,935,731**	**4,112,853**

Borrowings	**01 Apr. 17 – 31 Mar. 18**	**01 Apr. 16 - 31 Mar. 17**
	€'000	**€'000**
Loans from related companies		
Start	382,597	544,710
Accrued interest	(510)	(199)
Issue	-	926,757
Redemption	(380,581)	(1,110,341)
FX revaluation	(1,506)	21,670
Total	**0**	**382,597**
Loans bank		
Start	1,211,120	1,133,914
Accrued interest	658	974
Issue	553,099	280,943
Redemption	(207,348)	(256,002)
Amortisation	413	429
FX revaluation	(190,710)	50,862
Total	**1,367,232**	**1,211,120**

The Company's principal borrowings are from short-term commercial paper programmes, a medium term note programme and long-term bank borrowing. Commercial paper is a short-term debt instrument normally issued at a discount and repaid at face value. The Company can issue commercial paper with maturities between 1 day and 364 days. Interest rates bank borrowings are floating and based on the relevant three months Libor plus spread. The interest range bank borrowings on 31 March 2018 was between 0.25% and 2.225 % per annum.

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As at the 31 March 2018 there are current borrowings of € 3,836,448,000 (2017: € 3,600,166,000) and non-current borrowings of € 4,920,462,000 (2017: € 3,610,575,000).

24. Financial guarantee liability

The current value of guarantees outstanding is: € 7,431,000 (2017: € 5,332,000) and these relate only to guarantees issued in respect of debt issuance for other related group companies (see note 2).

25. Other liabilities and accrued expenses

Other liabilities and accrued expenses	**2018 €'000**	**2017 €'000**
Collateral deposits received	56,600	367,600
Interest payable on collateral deposits	44	19
Related party accounts payable	5,525	4,243
Accrued administration expenses	590	583
Other accrued taxes	139	121
Other liabilities	1	1
Total	**62,899**	**372,567**

Collateral deposits received are cash deposits from derivative counterparties held as collateral under derivative contracts.

26. Capital management

The Company's internal objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to the Company's primary shareholder, Toyota Financial Services Corporation, by pricing products and services commensurately with the level of risk.

Accounting equity is defined as the sum of issued share capital (see note 27).

During the financial year 2018 the Company's capital management strategy remained unchanged from the financial year 2017 and was to operate profitably and to add to retained reserves.

The Company has complied with internal capital requirements by maintaining adequate capital during the year.

27. Share capital

Share capital	**2018 €'000**	**2017 €'000**
Authorised		
10,000 (2017: 10,000) ordinary shares of € 454 each	4,540	4,540
Issued and fully paid up		
2,000 (2017: 2,000) ordinary shares of € 454 each	908	908

100% of the share capital of the Company is owned by Toyota Financial Services Corporation (see note1).

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Appropriation of Profit

The loss for the financial year 2017 was deducted from the retained earnings as agreed in the Annual General Meeting of Shareholders held in Amsterdam on 26 July 2017.

The Board of Management proposed that the loss for the past financial year 2018 be deducted from the retained earnings.

28. Fair value reserve movement

Fair value reserve	€'000
At 1 April 2016	193
Movement	
Unrealised gains on available-for-sale financial assets	167
At 31 March 2017	**360**
Unrealised gains on available-for-sale financial assets	4
Net fair value reserve at 31 March 2018	**364**

The fair valuation reserve arises from the fair valuation through equity of available-for-sale financial assets and the related deferred taxation on the fair valuation adjustment.

29. Related-party transactions

Parent and ultimate controlling party

The Company is a wholly-owned subsidiary of Toyota Financial Services Corporation (TFSC), a company incorporated in Japan. The ultimate management company and controlling party is Toyota Motor Corporation (TMC), a company incorporated in Japan.

Transactions with parent company

During the year TFSC provided credit support to the Company in respect of debt issuance in the capital markets and related party guarantees. The fees charged were € 9,898,000 (2017: € 7,524,000) with € 5,345,000 (2017: € 4,019,000) outstanding at year-end. The outstanding amount bears no interest and the payment term is 30 days.

Fellow subsidiaries

During the year transactions were entered into with the following TMC subsidiaries:

TTNI (formerly Toyota Digital Cruise Europe NV/SA)

Toyota Financial Services (UK) PLC, as well as its subsidiaries and associated undertakings:

Toyota Financial Services (UK) PLC subsidiaries:
Toyota Finance Finland Oy
Toyota Financial Services Czech s.r.o.
Toyota Financial Services Slovakia s.r.o.
Toyota Financial Services Danmark A/S
Toyota Financial Services Hungary Rt.
Toyota Financial Services (Ireland) DAC

Toyota Financial Services (UK) PLC associated undertakings:
Toyota Financial Services (South Africa) (Proprietary) Limited

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Toyota Kreditbank GmbH, as well as with its branches and subsidiaries:

Toyota Kreditbank GmbH branches:
Toyota France Financement
Toyota Financial Services Norway
Toyota Financial Services Sweden
Toyota Financial Services Spain
Toyota Kreditbank GmbH subsidiaries:
AO Toyota Bank
Toyota Leasing GmbH
Toyota Bank Polska S.A.
Toyota Leasing Polska Sp.z o.o.

