30 November 2021

Toyota Credit Canada Inc. ("*TCCI*")

Half-Yearly Financial Report for the six months ended 30 September 2021

TCCI was incorporated as a corporation under the Canada Business Corporations Act on 19 February 1990. TCCI's Corporation Number is 257476-4. The registered office of TCCI is located at 80 Micro Court, Suite 200, Markham, Ontario L3R 9Z5, Canada. TCCI is wholly-owned by Toyota Financial Services Corporation ("***TFS***"), which is a wholly-owned subsidiary of Toyota Motor Corporation ("***TMC***"). TCCI presents its half-yearly financial report for the six months ended 30 September 2021. References herein to "TCCI" denote Toyota Credit Canada Inc.

1. Management Report

(A) Summary of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements

TCCI's net income was CAD $242.6 million for the six months ended 30 September 2021, compared to CAD $227.5 million for the six months ended 30 September 2020. Financing revenues for the six months ended 30 September 2021 were marginally higher than the comparative period last year due primarily to higher yields on finance receivables. Interest expense for the six months ended 30 September 2021 was lower than the comparative period last year due to lower borrowing costs, contributing to an increase in gross interest margin. There were 632,235 total contracts outstanding as at 30 September 2021, compared to 660,450 as at 30 September 2020. Operating expenses (other than the provision for finance receivables) for the six months ended 30 September 2021 were broadly consistent with the levels of the comparative period last year. The provision for finance receivables in the six months ended 30 September 2021 was CAD $(26.3) million, compared to CAD $(3.8) million in the comparative period last year. TCCI reduced its allowance for retail finance lease residual values by CAD $18.8 million in the current period (compared to a reduction of CAD $13.9 million in the comparative period last year), reflecting primarily improved forecasted used vehicle values. TCCI also reduced its allowance for credit losses by CAD $8.8 million (compared to an increase of CAD $4.3 million in the comparable previous period) reflecting primarily management's current estimates and assumptions that the impact of the COVID-19 pandemic on expected credit losses may not be as significant as previously forecasted. Write-offs of uncollectable customer accounts in the six months ended 30 September 2021 were lower than the comparative period last year, as the COVID-19 pandemic did not have a material detrimental impact on the credit performance of TCCI's portfolio. Results for the six months ended 30 September 2021 were positively affected by unrealised gains of CAD $8.7 million on derivatives used to manage interest rate risk, compared to unrealised gains of CAD $53.0 million in the comparative period last year.

Medium Term Notes

TCCI maintains its Euro Medium Term Note Programme ("***EMTN Programme***") together with its affiliates Toyota Motor Finance (Netherlands) B.V., Toyota Finance Australia Limited and Toyota Motor Credit Corporation (TCCI and such affiliates, the "***EMTN Issuers***"), providing for the issuance of debt securities in the international capital markets. In September 2021, 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 €60 billion, or the equivalent in other currencies, of which €27 billion was available for issuance at 30 September 2021.

Back Up Liquidity

On 5 November 2021, TCCI 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 30 November 2021. The 364 Day Credit Agreement dated 6 November 2020, the Three Year Credit Agreement and the Five Year Credit Agreement, each dated as of 8 November 2019, 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 5 November 2021.

Letters of Credit Facilities

In addition, TCCI has uncommitted letters of credit facilities totalling CAD $61 million as at 30 September 2021 and as at 30 September 2020, which were not drawn upon as of these dates.

(B) Risks and uncertainties for the remaining six months of the financial year

The principal business of TCCI, which is an integral part of the Toyota group's presence in Canada, is to provide financing services for authorised Toyota dealers and users of Toyota products. Financial products offered (i) to customers, include lease and loan financing (i.e. financing through Toyota dealers to assist customers to acquire Toyota and Lexus vehicles); and (ii) to Toyota dealers, include floor plan financing (i.e. financing of dealer inventory), wholesale lease financing (i.e. financing of dealer lease portfolios) and dealership financing (i.e. financing of the construction, acquisition or renovation of dealership facilities). Such financing programmes are offered in all provinces and territories of Canada.

