

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2024
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____
Commission file number 1-9961

TOYOTA MOTOR CREDIT CORPORATION

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of incorporation or organization)

95-3775816
(I.R.S. Employer Identification No.)

**6565 Headquarters Drive
Plano, Texas**
(Address of principal executive offices)

75024
(Zip Code)

Registrant's telephone number, including area code: (469) 486-9300

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Medium-Term Notes, Series B Stated Maturity Date January 11, 2028	TM/28	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: (Title of class) None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 30, 2024, the number of outstanding shares of capital stock, no par value per share, of the registrant was 91,500, all of which shares were held by Toyota Financial Services International Corporation.

Documents incorporated by reference: None

Reduced Disclosure Format

The registrant meets the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and is therefore filing this Form 10-K with the reduced disclosure format.

TOYOTA MOTOR CREDIT CORPORATION
FORM 10-K
For the fiscal year ended March 31, 2024

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PART I

ITEM 1. BUSINESS

GENERAL

Toyota Motor Credit Corporation (“TMCC”) was incorporated in California in 1982 and commenced operations in 1983. References herein to the “Company”, “we”, “our”, and “us” denote Toyota Motor Credit Corporation and its consolidated subsidiaries. We are wholly-owned by Toyota Financial Services International Corporation (“TFSIC”), a California corporation, which is a wholly-owned subsidiary of Toyota Financial Services Corporation (“TFSC”), a Japanese corporation. TFSC, in turn, is a wholly-owned subsidiary of Toyota Motor Corporation (“TMC”), a Japanese corporation. TFSC manages TMC’s worldwide financial services operations. TMCC is marketed under the brands of Toyota Financial Services, Lexus Financial Services, Mazda Financial Services, and Bass Pro Shops Financial Services.

We provide a variety of finance and voluntary vehicle and payment protection products and services to authorized Toyota and Lexus dealers or dealer groups, private label dealers or dealer groups, and to a lesser extent, other domestic and import franchise dealers (collectively referred to as “dealers”) and their customers in the United States of America (the “U.S.”) and Puerto Rico. Our products and services fall primarily into the following categories:

- ***Finance Operations*** - We acquire retail installment sales contracts from dealers in the U.S. and Puerto Rico (“retail contracts”) and leasing contracts accounted for as operating leases (“lease contracts”) from dealers in the U.S. We collectively refer to our retail and lease contracts as the “consumer portfolio.” We also provide dealer financing, including wholesale financing, working capital loans, revolving lines of credit and real estate financing to dealers in the U.S. and Puerto Rico. We collectively refer to our dealer financing portfolio as the “dealer portfolio.”
- ***Voluntary Protection Operations*** - Through Toyota Motor Insurance Services, Inc., a wholly-owned subsidiary, and its insurance company subsidiaries (collectively referred to as “TMIS”), we provide underwriting and claims administration for voluntary vehicle and payment protection products sold by dealers in the U.S. Our voluntary vehicle and payment protection products include vehicle service, guaranteed auto protection, prepaid maintenance, excess wear and use, tire and wheel protection, key replacement protection and used vehicle limited warranty contracts (“voluntary protection products”). TMIS also provides coverage and related administrative services to certain of our affiliates in the U.S.

We support growth in earning assets through funding obtained primarily in the global capital markets as well as funds provided by investing and operating activities. Refer to [Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, “Liquidity and Capital Resources”](#) for a discussion of our funding activities.

Our field operations consist of three regional experience centers (each, an “Experience Center” and together the “Experience Centers”) located in Chandler, Arizona (serving the West region), Plano, Texas (serving the Central region) and Alpharetta, Georgia (serving the East region). Each respective Experience Center maintains dealer service functions and customer service functions.

The dealer service functions in the regional Experience Centers acquire retail and lease contracts from dealers, and market our voluntary protection products to dealers. The dealer lending function is centralized at the Central Region Experience Center and supports the dealers by providing wholesale financing and other dealer financing activities such as business acquisitions, facilities refurbishment, real estate purchases, and working capital requirements.