Toyota Leasing (Thailand) Co. Ltd
Toyota Financial Services Korea Ltd
Toyota Motor Credit Corporation
Toyota Capital Malaysia Sdn. Bhd.

Transactions with fellow subsidiaries

Guarantees

The Company earned € 3,135,000 (2017: € 2,604,000) from fellow subsidiaries as guarantees fees. The amount relating to the guarantee fees that remained unpaid at year-end was € 1,787,000 (2017: € 1,355,000). The outstanding amount bears no interest and has not been impaired.

Dividends

The Company received € 49,000 (2017: € 45,000) in dividends as disclosed in note 11 on its unlisted investment in Toyota Leasing (Thailand) Co. Ltd.

Borrowings

The movement in the Company's borrowings from fellow subsidiaries during the year are shown below. At 31 March 2018, there was no borrowings from related companies. Reference is made to note 23 for the terms and conditions of the borrowings.

Loans from related companies	**2018 €'000**	**2017 €'000**
Balance at the beginning of the year	382,597	544,710
Loans received during the year	-	926,757
Loans repaid during the year	(380,581)	(1,110,341)
Interest expense	1,216	3,065
Interest paid	(1,726)	(3,265)
Exchange revaluation of loans from related companies	(1,506)	21,671
Total	**0**	**382,597**

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Lending

The summary of loans to fellow subsidiaries and the income and expenses incurred thereon during the year is set out below:

Loans to related companies	**2018 €'000**	**2017 €'000**
Balance at the beginning of the year	7,317,966	6,291,307
Loans advanced during the year	7,907,769	6,338,369
Loans received	(6,448,963)	(5,443,496)
Interest income	78,665	80,364
Interest received	(76,390)	(81,293)
Interest expense	(1,221)	(543)
Interest paid	1,131	441
Exchange revaluation of loans to related companies	(37,887)	132,817
Total	**8,741,070**	**7,317,966**

No impairment has been recognised on the amounts outstanding at year-end (see note 14).
Transactions with related companies are at arm's length prices.

Directors

There were no changes in the Board of Management during the year.

Transactions with directors, management and employees

There were no transactions, other than emoluments, with directors, management or employees during the year.

Summary of related party payables included in other liabilities

Summary of related party payables included in other liabilities	**2018 €'000**	**2017 €'000**
Credit support fees payable to parent company	5,345	4,019
Business and administration services payable to related companies	180	224
Total	**5,525**	**4,243**

Summary of guarantees and related party receivables

Summary of guarantees and related party receivables	**2018 €'000**	**2017 €'000**
Related party receivables for guarantees	1,787	1,355
Total	**1,787**	**1,355**

Amounts receivable from related parties have not been impaired.

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30. Contingent liabilities

The Company issues guarantees to debt holders of other Toyota Motor Corporation subsidiaries. The Company receives guarantee fees from Toyota Motor Corporation subsidiaries in respect of the guaranteed debt in issuance.

The Company assesses the need for provisions by reviewing the net assets and profitability of the companies for the year ending 31 March 2018. The accounts of the respective debt issuers indicate that there are adequate assets to cover the borrowings.

No provisions have been required against contingent liabilities in either the current or prior fiscal years.

Set out below is the Euro equivalent of the guarantees issued in relation to debt issuance by other Toyota Motor Corporation subsidiaries.

Contingent liabilities as at 31 March **Currency of debt guaranteed**	**2018** **€'000**	**2017** **€'000**
Malaysian Ringgit	24,156	16,909
Russian Ruble	70,951	50,072
South African Rand	424,115	338,529
Thai Baht	1,670,907	1,377,013
Total	**2,190,129**	**1,782,523**

The nature of the guarantees is that they are unconditional guarantees issued to the debt holders. If for any reason the issuer is unable to pay as and when the debt falls due, the Company may be required to repay the debt on behalf of the issuer. The guarantees are for commercial paper and medium-term notes.

31. Financial risk management

31.1 Financial risk factors

The Company's principal activities are the lending of funds to other subsidiaries of Toyota Financial Services Corporation (the parent company) and acting as a guarantee vehicle for third party debts of other related companies within the Toyota Motor Corporation group.