In addition to TCCI's principal business of providing finance products to authorised Toyota and Lexus dealers and their customers in Canada, TCCI also provides finance products to authorised Subaru dealers and their customers pursuant to an arrangement TCCI has entered into with Subaru Canada, Inc ("***Subaru***").

Unless otherwise specified in this section, "TFS group" means TFS and its subsidiaries and affiliates and "Toyota" means TMC and its consolidated subsidiaries.

TCCI, TFS and Toyota may be exposed to certain risks and uncertainties, summarised below, that could have a material adverse impact directly or indirectly on its business, results of operations and financial condition.

TCCI's business, 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, private label vehicles or other vehicles in Canada, the rate of growth in the number and average balance of customer accounts, the finance industry's regulatory environment in Canada, 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 its product lines, levels of its operating and administrative expenses (including but not limited to personnel costs, technology costs and premises costs), general economic conditions, inflation, consequences from changes in tax laws, fiscal and monetary policies in Canada, the United States as well as Europe and other countries in which TCCI 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. In turn, lower used vehicle values could affect return rates, amounts written off and lease residual value provisions.

The TFS group's business, through its financial subsidiaries and affiliates, including TCCI, is substantially dependent upon the sale of Toyota, Lexus and private label vehicles and its ability to offer competitive financing.

The COVID-19 pandemic has adversely affected TCCI's business and the business of Toyota. The long-term impacts of COVID-19 are unknown. The ultimate duration and possible resurgence of COVID-19 or similar public health issues is also uncertain and could have an adverse effect on TCCI''s financial condition, liquidity and results of operations.

Factors which could affect the volume of sales of Toyota, Lexus and private label vehicles by Toyota distributors, include changes in governmental regulation or trade policies, changes in consumer demand, new vehicle incentive programmes, recalls, the actual or perceived quality, safety or reliability of Toyota, Lexus and private label 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 on raw materials or imported vehicles, changes to, or withdrawals from, trade agreements, currency fluctuations, fluctuations in interest rates, decreased or delayed vehicle production due to natural disasters, supply chain interruptions, including shortages of parts, components or raw materials, or other events.

The provision of retail and wholesale financing to Subaru dealers and customers may also expose TCCI to additional operating risks related to consumer demand for Subaru vehicles, the profitability and financial condition of Subaru, the level of Subaru's incentivised retail financing, recalls announced by Subaru and the perceived quality, safety or reliability of Subaru vehicles, and changes in prices of Subaru used vehicles and their effect on residual values of Subaru off-lease vehicles and return rates, each of which may adversely affect TCCI's business, results of operations and financial condition.

Further risks include changes to the senior long-term debt credit ratings of TMC and certain of its affiliates including TCCI may result in higher borrowing costs as well as reduced access to the capital markets. Liquidity risk arising from the inability of the TFS group (including TCCI) to maintain the capacity to fund assets and repay liabilities in a timely and cost-effective manner would have a negative impact on TCCI's ability to refinance maturing debt and fund new asset growth. Increases in credit losses could adversely affect TCCI's results of operations and financial condition. There is residual value risk that the estimated residual value at lease origination will not be recoverable at the end of the lease term. Changes in interest rates, foreign currency exchange rates cause volatility in TCCI's results of operations, financial condition and cash flows. The failure of any of the financial institutions and other counterparties to which TCCI has exposure, directly or indirectly, to perform their contractual obligations, and any losses resulting from that failure, may materially and adversely affect TCCI's liquidity, results of operations and financial condition.

Further, inadequate or failed processes or systems or internal controls, models, estimates or assumptions, human error, employee misconduct, catastrophic events, security breaches, acts of vandalism, computer viruses, malware, ransomware, misplaced or lost data or other events could disrupt its normal operating procedures, damage its reputation and have an adverse effect on TCCI's business, results of operations and financial condition. TCCI's failure to prevent security breaches or cyber-attacks could subject it to liability, decrease its profitability and damage its reputation.