The customer service functions in the regional experience centers support customer account servicing functions such as collections, lease terminations, and administration of both retail and lease contract customer accounts. The Central Region Experience Center also supports voluntary protection operations by providing contract and claims administrative services.

In fiscal 2023, in furtherance of its private label financial services initiative for third party automotive and mobility companies, we began to provide private label financial services to Great American Outdoors Group LLC, the parent company of Bass Pro Shops, Cabela’s and the White River Marine Group (“Bass Pro Shops”) for Bass Pro Shops’ boats, all-terrain vehicle products, and other mobility products. Pursuant to the agreement with Bass Pro Shops, we currently provide inventory financing, as well as consumer financing and voluntary protection products and services in certain stores for Bass Pro Shops, its affiliates, and authorized independent dealers. We are leveraging our existing processes and personnel to originate and service the new assets, and we have made certain technology investments to support the Bass Pro Shops program.

Available Information

Our filings with the Securities and Exchange Commission (“SEC”) may be found by accessing the SEC website (<https://www.sec.gov>). A link to the SEC website and certain of our SEC filings are available free of charge on our website located at: www.toyotafinancial.com under “Investor Relations, SEC Filings”.

Investors and others should note that we announce material financial information using the investor relations section of our website. We use our website, press releases, as well as social media to communicate with our investors, customers and the general public about our company, our services and other issues. While not all of the information that we post on our website or on social media is of a material nature, some information could be material. Therefore, we encourage investors, the media, and others interested in our company to review the information we post on the investor relations section of our website and our X feed. We are not incorporating any of the information set forth on our website or on social media channels into this filing on Form 10-K.

Seasonality

Revenues generated by our retail and lease contracts are generally not subject to seasonal variations. Financing volume is subject to a certain degree of seasonality. This seasonality does not have a significant impact on revenues as collections, generally in the form of fixed payments, occur over the course of several years. We are subject to seasonal variations in credit losses, which are historically higher in the first and fourth calendar quarters of the year.

FINANCE OPERATIONS

The table below summarizes our financing revenues by product:

	Years ended March 31,		
	2024	2023	2022
Percentage of financing revenues, net of depreciation:			
Operating leases, net of depreciation	26%	31%	41%
Retail	63%	61%	54%
Dealer	11%	8%	5%
Financing revenues, net of depreciation	100%	100%	100%

Retail and Lease Financing

Pricing

TMCC matches interest rates with customer risk as defined by credit bureau scores and other factors for a range of price and risk combinations. Rates vary based on customer credit experience, contract term, loan-to-value and collateral, including whether a new or used vehicle is financed. In addition, special rates may apply as a result of promotional activities. We review and adjust interest rates based on competitive and economic factors and distribute the rates to dealers.

Underwriting

Dealers transmit customer credit applications electronically through our online system for contract acquisition. The customer may submit a credit application directly to our website, in which case, the credit application is sent to the dealer of the customer's choice and is considered by us for preapproval. Upon receipt of the credit application, our loan origination system automatically requests a credit bureau report from one of the major credit bureaus. We use a proprietary credit scoring system to evaluate an applicant's risk profile. Factors used by the credit scoring system (based on the applicant's credit history) include the contract term, ability to pay, debt ratios, amount financed relative to the value of the vehicle to be financed, and credit bureau attributes such as number of trade lines, utilization ratio and number of credit inquiries.

Credit applications are subject to systematic evaluation. Our loan origination system evaluates each application to determine if it qualifies for automatic approval or decline without manual intervention ("auto-decisioning") using specific requirements, including internal credit score and other application characteristics. Typically, the highest quality credit applications are approved automatically, and the lowest quality credit applications are automatically declined.