The Company's role as a financing vehicle for Toyota related companies exposes it to a variety of financial risks that include credit risk, liquidity risk, interest rate risk and foreign currency exchange rate risk. The Company has in place a risk management program that seeks to limit the adverse effects on the financial performance of the Company of those risks by matching foreign currency assets and liabilities and through the use of financial instruments, including interest rate swaps, cross-currency swaps and foreign currency contracts, to manage interest rate and foreign currency risk.

In respect of the credit risk arising from the market values of derivative contracts to manage market risks, agreements are concluded to exchange collateral with counterparties to mitigate those credit risks. The Board of Management utilises a risk management policy and receives regular reports from the business to enable prompt identification of financial risks so that appropriate actions may be taken. The Company employs written policies and procedures that specify guidelines for managing foreign exchange risk, interest rate risk, credit risk and the use of financial instruments to manage these risks.

31.2 Foreign exchange risk

The Company lends to related Toyota group companies in Euro, other continental European currencies, South African Rand, Pound Sterling and US Dollars. The Company actively borrows in a number of currencies to meet investor demand for its issued debt. The Company makes use of cross-currency swaps and forward foreign exchange contracts to match assets and liabilities into specific currency portfolios. The net exposure results in the Company being exposed to foreign exchange risks primarily with respect to Pound Sterling and US Dollars.

The Company manages its exposure to foreign exchange risk by ensuring that its holdings of financial assets and financial liabilities are matched within each of its four funding currency portfolios, to ensure that any net long or short positions within each currency fall within levels that management considers acceptable.
The remaining net exposures at the reporting date were as follows:

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Net exposure to foreign exchange risk	2018 €'000	2017 €'000
Pound Sterling	1,355	3,856
Thai Baht	1,338	1,029
Other	136	27
Total	**2,829**	**4,912**

The above exposure represents the present value of future foreign currency cash flows discounted at market interest rates at the reporting date. The exposure derives from the net equity investment in the three main foreign currency funding books that the Company uses to provide funding to related parties.

The following sensitivity analysis shows the impact on equity, through both profit or loss and recognition directly in reserves, of a 5% appreciation and depreciation in the value of the Euro against all other currencies at the reporting date:

	2018			2017		
	Sensitivity of Profit and Loss Gain/(Loss) €'000	Sensitivity of Equity Gain/(Loss) €'000	Total Gain/(Loss) €'000	Sensitivity of Profit and Loss Gain/(Loss) €'000	Sensitivity of Equity Gain/(Loss) €'000	Total Gain/(Loss) €'000
5 % Euro strengthening	(106)	(18)	(124)	(184)	(18)	(202)
5 % Euro weakening	106	18	124	184	18	202

31.3 Interest rate risk

The Company has both interest-bearing assets and interest-bearing liabilities. The Company has a policy of maintaining assets and liabilities at floating interest rates. The Company uses swaps, in respect of financial assets, including inter-company lending to manage risk. In respect of borrowing, swaps are used to retain flexibility in the debt capital markets. The interest rate swaps are settled on a bi-annual or quarterly basis with payment or receipt of the difference between the agreed fixed interest rate and the floating interest rate amounts on the principal.

Interest rate risk in relation to the Company's related party lending activities is managed by ensuring that any fixed rate funding is swapped into floating rate, with reset dates typically of a three month duration.

This interest rate profile broadly matches that of the Company's intra-group loan assets, either carrying variable coupons with a three month re-pricing or, where fixed for longer periods, swapped into three month floating rates.

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Market risk measurement techniques - Interest rate Value at Risk (VaR)

The Company applies a 'Value at Risk' methodology (VaR) to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions.

Senior management sets limits on the value of risk that may be accepted, in line with Toyota group global policy, which are then monitored on a regular basis by senior management via an Asset Liability Committee (ALCO).

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Company might lose, but only to a certain level of confidence (95%).

The Company's VaR measure is based on market data over the preceding 12 months.

Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VaR calculation. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As VaR constitutes an integral part of the Company's market risk control regime, VaR limits are reviewed by the Board of Management annually for the trading operations and business units.

Actual exposure against limits, together with the VaR for each business unit, is reviewed monthly by the ALCO.

	2018 Year High €'000	**2018 Year Low €'000**	**2018 Year Average €'000**	**2018 31 March Closing €'000**
Interest rate VaR	4,022	733	1,913	733

	2017 Year High €'000	**2017 Year Low €'000**	**2017 Year Average €'000**	**2017 31 March Closing €'000**
Interest rate VaR	4,346	823	2,111	1,923

While the table above details the Company's best estimate of the VaR at each reporting date, actual results could differ from estimates, as a number of assumptions are used:

- Assumptions are made regarding repayment rates for loans and receivables and projections of future market interest rate changes;
- The VaR model assumes a certain 'holding period' until positions can be closed (1 month);
- It also assumes that market movements occurring over this holding period will follow a similar pattern to those that have occurred over 1 month periods in the past.