The worldwide automotive market is highly competitive and volatile, and the worldwide financial services industry is also highly competitive. Toyota's future success depends on its ability to offer new, innovative and competitively priced products that meet customer demand on a timely basis. Toyota's ability to market and distribute effectively is an integral part of Toyota's successful sales. Toyota relies on suppliers for the provision of certain supplies including parts, components and raw materials. High prices of raw materials and strong pressure on Toyota's suppliers could negatively impact Toyota's profitability. Toyota may also be adversely affected by natural calamities, political and economic instability, fuel shortages or interruptions in social infrastructure, wars, terrorism and labour strikes.

In addition, changes to the laws, regulations or to the policies of governments (federal, state, provincial or local) of Canada or of any other national governments (federal, state, provincial or local) of any other jurisdiction in which TCCI conducts its business or international organisations (and the actions flowing from such changes to policies) may have a negative impact on TCCI'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. Toyota may also become subject to various legal proceedings.

TCCI's principal risks and uncertainties for the remaining six months of the financial year have not changed since the issuance of TCCI's 2021 Annual Financial Report. The detailed discussion of these risks and uncertainties and TCCI's objectives, policies and processes for managing these risks and uncertainties were disclosed in the Management Report, as well as Note 15 in the Notes to the Financial Statements, in the Annual Financial Report of TCCI for the financial year ended 31 March 2021.

2. **Condensed Financial Statements as at and for the six-month period ended 30 September 2021**

Toyota Credit Canada Inc.

Condensed Financial Statements
As at and for the six-month period ended
September 30, 2021
(Unaudited)
(in thousands of Canadian dollars)

Toyota Credit Canada Inc.

Condensed Statement of Financial Position
(Unaudited)

(in thousands of Canadian dollars)

	September 30, 2021 $	March 31, 2021 $
Assets		
Cash and cash equivalents	786,680	622,786
Finance receivables – net (note 4)	14,701,082	14,560,284
Derivative assets (note 7)	119,060	96,106
Other assets (note 4)	10,018	13,646
Collateral assets (note 7)	82,090	172,820
	15,698,930	15,465,642
Liabilities		
Cheques and other items in transit	38,722	731
Accounts payable and accrued liabilities	23,887	30,551
Due to affiliated companies	75,006	131,783
Income and other taxes payable	14,448	24,889
Interest payable – net	39,071	40,899
Debt payable (note 5)	12,684,824	12,169,004
Derivative liabilities (note 7)	144,509	257,817
Collateral liabilities (note 7)	47,150	16,770
Deferred income taxes	1,027,291	962,410
	14,094,908	13,634,854
Shareholder's Equity		
Share capital	60,000	60,000
Retained earnings	1,544,022	1,770,788
	1,604,022	1,830,788
	15,698,930	15,465,642

Approved by the Management

________________________ President ________________________ Vice-President, Finance

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

Toyota Credit Canada Inc.

Condensed Statement of Income and Comprehensive Income
(Unaudited)

(in thousands of Canadian dollars)

	Six-month period ended September 30, 2021 $	Six-month period ended September 30, 2020 $
Financing revenue	431,636	419,640
Interest income on cash and cash equivalents	1,892	3,235
	433,528	422,875
Other gains – net	8,671	53,028
Expenses		
Interest	113,518	150,389
Employee salaries and benefits	10,309	10,021
Recovery of provision finance receivables	(26,299)	(3,768)
Registration and search costs	3,223	3,145
IT and communications	7,045	6,724
Occupancy	444	532
Depreciation and amortization	1,138	606
Other	2,028	2,348
	111,406	169,997
Income before income taxes	330,793	305,906
Income taxes		
Current	24,141	18,425
Deferred	64,097	59,967
	88,238	78,392
Net income for the period	242,555	227,514
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Actuarial gains on defined benefit pension plans – net of income tax expense of $784	2,156	-
Comprehensive income for the period – attributable to the owner of the parent	244,711	227,514

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

Toyota Credit Canada Inc.