Credit analysts (working out of our Experience Centers) approve or decline all credit applications that are not auto-decisioned and may also approve an application that has been the subject of an automated decline. Failure to be automatically approved through auto-decisioning does not mean that an application does not meet our underwriting guidelines. A credit analyst decisions applications based on an evaluation that considers an applicant's creditworthiness and projected ability to meet the monthly payment obligation, which is derived from, among other things, the amount financed and the contract term. A credit analyst will verify information contained in the credit application if the application presents an elevated level of credit risk. Our proprietary scoring system assists the credit analyst in the credit review process. The credit analyst's final credit decision is made based upon the degree of credit risk perceived by the credit analyst after assessing the strengths and weaknesses of the application.

Completion of the financing process is dependent upon whether the transaction is a retail or lease contract. For a retail contract, we acquire the retail contract from the dealer and obtain a security interest in the vehicle. We perfect our security interests in the financed retail vehicles through the applicable state department of motor vehicles (or equivalent) with certificate of title filings or with Uniform Commercial Code ("UCC") filings, as appropriate. For a lease contract, except as described below under "Servicing", we acquire the lease contract and concurrently assume ownership of the leased vehicle. We have the right to pursue collection actions against a delinquent customer, as well as repossess a vehicle if a customer fails to meet contractual obligations.

We regularly review and analyze our consumer portfolio to evaluate the effectiveness of our underwriting guidelines and purchasing criteria. If external economic factors, credit losses, delinquency experience, market conditions or other factors change, we may adjust our underwriting guidelines and purchasing criteria in order to change the asset quality of our portfolio or to achieve other goals and objectives.

Subvention and Incentive Programs

Toyota Motor Sales, U.S.A., Inc. (“TMS”), a subsidiary of Toyota Motor North America, Inc. (“TMNA”), is the primary distributor of Toyota and Lexus vehicles in the United States. In partnership with TMNA and certain non-affiliated third-party distributors, we may offer special promotional rates, which we refer to as subvention programs. TMNA and third-party distributors pay us the majority of the difference between our standard rate and the promotional rate. Amounts received in connection with these programs allow us to maintain yields at levels consistent with standard program levels. The level of subvention program activity varies based on the marketing strategies of TMNA and third-party distributors, economic conditions, vehicle inventory levels, and volume of vehicle sales. The amount of subvention received varies based on the mix of vehicles included in the promotional rate programs and the timing of the programs. The majority of our lease contracts and a significant portion of our retail contracts are subvented. We may also offer cash and contractual residual value support incentive programs in partnership with TMNA or third-party distributors. Subvention and other cash incentive program payments offered in partnership with TMNA or third-party distributors are settled at the beginning of the retail or lease contract. We defer the payments and recognize them over the life of the contract as a yield adjustment for retail contracts and as rental income or an adjustment to depreciation expense for lease contracts. We may also offer our own cash incentives and other competitive rate programs.

Servicing

Our Experience Centers are responsible for servicing the consumer portfolio. A centralized department manages third-party vendor relationships responsible for bankruptcy administration, liquidation and post charge-off recovery activities, certain administrative activities, customer services activities and pre-charge-off collections with support from the Experience Centers.

We use an online collection and auto dialer system that prioritizes collection efforts and signals our collections personnel to make telephone contact with delinquent customers. We also use a behavioral-based collection strategy to minimize risk of loss and employ various collection methods based on behavioral scoring models (which analyze borrowers’ payment behavior and credit bureau attributes to predict future credit loss risk). We generally determine whether to commence repossession efforts after an account is approximately 80 days past due. Repossessed vehicles are held for sale to comply with statutory requirements and then sold at private auctions unless public auctions are required by state law. Any unpaid amounts remaining after the repossessed vehicle is sold or after taking the full balance charge-off are pursued by us to the extent practical and legally permissible. Any surplus amounts remaining after recovery fees, disposition costs, and other expenses have been paid, and after any reserve charge-backs, dealer guarantees and optional product refunds have been credited to the customer’s account, are refunded to the customers. Collections of post-sale deficiencies and full-balance charge-offs are managed by third-party vendors and the Experience Centers. We charge-off uncollectible portions of accounts when an account is deemed to be uncollectible or when the account balance becomes 120 days contractually delinquent, whichever occurs first. However, the Experience Centers will continue to collect or pursue recovery of the vehicle up to 190 days after the account is past due.