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The Company's interest rate risk exposure derives from the following financial contracts:

Interest rate risk exposure at 31 March 2018	Fixed rate €'000	Floating rate €'000	Non-interest bearing €'000	Total €'000
Non-current assets				
Loans to related companies	2,652,314	2,338,119		4,990,433
Available for sale investment – related company	-	-	1,119	1,119
Current assets				
Loans to related companies	1,520,220	2,230,417	-	3,750,637
Receivables from affiliated companies	-	-	1,787	1,787
Other receivables – financial instruments only	-	237,000	109	237,109
Cash and cash equivalents	-	126,634	-	126,634
Current liabilities				
CP	-	(2,453,947)	-	(2,453,947)
EMTN	(365,560)	(816,006)	-	(1,181,566)
Bank loans	(56)	(200,879)	-	(200,935)
Loans from related companies	-	-	-	-
Affiliated company accounts payable	-	-	(5,525)	(5,525)
Other liabilities and accrued expenses -financial instruments only	-	(56,644)	(730)	(57,374)
Bank overdraft	-	(1)	-	(1)
Non-current liabilities				
EMTN	(2,470,418)	(1,283,747)	-	(3,754,165)
Bank loans	(304,216)	(862,081)	-	(1,166,297)
Pre-derivative position (a)	1,032,284	(741,135)	(3,240)	287,909
Nominal value derivatives (b)	(971,716)	829,448	(76)	(142,344)
Net interest bearing asset / (liability) position (a)+(b)	**60,568**	**88,313**	**(3,316)**	**145,565**

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Interest rate risk exposure at 31 March 2017	Fixed rate €'000	Floating rate €'000	Non-interest bearing €'000	Total €'000
Non-current assets				
Loans to related companies	1,764,538	2,082,950	-	3,847,488
Available for sale investment – related company	-	-	1,115	1,115
Current assets				
Loans to related companies	1,374,523	2,095,955	-	3,470,478
Receivables from affiliated companies	-	-	1,355	1,355
Other receivables – financial instruments only	-	95,910	167	96,077
Cash and cash equivalents	-	1,872	-	1,872
Current liabilities				
CP	(219,948)	(1,284,223)	-	(1,504,171)
EMTN	(1,001,178)	(441,959)	-	(1,443,137)
Bank loans	-	(270,261)	-	(270,261)
Loans from related companies	-	(382,597)	-	(382,597)
Affiliated company accounts payable	-	-	(4,243)	(4,243)
Other liabilities and accrued expenses - financial instruments only	-	(367,619)	(705)	(368,324)
Bank overdraft	-	-	-	-
Non-current liabilities				
EMTN	(2,482,252)	(187,464)	-	(2,669,716)
Bank loans	-	(940,859)	-	(940,859)
Pre-derivative position (a)	(564,317)	401,705	(2,311)	(164,923)
Nominal value derivatives (b)	566,430	(241,105)	(314)	325,011
Net interest bearing asset / (liability) position (a)+(b)	**2,113**	**160,600**	**(2,625)**	**160,088**

Short-term borrowing with an original term of less than 6 months is subject to regular interest rate changes on replacement, therefore, short-term funding of this nature is classified as floating rate funding in the above tables.

31.4 Credit risk

Counter party exposure from investments, deposits and derivative financial investments is limited to financial institutions with investment-grade credit ratings with more stringent rating thresholds for exposures in excess of 5 years. The amount of exposure to any individual counter-party is subject to a limit, which is reassessed annually.

The Company is exposed to credit risk from its activities as a lender and guarantor of Toyota Motor Corporation operating companies' third party debts in various geographical locations. While the Company's primary credit risk exposure is default by the related companies to which it lends or issues guarantees to third parties, this risk is mitigated by credit support agreements with its parent and ultimate parent company, whereby they have

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undertaken to the debt and guarantee holders to maintain the equity of the Company at a specified level. The Moody's credit rating of the parent as of 31 March 2018 is Aa3.

In addition, the Company's lending and guarantee activity is to significant operating entities as part of the Toyota group, and therefore the Company's continuing trading viability is ultimately dependent upon the trading performance of the Toyota Motor Corporation group as a whole. Lending is on an un-subordinated basis, but there are instances where loans are subordinated to assist in meeting regulatory funding requirements of the borrower.

Derivatives entered into by the Company exclusively to manage its interest rate and currency risk are traded solely with recognised credit institutions with credit ratings as detailed above.

The Company's cash and cash equivalents are held with a selection of banks from a list approved by Toyota Motor Corporation/Toyota Financial Services Corporation within specified limits.