Condensed Statement of Changes in Equity
(Unaudited)

(in thousands of Canadian dollars)

	Share capital $	Retained earnings $	Total shareholder's equity $
Balance – March 31, 2021	60,000	1,770,788	1,830,788
Net income for the period	-	242,555	242,555
Actuarial gains on defined benefit plans – net of tax	-	2,156	2,156
Comprehensive income for the period	-	244,711	244,711
Dividends paid	-	(471,477)	(471,477)
	-	(226,766)	(226,766)
Balance – September 30, 2021	60,000	1,544,022	1,604,022

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

Toyota Credit Canada Inc.

Condensed Statement of Cash Flows

(Unaudited)

(in thousands of Canadian dollars)

	Six-month period ended September 30, 2021 $	Six-month period ended September 30, 2020 $
Cash provided by (used in)		
Operating activities		
Net income for the period	242,555	227,514
Items not requiring cash		
Recovery of provision finance receivables	(26,299)	(3,768)
Amortization of other assets	4,498	3,580
Amortization of debt issuance costs	3,444	2,567
Amortization of debt premiums/discounts	145	(277)
Foreign exchange change in unrealized losses (gains) on debt payable	26,775	(138,701)
Deferred income taxes	64,881	59,967
	315,999	150,882
Changes in operating accounts		
Increase (decrease) in cheques and other items in transit	37,991	(11,769)
Decrease in income and other taxes payable	(10,441)	(4,004)
Decrease (increase) in other assets and collateral assets	89,860	(93,485)
Decrease in interest payable – net	(1,828)	(7,377)
Increase (decrease) in accounts payable, accrued liabilities and collateral liabilities	25,872	(198,310)
(Decrease) increase in due to affiliated company	(56,777)	65
(Decrease) increase in derivative assets – net	(136,262)	291,384
Acquisitions of finance receivables	(6,195,073)	(4,922,133)
Collections and liquidations of finance receivables	6,080,574	5,189,314
	149,915	394,567
Financing activities		
Issuance of bonds and loans payable	1,071,019	1,541,281
Repayment of bonds and loans payable	(1,053,976)	(1,374,087)
Increase in commercial paper – net	468,413	26,263
Payment of dividends	(471,477)	(288,674)
	13,979	(95,217)
Change in cash and cash equivalents during the period	163,894	299,350
Cash and cash equivalents – Beginning of period	622,786	576,318
Cash and cash equivalents – End of period	786,680	875,668
Supplementary cash flow information related to operating activities		
Income taxes paid	20,816	19,861
Interest paid	115,346	157,804

The accompanying notes are an integral part of these condensed financial statements

(in thousands of Canadian dollars)

1 Nature of operations

Toyota Credit Canada Inc. (the Company) is a wholly owned subsidiary of Toyota Financial Services Corporation (TFSC), Japan, which is wholly owned by Toyota Motor Corporation (TMC), Japan. The Company is incorporated and domiciled in Canada. Its registered office and principal place of business is 80 Micro Court, Suite 200, Markham, Ontario L3R 9Z5.

The Company operates in the auto finance industry throughout Canada. Its principal business is to provide financing services for authorized Toyota dealers and users of Toyota products. The operations consist of providing the following financing products: retail loans and leases to consumers and wholesale financing and mortgage loans to Toyota, Lexus and other vehicle dealers. The Company has one reportable business segment.

2 Basis of preparation

The condensed financial statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, using accounting policies consistent with the accounting policies in the March 31, 2021 annual financial statements. The interim financial statements should be read in conjunction with the annual financial statements, as the interim financial statements do not include all the disclosures in the annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

These condensed financial statements were approved by management for issue on November 30, 2021.

3 Critical accounting estimates and judgments

The preparation of condensed financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed financial statements and the reported amounts of revenue and expenses during the reporting periods. The following discusses the most significant accounting judgments and estimates the Company has made in the preparation of the condensed financial statements.

Allowance for credit losses

There is significant estimation uncertainty in regard to establishing the amount of the allowance for credit losses, taking into consideration counterparty credit risk, the criteria for establishing a significant increase in credit risk, the fair value of underlying collateral, the expected residual value of the underlying leased assets, current economic trends and past experience.