We may, in accordance with our customary servicing procedures, offer rebates or waive any prepayment charge, late payment charge, or any other fees that may be collected in the ordinary course of servicing the consumer portfolio. In addition, we may defer a customer’s obligation to make a payment by extending the contract term.

Substantially all of our retail and lease contracts are purchased as non-recourse from the dealers. This relieves the dealers of financial responsibility in the event of a customer default.

We may experience a higher risk of loss if customers fail to maintain the required insurance coverage. The terms of our retail contracts require customers to maintain physical damage insurance covering loss or damage to the financed vehicle in an amount not less than the full value of the vehicle and to provide evidence of such insurance upon our request. The terms of each contract allow but do not require us to obtain any such insurance coverage on behalf of the customer. In accordance with our customary servicing procedures, we do not exercise our right to obtain insurance coverage on behalf of the customer. Our lease contracts require lessees to maintain minimum liability insurance and physical damage insurance covering loss or damage to the leased vehicle in an amount not less than the full value of the vehicle. We currently do not monitor ongoing customer insurance coverage as part of our customary servicing procedures for the consumer portfolio.

Toyota Lease Trust, a Delaware business trust (the “Titling Trust”), acts as lessor and holds title to leased vehicles in the U.S. This arrangement was established to facilitate lease securitizations. TMCC services lease contracts acquired by the Titling Trust from Toyota, Lexus, and private label dealers. TMCC holds a beneficial interest in certain lease contracts owned by the Titling Trust, and these lease contracts are included in Investments in operating leases, net on

our Consolidated Balance Sheets. Refer to [Note 5 – Investments in Operating Leases, Net](#) and [Note 8 – Variable Interest Entities](#) of the Notes to Consolidated Financial Statements for further information.

Remarketing

The lessee may purchase the leased vehicle at the contractual residual value or return the leased vehicle to the dealer. If the leased vehicle is returned to the dealer, the dealer may purchase the leased vehicle or return it to us. We are responsible for disposing of the leased vehicle if the lessee or dealer does not purchase the vehicle at lease maturity.

In order to minimize losses when vehicles are returned to us, we have developed remarketing strategies to maximize proceeds and minimize disposition costs on used vehicles. We use various channels to sell vehicles returned at lease-end or repossessed prior to lease-end, including dealer direct and auction sale platforms (“Dealer Direct”) and physical auctions.

The goal of Dealer Direct is to increase dealer purchases of off-lease vehicles thereby reducing the disposition costs of such vehicles. Through Dealer Direct, the dealer accepting return of the lease vehicle (the “grounding dealer”) has the option to purchase the vehicle at the contractual residual value, purchase the vehicle at an assessed market value, or return the vehicle to us. Vehicles not purchased by the grounding dealer are made available to all Toyota and Lexus dealers through the Dealer Direct online auction. Vehicles not purchased through Dealer Direct are sold at physical vehicle auction sites throughout the country. Where deemed necessary, we recondition used vehicles prior to sale at auction in order to enhance the vehicle values.

Dealer Financing

Dealer financing is comprised of wholesale financing and other financing options designed to meet dealer business needs.

Wholesale Financing

We provide wholesale financing to dealers for inventories of new and used Toyota, Lexus, private label, and other domestic and import vehicles. We acquire a security interest in the vehicle inventory, and/or other dealership assets, as appropriate, which we perfect through UCC filings. Wholesale financing may also be backed by corporate or individual guarantees from, or on behalf of, affiliated dealers, dealer groups, or dealer principals. In the event of a dealer default under a wholesale loan agreement, we have the right to liquidate assets in which we have a perfected security interest and to seek legal remedies pursuant to the wholesale loan agreement and any applicable guarantees.