The maximum exposure to credit risk from financial instruments at the reporting date is as follows:

Credit risk	**2018 €'000**	**2017 €'000**
Current assets		
Loans to related companies	3,750,637	3,470,478
Other receivables – financial instruments and receivables from affiliated companies	238,896	97,432
Derivative financial instruments	57,761	162,990
Cash and cash equivalents	126,634	1,872
Non-current assets		
Loans to related companies	4,990,433	3,847,488
Derivative financial instruments	148,235	366,704
Contingent liabilities		
Guarantees of related party debt	2,190,129	1,782,523

Agreements to exchange collateral in cash have been concluded with counterparties to mitigate the credit risk arising from the value of derivative financial instruments shown above. At 31 March 2018, the value of cash collateral received, shown as Collateral deposits received in note 25 within Other liabilities and accrued expenses was, € 56,600,000 (2017: €367,600,000).

Details of the Contingent liabilities are shown in note 30.

The maximum single exposure from derivative assets at the reporting date to a single counterparty is € 26,301,000 (2017: € 137,029,000) and the 3 largest counterparty positions represent € 46,228,000 (2017: € 305,403,000). These counterparties exposures are collaterised.

31.5 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet payment obligations associated with its financial liabilities when they fall due.

The Company regularly forecasts short and medium-term funding requirements incorporating information from other related companies and ensures that there is an appropriate level of liquid resources to cover any unforeseen cash requirements.

The Company actively maintains a mixture of long-term and short-term debt maturities, together with long-term committed facilities and liquid investments that are designed to ensure the Company has sufficient available funds for operations. The Company maintains committed credit lines with a syndicate of commercial banks to mitigate the liquidity risk. In addition, the Company has entered into a credit support agreement and a supplemental credit support agreement with its parent company in which it will make sufficient funds available to the Company so that the Company will be able to service the obligations arising out of its capital market borrowing and guarantee obligations respectively.

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The credit support agreement and the supplemental credit support agreement provide for termination by either party upon 30 days' written notice to the other party. Such terminations will not take effect until or unless all relevant securities have been repaid or each relevant rating agency has confirmed to the parent company or the Company that the debt ratings of all relevant securities will be unaffected by such termination.

The following table details the expected maturity of non-derivative financial liabilities. The analysis is based on gross contractual (undiscounted) cash flows payable. Foreign currency cash flows included in the table below have been translated using market rates. Where future interest payments are variable, the cash flows are based on the interest rate index at the reporting date.

Debt cash flows at 31 March 2018	**Due within 3 months €'000**	**Due between 4 and 12 months €'000**	**Due between 1 and 5 years €'000**	**Due after 5 years €'000**
Related party borrowings	-	-	-	-
Bank borrowings	7,935	224,936	1,216,810	-
Commercial paper	1,739,811	714,956	-	-
EMTN	333,296	1,101,876	3,828,449	-
Collateral deposits received	56,600		-	-
Total	**2,137,642**	**2,041,768**	**5,045,259**	**-**

Debt cash flows at 31 March 2017	**Due within 3 months €'000**	**Due between 4 and 12 months €'000**	**Due between 1 and 5 years €'000**	**Due after 5 years €'000**
Related party borrowings	180,897	203,049	-	-
Bank borrowings	4,500	282,327	976,698	-
Commercial paper	514,742	991,138	-	-
EMTN	570,375	945,767	2,827,521	-
Collateral deposits received	367,600	-	-	-
Total	**1,638,114**	**2,422,281**	**3,804,219**	**-**

The following table details the expected maturity of derivative financial instruments. The analysis is based on the gross contractual (undiscounted) cash flows. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to current market indices at the reporting date.

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Net cash flows at 31 March 2018	**Due within 3 months €'000**	**Due between 4 and 12 months €'000**	**Due between 1 and 5 years €'000**	**Due after 5 years €'000**
Net settled:				
– Interest derivatives payable / (receivable)	2	2,770	9,176	-
Gross settled:				
– Currency derivatives – receivable	(1,208,138)	(1,997,974)	(6,156,124)	-
– Currency derivatives – payable	1,218,075	1,930,083	6,115,354	-
Total derivative cash flows	9,939	(65,121)	(31,594)	-
Total	**2,147,581**	**1,976,647**	**5,013,665**	-

Net cash flows at 31 March 2017	**Due within 3 months €'000**	**Due between 4 and 12 months €'000**	**Due between 1 and 5 years €'000**	**Due after 5 years €'000**
Net settled:				
– Interest derivatives payable / (receivable)	3,172	2,622	4,551	-
Gross settled:				
– Currency derivatives – receivable	(1,302,432)	(2,053,127)	(5,081,498)	-
– Currency derivatives – payable	1,359,567	1,886,522	4,657,081	-
Total derivative cash flows	60,307	(163,983)	(419,866)	-
Total	**1,698,421**	**2,258,298**	**3,384,353**	-

The Company has extended loan facilities to related parties and to the extent that these loan facilities are undrawn at the reporting date this represents a future lending commitment.