The Company determined the probability of default (PD) and loss given default (LGD) rate considering a number of forecasted macroeconomic factors including national unemployment rates, Canadian interest rates (prime), annual GDP growth, used car values, consumer credit and credit market debt to disposable income. Using regression analysis, the Company determined which factors have a relationship with historical retail loan and retail lease writeoffs.

(in thousands of Canadian dollars)

The macroeconomic factors that exhibited a relationship for retail loans are GDP growth, consumer credit and credit market debt to disposable income, and these factors were used for the calculation of the PD. The macroeconomic factors that exhibited a relationship for retail leases are national unemployment, consumer credit and credit market debt to disposable income, and these factors were used for the calculation of the PD. The forecasts used by the Company are based on an average of the largest five Canadian banks.

The COVID-19 pandemic has increased the estimation uncertainty in preparing the condensed financial statements, in particular the significant accounting estimates related to the allowance for credit losses.

The Company has applied accounting estimates in the condensed financial statements based on economic conditions that reflect expectations and assumptions as at September 30, 2021 about events that management believes are reasonable in the circumstances. There is a considerable degree of judgment involved in preparing the forecasts. The underlying assumptions are also subject to uncertainties that are often outside the control of the Company. Accordingly, actual economic conditions are likely to be different from those forecasts since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates in the condensed financial statements.

During the six-month period ended September 30, 2021, the Company reduced its allowance for credit losses by $8,813 reflecting primarily management's current estimates and assumptions that the impact of the COVID-19 pandemic on expected credit losses may not be as significant as previously forecasted.

Critical estimate for the allowance for retail finance lease residual losses

Residual value risk is the risk the estimated residual value will not be recoverable at the end of the lease term. Residual value represents an estimate of the end of the term fair value of a leased asset. When the fair value of a leased vehicle at contract maturity is less than its contractual lease end value, there is a higher probability the vehicle will be returned to the Company. A higher rate of vehicle returns exposes the Company to a greater risk of loss at the end of the lease term. Residual values are updated on a quarterly basis using a regression analysis considering key inputs including vehicle lease return rates.

Lease end values are estimated at lease inception by examining external industry data and the Company's own experience. Factors considered in this evaluation include, but are not limited to, expected economic conditions, new vehicle pricing, new vehicle sales, used vehicle supply, the level of current used vehicle values and other economic factors. The Company's management periodically reviews the estimated residual values of leased vehicles to assess the appropriateness of the Company's carrying values. To the extent the estimated residual of a leased vehicle is lower than the lease end value established at lease inception, management records a lease market reserve for the anticipated shortfall. Factors affecting the estimated end of term fair value are similar to those considered in the evaluation of the lease end value at lease inception. These factors are evaluated in the context of their historical trends to anticipate potential changes in the relationship among those factors in the future.

(in thousands of Canadian dollars)

The vehicle lease return rate represents the number of end of term leased vehicles returned to the Company for sale as a percentage of lease contracts that were originally scheduled to mature in the same period less certain qualified early terminations. As at September 30, 2021, holding other estimates constant, if the return rate for the Company's existing portfolio of leased vehicles were to increase by 1% from the Company's present estimates, the effect would be to decrease the operating income by approximately $2,313 (March 31. 2021 – $3,297) and an increase of $1,531 (March 31, 2021 – $2,088) to the operating income were the return rate to decrease by 1%.

End of term fair values determine the amount of loss severity at lease maturity. Loss severity is the extent to which the end of term fair value of a leased vehicle is less than the lease end value at inception. The Company incurs losses to the extent the residual value of a leased vehicle is less than the lease end value at inception and the vehicle is returned to the Company. As at September 30, 2021, holding other estimates constant, if end of term fair values for returned units of leased vehicles were to decrease by 1% from the Company's present estimates, the effect would be to decrease the operating income by approximately $6,681 (March 31, 2021 – $9,075) and an increase of $6,095 (March 31, 2021 – $8,082) to the operating income were the fair values for returned units to increase by 1%.

During the six-month period ended September 30, 2021, the Company reduced its allowance for retail finance lease residual value losses by $18,796, primarily a result of improved forecasted used vehicle values. This resulted in a corresponding increase in net income.