Additionally, TMNA and other manufacturers may be obligated by applicable law, or under agreements with us, to repurchase or to reassign new vehicle inventory we financed that meets certain mileage and model year parameters, curtailing our risk. We also provide other types of wholesale financing to certain Toyota and Lexus dealers and other third parties, at the request of TMNA or private Toyota distributors, and TMNA or the applicable private distributor guarantees the payments by such borrowers.

Other Dealer Financing

We provide fixed and variable rate working capital loans, revolving lines of credit, and real estate financing to dealers and various multi-franchise organizations referred to as dealer groups for facilities construction and refurbishment, working capital requirements, real estate purchases, business acquisitions and other general business purposes. These loans are typically secured with liens on real estate, vehicle inventory, and/or other dealership assets, as appropriate, and may be guaranteed by individual or corporate guarantees of affiliated dealers, dealer groups, or dealer principals. Although the loans are typically collateralized or guaranteed, the value of the underlying collateral or guarantees may not be sufficient to cover our exposure under such agreements. Our pricing reflects market conditions, the competitive environment, the level of support dealers provide for our retail, lease and voluntary protection products and the creditworthiness of each dealer.

Before establishing a wholesale loan or other dealer financing agreement, we perform a credit analysis of the dealer. During this analysis, we:

- Review financial statements and we may obtain credit reports;
- Evaluate the dealer’s financial condition and history of servicing debt; and
- Assess the dealer’s operations and management.

On the basis of this analysis, we may approve the issuance of a loan or financing agreement and determine the appropriate amount to lend.

As part of our monitoring processes, we require dealers to submit periodic financial statements. We also perform periodic physical audits of vehicle inventory as well as monitor the timeliness of dealer inventory financing payoffs in accordance with the agreed-upon terms to identify possible risks.

Competition

We operate in a highly competitive environment and compete with other financial institutions including national and regional commercial banks, credit unions, savings and loan associations, online banks, finance companies, and alternative financing sources. To a lesser extent, we compete with other automobile manufacturers' affiliated finance companies that actively seek to purchase retail contracts through Toyota, Lexus, and private label dealers. We also compete with national and regional commercial banks and other automobile manufacturers' affiliated finance companies for dealer financing. No single competitor is dominant in the industry. We compete primarily through service quality, our relationship with TMNA and third-party automotive and mobility companies to whom we provide financial services, and financing rates. We seek to provide exceptional customer service and competitive financing programs to our dealers and to their customers. Our affiliation with TMNA and relationships with third-party automotive and mobility companies to whom we provide financial services offers an advantage in providing financing or leasing of Toyota, Lexus, and private label vehicles.

VOLUNTARY PROTECTION OPERATIONS

TMIS offers voluntary protection products on Toyota, Lexus, and other domestic and import vehicles that are primarily sold by dealers as part of the dealer's sale of a vehicle. The majority of the voluntary protection products offered by TMIS are not regulated as insurance products. However, certain states require the voluntary protection products we offer be backed by policies issued by a regulated insurance company. To satisfy the aforementioned requirement, TMIS utilizes its insurance company subsidiaries to underwrite certain risks. Vehicle service contracts offer vehicle owners and lessees mechanical breakdown protection for new and used vehicles secondary to the manufacturer's new vehicle warranty. Guaranteed auto protection contracts provide coverage for a lease or retail contract deficiency balance in the event of a total loss or theft of the covered vehicle. Prepaid maintenance contracts provide maintenance services at manufacturer recommended intervals. Excess wear and use contracts are available on leases and protect against excess wear and use charges that may be assessed at lease termination. Tire and wheel protection contracts provide coverage in the event that a covered vehicle's tires or wheels become damaged as a result of a road hazard or structural failure due to a defect in material or workmanship, to the extent not covered by the manufacturer or the tire distributor warranties. Certain tire and wheel protection contracts also cover expenses related either to replacing or reprogramming a vehicle key or vehicle key remote in the event of loss or damage. Key replacement protection contracts provide stand-alone coverage for expenses related either to replacing or reprogramming a vehicle key or vehicle key remote in the event of loss or damage. Used vehicle limited warranty contracts are included with the purchase of a used vehicle and provide for the repair or replacement of certain covered components that have mechanically failed on the covered used vehicle.