Potential cash outflows from undrawn loan facilities at the reporting date are shown in the table below at the earliest possible draw down date. The cash flow effect of probable future related party borrowing requirements is monitored through regular cash flow forecasts provided to the Company by the related parties.

Undrawn commitments at 31 March 2018	**Due within 3 months €'000**	**Due between 4 and 12 months €'000**	**Due between 1 and 5 years €'000**	**Due after 5 years €'000**
Undrawn loan commitments	3,240,566	-	-	-
Total	**3,240,566**	-	-	-

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Undrawn commitments at 31 March 2017	Due within 3 months €'000	Due between 4 and 12 months €'000	Due between 1 and 5 years €'000	Due after 5 years €'000
Undrawn loan commitments	2,853,033	-	-	-
Total	**2,853,033**	**-**	**-**	**-**

31.6 **Price risk**

The Company is not significantly exposed to equity price risk or commodity price risk.

31.7 **Offsetting financial assets and financial liabilities**

The following financial instruments are subject to enforceable master netting agreements:

As at 31 March 2018	Gross amounts of recognised financial assets €'000	Gross amounts of recognised financial liabilities €'000	Net collateral exchanged €'000	Net assets / (liabilities) €'000
Derivative financial instruments *Collateralised*	205,961	(348,340)	180,400	38,021
Derivative financial instruments *Non- Collateralised*	35	-	-	35
Total	**205,996**	**(348,340)**	**180,400**	**38,056**

As at 31 March 2017	Gross amounts of recognised financial assets €'000	Gross amounts of recognised financial liabilities €'000	Net collateral exchanged €'000	Net assets / (liabilities) €'000
Derivative financial instruments *Collateralised*	529,679	(204,683)	(271,700)	53,296
Derivative financial instruments *Non- Collateralised*	15	-	-	15
Total	**529,694**	**(204,683)**	**(271,700)**	**53,311**

Financial instruments are settled on a gross basis, however, each party to a master netting agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. All financial instruments on the Statement of financial position are shown on a gross basis.

32. Fair value of financial instruments

Fair value is defined as the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date.

32.1 Financial assets and liabilities at fair value in the statement of financial position

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:
Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities;
Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices);
Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	31 March 2018				31 March 2017			
	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial Assets								
Available for sale investment – related company	-	-	1,119	1,119	-	-	1,115	1,115
Derivative financial instruments	-	205,996	-	205,996	-	529,694	-	529,694
Financial Liabilities								
Derivative financial instruments	-	348,340	-	348,340	-	204,683	-	204,683

There were no transfers between level 1, level 2 and level 3. Further considerations have led to the conclusion that the Available for sale investment should be, and should have been, classified as a Level 3 Financial Asset.

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32.2 Financial assets and liabilities not measured at fair value in the statement of financial position

The following tables compare the carrying value and fair value of those financial assets and liabilities not presented on the statement of financial position at fair value.

	31 March 2018 Level 2		31 March 2017 Level 2	
	Carrying Value €'000	Fair value €'000	Carrying Value €'000	Fair value €'000
Financial assets				
Loans to related parties	8,741,070	8,816,460	7,317,966	7,364,952
Guarantee fee receivable	7,431	7,431	5,332	5,332
Financial liabilities				
Loans payable group company	-	-	382,597	382,600
Loans payable bank	1,367,232	1,389,112	1,211,120	1,227,707
Commercial paper	2,453,947	2,453,947	1,504,171	1,504,171
Euro medium term notes	4,935,731	4,951,570	4,112,853	4,177,245
Related party guarantee	7,431	7,431	5,332	5,332

Financial assets

The fair value calculation for loans to related parties is based on discounting expected future cash flows using an estimated discount rate that reflects the expected future interest rates, derived from quoted market rates at the reporting date. Early settlements, credit losses and credit spread assumptions are reviewed periodically, but currently are not relevant to this class of assets.

Statistical methods are used that divide receivables into segments by type of receivables and contractual term.

Financial liabilities

The fair value of borrowings is based on current market prices where available. Fair value of EMTN is based on the discounted cash flow model that incorporates observable inputs including interest rate yield curves and the appropriate discount rate for the currency and tenor of the cash flow. Where active market prices are not available, the fair value of fixed interest borrowings is based on future cash flows discounted at the current rate for similar debts or assets with the same remaining maturities.

33. Events occurring after the reporting date

There are no events after the reporting date to disclose.

Board of Management

Hiroyasu Ito

Katsunobu Katayama

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Other Information

Retained Earnings

In accordance with Article 21 of the Articles of Association, retained earnings are at the disposal of the shareholder in the general meeting. Subject to the Company being in a profitable position, the Board of Management may decide to pay an interim dividend subject to the approval of the shareholder in the general meeting.