(in thousands of Canadian dollars)

4 Finance receivables – net

	Six-month period ended September 30, 2021 $	Year ended March 31, 2021 $
Retail financing leases	10,177,478	9,997,967
Unearned income	(1,022,901)	(991,521)
	9,154,577	9,006,446
Retail loans	5,454,781	5,211,530
Unearned income – net of accrued interest	(242,531)	(258,135)
	5,212,250	4,953,395
Dealer financing	431,006	725,142
Add: Accrued interest	503	841
	431,509	725,983
	14,798,336	14,685,824
Less: Allowances for		
Retail finance lease residual value losses	55,022	73,818
Credit losses	42,232	51,722
	97,254	125,540
	14,701,082	14,560,284

Inventoried vehicles have been classified as other assets, which also include prepaid expenses, right-of-use assets and property, plant and equipment.

The contractual maturities of retail financing leases, retail loans and dealer financing as at September 30, 2021 are summarized as follows:

	Retail financing leases $	Retail loans $	Dealer financing $	Total $
For the 12-month period ending				
September 30, 2022	3,196,083	1,655,662	214,025	5,065,770
September 30, 2023	2,568,286	1,344,742	16,898	3,929,926
September 30, 2024	2,362,137	1,035,904	15,795	3,413,836
September 30, 2025	1,476,158	721,249	26,024	2,223,431
September 30, 2026	569,545	431,829	26,938	1,028,312
Thereafter	5,269	265,395	131,326	401,990
	10,177,478	5,454,781	431,006	16,063,265

(in thousands of Canadian dollars)

The contractual maturities of retail financing leases, retail loans and dealer financing as at March 31, 2021 are summarized as follows:

	Retail financing leases $	Retail loans $	Dealer financing $	Total $
Year ending				
2022	3,121,510	1,615,803	500,629	5,237,942
2023	2,604,537	1,312,374	17,745	3,934,656
2024	2,297,978	994,760	16,124	3,308,862
2025	1,423,380	680,001	27,207	2,130,588
2026	521,138	386,662	27,615	935,415
Thereafter	29,424	221,930	135,822	387,176
	9,997,967	5,211,530	725,142	15,934,639

Included in retail financing leases are unguaranteed residual values of $6,001,965 (March 31, 2021 – $5,911,699).

5 Debt payable

	Six-month period ended September 30, 2021 $	Year ended March 31, 2021 $
Commercial paper (net of unamortized discount) – current	3,218,419	2,750,006
Intercompany payable – current	382,230	377,250
Intercompany payable – non-current	724,963	715,518
	1,107,193	1,092,768
Bonds payable		
Current	999,583	1,099,408
Non-current	4,091,435	3,891,437
	5,091,018	4,990,845
Loans payable		
Current	1,326,978	1,051,055
Non-current	1,941,216	2,284,330
	3,268,194	3,335,385
	12,684,824	12,169,004

(in thousands of Canadian dollars)

6 Financial instruments

Fair value measurement levels of financial instruments

Fair value measurements are categorized within a hierarchy that prioritizes based on the degree to which the inputs to fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirety. The three levels of the fair value hierarchy are:

- Level 1 – unadjusted quoted prices in active markets for identical financial assets or financial liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the financial asset or financial liability either directly or indirectly; and
- Level 3 – inputs that are not based on observable market data.

As at September 30, 2021 and March 31, 2021, the Company's derivative assets and derivative liabilities measured at fair value on a recurring basis are within Level 2 of the fair value hierarchy. Debt and interest payable, which are not measured at fair value but for which fair values are disclosed, are within Level 2 of the fair value hierarchy. Finance receivables, which are not measured at fair value but for which fair values are disclosed, are within Level 3 of the fair value hierarchy.

There were no transfers between Levels 1 and 2 or Levels 2 and 3 during the period.