TMIS provides TMNA contractual indemnity insurance coverage for limited warranties on certified Toyota and Lexus pre-owned vehicles. TMIS also provides umbrella liability insurance to TMNA and other affiliates covering certain dollar value layers of risk above various primary or self-insured retentions. On all layers in which TMIS provides coverage, 99 percent of the risk is ceded to a reinsurer.

Competition for the voluntary protection products is primarily from national and regional independent service contract providers. We compete primarily through service quality, our relationship with TMNA and third-party automotive and mobility companies to whom we provide financial services and product benefits. Our affiliation with TMNA provides an advantage in selling our voluntary protection products.

RELATIONSHIPS WITH AFFILIATES

TMCC is party to agreements with TMNA and certain TMNA subsidiaries. For ease of reference herein, we refer solely to the parent entity, TMNA. As a result, all references to the agreements or activities of TMNA herein that are carried out by a TMNA subsidiary are deemed to also make reference to and include the applicable TMNA subsidiary.

TMNA sponsors subvention, cash and contractual residual value support incentive programs on certain new and used Toyota and Lexus vehicles. The level of incentive program activity varies based on TMNA marketing strategies, economic conditions, vehicle inventory levels, and volume of vehicle sales.

TMNA may be obligated by applicable law, or under agreements with us, to repurchase or to reassign new vehicle inventory we financed that meets certain mileage and model year parameters. We also provide financing to certain Toyota and Lexus dealers and other third parties at the request of TMNA or private Toyota distributors, and TMNA or the applicable private distributor guarantees the payments by such borrowers.

TMNA provides shared services to TMCC, including certain technological and administrative services, such as information systems support, facilities, insurance coverage, human resources and other corporate services. TMCC also provides shared services to TMNA, including certain treasury and procurement services.

TMCC is a participating employer in certain retirement and post-retirement medical care, life insurance and other benefits sponsored by TMNA, as discussed further in [Note 10 – Pension and Other Benefit Plans](#) of the Notes to Consolidated Financial Statements.

TMCC is party to agreements with TMNA and other affiliates relating to the team member vehicle benefit program, which allows team members to lease Toyota and Lexus vehicles on terms exclusive to the benefit program. TMNA serves as the chief administrator of the program. TMCC acquires and services team member leases after origination. A portion of the vehicles used for the team member vehicle benefit program are acquired from TMNA. TMCC receives a per vehicle contribution from participating affiliates to assist with the costs of its contribution to the benefit program, and TMCC pays a per vehicle participation fee to TMNA to participate in the benefit program.

TMCC and Toyota Financial Savings Bank (“TFSB”), a Nevada thrift company owned by TFSIC, are parties to a master shared services agreement under which TMCC and TFSB provide certain services to each other. TMCC and TFSB are also parties to an expense reimbursement agreement, which provides that TMCC will reimburse certain expenses incurred by TFSB in connection with providing certain financial products and services to TMCC’s customers and dealers in support of TMCC’s customer loyalty strategy and programs.

TMCC receives support from and provides support to TFSC and other affiliates in the form of promissory notes and various loan and credit facility agreements, including a revolving credit facility with TMS which may be used for general corporate purposes.

Credit support agreements exist between TMCC and TFSC and between TFSC and TMC. These agreements are further discussed in [Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, “Liquidity and Capital Resources”](#).

TMIS provides administrative services and various types of coverage to TMNA and other affiliates, including contractual indemnity coverage for limited warranties on TMNA’s certified pre-owned vehicle program and umbrella liability insurance.

Refer to [Note 12 – Related Party Transactions](#) of the Notes to Consolidated Financial Statements for further information.