Independent Auditor's Report

The independent auditor's report is set out on page 41.

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Independent auditor's report

To: the shareholder and board of management of Toyota Motor Finance (Netherlands) B.V.

Report on the audit of the financial statements for the financial year ended 31 March 2018 included in the annual report and the financial statements

Our opinion

We have audited the financial statements for the financial year ended 31 March 2018 of Toyota Motor Finance (Netherlands) B.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Toyota Motor Finance (Netherlands) B.V. as at 31 March 2018, and of its result and its cash flows for the year ended 31 March 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The statement of financial position as at 31 March 2018
- The following statements for the year ended 31 March 2018: the statements of comprehensive income, changes in equity and cash flows
- The notes, comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Toyota Motor Finance (Netherlands) B.V. (the Company) in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence), and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€46 million
Benchmark applied	0.5% of total assets (total current assets and non-current assets) as at 31 March 2018.
Explanation	We have applied total assets as we believe that this benchmark is the most appropriate metric for the performance of the Company. The holders of the notes, debt and loans issued by the Company are most interested in the proceeds of the loans to related companies, which almost represent total assets.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the board of management that misstatements in excess of €2.3 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Compared to last year, we do not consider the "valuation of derivatives" a key audit matter, given the availability of relevant inputs with limited subjectivity (no adjustments) for valuation. There are no other changes to the key audit matters compared to last year. The key audit matters are not a comprehensive reflection of all matters discussed. We have communicated the key audit matters to the board of management.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation and existence of intercompany loans	
Risk	The main activity of Toyota Motor Finance (Netherlands) B.V. is to operate as a financing company of the Toyota Group, raising funds from third party lenders through bond issuance, loans and other facilities. The Company is exposed to the risk that a Toyota Group company defaults on meeting its obligations. As loans to related companies represent the most significant proportion of the Company's current and non-current assets, any impairment may have a material impact on the financial statements. As such we identified valuation and existence of loans to related companies as key audit matter. We refer to note 14 of the financial statements that reflects that the board of management did not identify any objective impairment triggers in respect of the loans to related companies.
Our audit approach	In our audit, we have applied mainly substantive audit procedures on the balances of loans to related companies. The substantive audit procedures included detailed assessment of loan contracts and detailed analytical reviews. We obtained loan confirmations to determine the existence of the loans. We have reviewed key judgments and estimates made by the board of management to assess the requirement for any specific loan loss provision.
Key observations	Based on our procedures performed, we did not identify evidence of material misstatement in the valuation and existence of intercompany loan balances.

Report on other information included in the annual report and the financial statements

In addition to the financial statements and our auditor's report thereon, the annual report and the financial statements contains other information, that consists of:

- The report of the board of management
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding, obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board of management is responsible for the preparation of the other information, including the report of the board of management in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement
We were engaged by the board of management as auditor of the Company on 26 June 2017, as of the audit for the financial year ended 31 March 2018.

No prohibited non-audit services
We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided
In addition to the statutory audit of the financial statements, we provided Comfort letters in connection with (i) the Information Memorandum for the Medium Term Note Programme and (ii) the secondary distribution (Uridashi) by Toyota Motor Finance (Netherlands) B.V.

Description of responsibilities regarding the financial statements

Responsibilities of the board of management for the financial statements
The board of management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of management is responsible for such internal control as the board of management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of management should prepare the financial statements using the going concern basis of accounting, unless the board of management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The board of management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of management
- Concluding on the appropriateness of the board of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with the board of management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the board of management of Toyota Motor Finance (Netherlands) B.V., in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the board of management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of management, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 24 July 2018

Ernst & Young Accountants LLP

signed by R.A.J.M. Emmerink

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Publication of auditor's report

1 Conditions

Authorization to publish the auditor's report is granted subject to the following conditions:

- Further consultation with the auditor is essential if, after this authorization has been granted, facts and circumstances become known which materially affect the view given by the financial statements.
- The authorization concerns inclusion of the auditor's report in the annual report to be tabled at the Annual General Meeting (hereafter AGM) incorporating the financial statements as drawn up.
- The authorization also concerns inclusion of the auditor's report in the annual report to be filed with the Trade Registrar, provided consideration of the financial statements by the AGM does not result in any amendments.
- Financial statements for filing at the offices of the Trade Registrar which have been abridged in accordance with Section 397 of Book 2 of the Dutch Civil Code must be derived from the financial statements adopted by the AGM and a draft version of these financial statements for filing purposes must be submitted to us for inspection.
- The auditor's report can also be included if the financial statements are published electronically, such as on the internet. In such cases, the full financial statements should be published and these should be easily distinguishable from other information provided electronically at the same time.
- If the published financial statements are to be included in another document which is to be made public, authorization to include the auditor's report must again be granted by the auditor.