(in thousands of Canadian dollars)

Carrying and fair values of selected financial instruments

The following table represents the carrying values and estimated fair values of the Company's financial instruments:

		Six-month period ended September 30, 2021		Year ended March 31, 2021	
	Fair value hierarchy	**Carrying value $**	**Estimated fair value $**	**Carrying value $**	**Estimated fair value $**
FVTPL – recurring measurements					
Financial assets					
Cash equivalents	Level 2	737,936	737,936	603,456	603,456
Derivative assets	Level 2	119,060	119,060	96,106	96,106
Financial liabilities					
Derivative liabilities	Level 2	144,509	144,509	257,817	257,817
Amortized cost – fair values disclosed					
Financial assets					
Loans and receivables at amortized cost					
Finance receivables	Level 3	14,701,082	14,777,181	14,560,284	14,625,471
Financial liabilities					
Financial liabilities at amortized cost					
Debt and interest payable	Level 2	12,723,895	12,869,352	12,209,903	12,425,160

FVTPL refers to fair value through profit or loss.

The fair values of accounts payable approximate their carrying values due to their short-term nature.

The Company does not have any assets or liabilities measured at fair value on a non-recurring basis.

The estimated fair values for finance receivables, debt and interest payable, accounts payable and other liabilities are based on discounted cash flow calculations that use market interest rates currently applicable to financial instruments with similar terms and conditions.

(in thousands of Canadian dollars)

The following tables reflect the terms, notional values and estimated fair values of the Company's derivative contracts:

	Six-month period ended September 30, 2021			
Derivative contracts	**Maturity date**	**Interest rate terms**	**Notional value $**	**Estimated fair value $**
Paying fixed interest rates				
Interest rate swap agreements	2021 – 2025	0.54% – 2.74%	8,795,000	(27,097)
Paying variable interest rates				
Interest rate swap agreements	2022 – 2026	CDOR +0.09 CDOR +1.56	5,310,000	21,826
Cross-currency interest rate swap agreements	2021 – 2024	CDOR +0.05 CDOR +0.87	1,863,247	(51,952)
Foreign currency forward contracts	2021 – 2022	-	2,349,585	31,774

	Year ended March 31, 2021			
Derivative contracts	**Maturity date**	**Interest rate terms**	**Notional value $**	**Estimated fair value $**
Paying fixed interest rates				
Interest rate swap agreements	2021 – 2025	0.54% – 2.74%	9,060,000	(85,627)
Paying variable interest rates				
Interest rate swap agreements	2022 – 2026	CDOR +0.14 CDOR +1.56	4,800,000	54,405
Cross-currency interest rate swap agreements	2021 – 2024	CDOR +0.08 CDOR +0.87	2,066,998	(80,065)
Foreign currency forward contracts	2021	-	2,008,690	(50,424)

CDOR refers to the Canadian dealer offered rate.

Fair values of derivative contracts have been estimated using industry standard valuation models. These models project future cash flows and discount the future amounts to a present value using market-based expectations for interest rates, foreign currency exchange rates and the contractual terms of the derivative instruments.

The calculation of estimated fair values is based on market conditions at a specific point in time and should not be interpreted as being realizable in the event of immediate settlement or as being reflective of future fair values.

(in thousands of Canadian dollars)

7 Derivative assets and derivative liabilities

The Company's derivative arrangements with other financial institutions contain provisions that may require either the Company or the counterparty to post cash collateral in the event the fair value valuation of the derivative position with that counterparty exceeds certain predetermined thresholds. As at September 30,2021, $47,150 (March 31, 2021 – $16,770) of cash collateral had been posted by the counterparties and $82,090 (March 31, 2021 – $172,820) of cash collateral had been posted by the Company.

The following table presents the recognized financial instruments that are offset in the condensed statements of financial position, or subject to enforceable master netting agreements but are not offset in the condensed statements of financial position, as at September 30, 2021 and March 31, 2021, and shows the net impact on the Company's financial position if all set-off rights were exercised.

	Six-month period ended September 30, 2021	
	Financial assets $	**Financial liabilities $**
Gross amounts subject to agreements	119,060	144,509
Net settled amounts on the condensed statement of financial position	-	-
Net amount presented in the condensed statement of financial position	119,060	144,509
Amounts subject to master netting agreements	49,105	49,105
Cash collateral	(47,150)	(82,090)
Net	121,015	111,524

	Year ended March 31, 2021	
	Financial assets $	**Financial liabilities $**
Gross amounts subject to agreements	96,106	257,817
Net settled amounts on the condensed statement of financial position	-	-
Net amount presented in the condensed statement of financial position	96,106	257,817
Amounts subject to master netting agreements	8,462	8,462
Cash collateral	(16,770)	(172,820)
Net	87,798	93,459

(in thousands of Canadian dollars)

The following table represents a breakdown of the estimated fair values of derivative assets and derivative liabilities, excluding any related accrued interest:

	Six-month period ended September 30, 2021 $	**Year ended March 31, 2021 $**
Derivative assets		
Interest rate swap agreements	77,700	92,295
Cross-currency interest rate swap agreements	6,388	3,537
Foreign currency forward contracts	34,972	274
	119,060	96,106
Derivative liabilities		
Interest rate swap agreements	82,971	123,517
Cross currency interest rate swap agreements	58,340	83,602
Foreign currency forward contracts	3,198	50,698
	144,509	257,817

8 Related party transactions

TFSC, the immediate parent of the Company, directly owns 100% of the shares of the Company. TMC is the ultimate controlling party of the Company.

Due to affiliated companies

The due to affiliated companies balance totalling $75,006 (March 31, 2021 – $131,783) includes the balance owing to affiliates with respect to vehicles being financed by the Company under dealer wholesale loans (due 15 days after shipment to dealers) and certain administrative expenses (due 30 days after the invoice date).

Debt payable

The Company and an affiliate are party to an uncommitted loan finance agreement under which the affiliate may make loans to the Company in amounts not exceeding $2,500,000. The terms are determined at the time of each loan based on business factors and market conditions.

Included in debt payable are total loans of $1,107,193 (March 31, 2021 – $1,092,768) owing to an affiliate. Interest on short-term and long-term debt charged by a Toyota group company during the period ended September 30, 2021 amounted to $3,978 (September 30, 2020 – $12,651).

(in thousands of Canadian dollars)

The Company pays a fee for credit support and guarantees from affiliates for purposes of debt and commercial paper issuance. The total payments made to these affiliates of $5,080 (September 30, 2020 – $5,451) have been included in interest expense in the condensed statement of income and comprehensive income. Debt and commercial paper guaranteed by affiliates amounts to $8,309,437 (March 31, 2021 – $7,740,851).

Subvention program

As part of its sales promotion arrangements with authorized Toyota and Lexus vehicle dealers and consumers, an affiliate funds various interest rate reduction programs on loans and leases. The affiliate reimburses the Company for the difference between the face amount and the fair value of the retail lease or loan to consumers. Finance receivables – net included in the condensed statement of financial position as at September 30, 2021 are net of $567,659 (March 31, 2021 – $590,128) related to these reimbursements received from an affiliate. Financing revenue includes $186,803 for the period ended September 30, 2021 (September 30, 2020 – $192,951) related to these reimbursements received from an affiliate.

9 Contingencies

From time to time, in the ordinary course of business, the Company is a defendant or party to a number of pending or threatened legal actions and proceedings. It is not possible to determine the ultimate outcome of such matters; however, based on current knowledge, management believes that liabilities, if any, arising from pending litigation will not have a material adverse effect on the financial position or financial performance of the Company.

10 Events occurring after the condensed statement of financial position date

No significant events have occurred since September 30, 2021 that would have an impact on the financial position of the Company disclosed in the condensed statement of financial position or on the results and cash flows of the Company for the interim period as at September 30, 2021.

3. Responsibility Statement

Mr. Darren Cooper – President & CEO and Mr. Fernando Belfiglio – Vice President, Finance confirm that to the best of their knowledge:

(a) the condensed financial statements for the six months ended 30 September 2021, which have been prepared in accordance with IAS 34 “Interim Financial Reporting” using accounting policies consistent with the accounting policies in the 2021 annual financial statements, give a true and fair view of the assets, liabilities, financial position and profit or loss of TCCI as required by DTR 4.2.4; and

(b) the interim management report includes a fair review of the information required by DTR 4.2.7.