2 Explanations to the conditions

2.1 Board of supervisory directors and board of executive directors

The auditor usually forwards his report to the board of supervisory directors and to the board of executive directors. This is pursuant to Book 2 of the Dutch Civil Code, section 393 which stipulates inter alia: "The auditor sets out the outcome of his examination in a report". "The auditor reports on his examination to the board of supervisory directors and the board of executive directors".

2.2 Annual General Meeting (AGM)

Publication of the auditor's report will only be permitted subject to the auditor's express consent. Publication is understood to mean: making available for circulation among the public or to such group of persons as to make it tantamount to the public. Circulation among shareholders or members, as appropriate, also comes within the scope of the term "publication", so that inclusion of the auditor's report in the annual report to be tabled at the AGM similarly requires authorization by the auditor.

2.3 Auditor's reports and financial statements

The authorization concerns publication in the annual report incorporating the financial statements that are the subject of the auditor's report. This condition is based on the auditors' rules of professional practice, which state that the auditor will not be allowed to authorize publication of his report except together with the financial statements to which this report refers.
The auditor will also at all times want to see the rest of the annual report, since the auditor is not allowed to authorize publication of his report if, owing to the contents of the documents jointly published, an incorrect impression is created as to the significance of the financial statements.

2.4 Events between the date of the auditor's report and the AGM

Attention should be paid to the fact that between the date of the auditor's report and the date of the meeting at which adoption, as appropriate, of the financial statements is considered, facts or circumstances may have occurred which materially affect the view given by the financial statements. Under COS 560, the auditor must perform audit procedures designed to obtain sufficient audit evidence to ensure that all events occurring before the date of the auditor's report that warrant amendment of or disclosure in the financial statements have been identified.

If the auditor becomes aware of events that may be of material significance to the financial statements, the auditor must consider whether those events have been adequately recognized and sufficiently disclosed in the notes to the financial statements. If between the date of the auditor's report and the date of publication of the financial statements, the auditor becomes aware of a fact that may have a material impact on the financial statements, the auditor must assess whether the financial statements should be amended, discuss the matter with management and act as circumstances dictate.

2.5 Trade Registrar

The financial statements are tabled at the AGM (legal entities coming within the scope of Title 9 of Book 2 of the Dutch Civil Code table the directors' report and the other information as well). The AGM considers adoption of the financial statements. Only after the financial statements have been adopted, do they become the statutory (i.e., the company) financial statements. As a rule, the statutory financial statements will be adopted without amendment. The auditor's report must be attached to the statutory financial statements as part of the other information. As a rule, the text of this report will be the same as that issued earlier. The documents to be made public by filing at the offices of the Trade Registrar will consist of the statutory financial statements, the directors' report and the other information. The auditor's report which refers to the unabridged financial statements will then have to be incorporated in the other information. If consideration of the financial statements by the AGM does not result in any amendments, the auditor's report may be attached to the financial statements adopted, by the AGM and, provided the annual report and financial statements are filed promptly at the offices of the Trade Registrar, published as part of these annual report and financial statements.

2.6 Other manner of publication

The financial statements may also be published other than by filing at the offices of the Trade Registrar. In that event, too, inclusion of the auditor's report is permitted, provided the financial statements are published in full. If publication concerns part of the financial statements or if the financial statements are published in abridged form, publication of any report the auditor has issued on such financial statements will be prohibited, unless:

a. He has come to the conclusion that, in the circumstances of the case, the document concerned is appropriate
Or
b. Based on legal regulations, publication of the document concerned is all that is required

If less than the full financial statements are published, further consultation with the auditor is essential. If the financial statements and the auditor's report are published on the internet, it should be ensured that the financial statements are easily distinguishable from other information contained on the internet site. This can be achieved, for example, by including the financial statements as a separate file in a read-only format or by including a warning message when the reader exits the financial statements document.

2.7 Inclusion in another document

If the published financial statements are to be included in another document which is to be made public, this is considered a new publication and authorization must again be obtained from the auditor. An example of this situation is the publication of an offering circular which includes the financial statements, after these financial statements have been filed at the office of the Trade Registrar together with the other annual reports. For each new publication, authorization must again be obtained from the auditor.

2.8 Events after the AGM

Even if facts and circumstances have become known after the adoption of the financial statements as a result of which they no longer give the statutory true and fair view, the auditor must stand by the report issued on the financial statements as adopted and by the auditor's report filed at the offices of the Trade Registrar. In that event, the legal entity is required to file a statement at the offices of the Trade Registrar on these facts and circumstances accompanied by an auditor's report. In this situation, too, further consultation with the auditor is essential.

3. Responsibility Statement

The members of the Company's Board of Management confirm that to the best of their knowledge:

(a) the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

(b) the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.