REGULATORY ENVIRONMENT

Our finance and voluntary protection products are regulated under both federal and state law.

Federal Consumer Finance Regulation

Our finance operations are governed by, among other federal laws, the Equal Credit Opportunity Act, the Truth in Lending Act, the Consumer Leasing Act, the Fair Credit Reporting Act, the Servicemembers Civil Relief Act, the unfair, deceptive or abusive acts or practices (UDAAP) provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), and the consumer data privacy and security provisions of the Gramm-Leach Bliley Act.

The Equal Credit Opportunity Act is designed to prevent credit discrimination on the basis of certain protected classes, requires the distribution of specified credit decision notices and limits the information that may be requested and considered in a credit transaction. The Truth in Lending Act and the Consumer Leasing Act place disclosure and substantive transaction restrictions on consumer credit and leasing transactions. The Fair Credit Reporting Act imposes restrictions and requirements regarding our use and sharing of credit reports, the reporting of data to credit reporting agencies including the accuracy and integrity of information reported, credit decision notices, consumer dispute handling procedures and identity theft prevention requirements. The Servicemembers Civil Relief Act provides additional protections for certain customers in the military. For example, it requires us, in most circumstances, to reduce the interest rate charged to customers who have subsequently joined, enlisted, been inducted or called to active military duty, and also requires us to allow eligible servicemembers to terminate their lease agreements with us early without penalty. UDAAP laws prohibit acts or practices that are unfair, deceptive or abusive towards consumers.

Federal privacy and data security laws place restrictions on our use and sharing of consumer data, impose privacy notice requirements, give consumers the right to opt out of certain uses and sharing of their data and impose safeguarding rules regarding the maintenance, storage, transmission and destruction of consumer data. Cybersecurity and data privacy are areas of heightened legislative and regulatory focus. The timing and effects of potential legislative or regulatory changes to data privacy regulations is uncertain.

In addition, the dealers who originate our retail and lease contracts also must comply with federal credit and trade practice statutes, rules, and regulations. Failure of the dealers to comply with these statutes and regulations could result in remedies that could have an adverse effect on us.

The Consumer Financial Protection Bureau (“CFPB”) has broad rulemaking, supervisory and enforcement authority over entities offering consumer financial services or products, including non-bank companies, such as TMCC (“Covered Entities”).

The CFPB’s supervisory authority has focused on fair lending compliance, UDAAP, repossessions, debt collection, credit reporting, service fees, and the marketing, sale and servicing of certain optional products, including voluntary protection products we finance or sell through TMIS.

The CFPB’s supervisory authority permits it to examine Covered Entities for compliance with consumer financial protection laws. These examinations could result in enforcement actions, regulatory fines and mandated changes to our business, products, policies and procedures.

The CFPB’s enforcement authority permits it to conduct investigations (which may include a joint investigation with other agencies and regulators) of, and initiate enforcement actions related to, violations of federal consumer financial protection laws, including discriminatory practices not directly covered by the Equal Credit Opportunity Act. The CFPB has the authority to obtain cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other types of affirmative relief), or other forms of remediation, and/or impose monetary penalties. The CFPB and the Federal Trade Commission (“FTC”) may investigate the products, services and operations of credit providers, including banks and other finance companies engaged in auto finance activities. As a result of such investigations, both the CFPB and FTC have announced various enforcement actions against lenders in the past few years involving significant penalties, consent orders, cease and desist orders and similar remedies that, if applicable to us or the products, services and operations we offer, may require us to cease or alter certain business practices, which could have a material adverse effect on our results of operations, financial condition, and liquidity.

State Regulation

A majority of states (and Puerto Rico) have enacted legislation establishing licensing requirements to conduct financing activities. We must renew these licenses periodically. Most states also impose limits on the maximum rate of finance charges, while other state and federal legislatures are also discussing an all-in rate cap that would include finance charges plus charges on our ancillary products such as voluntary protection products. In certain states, the margin between the present statutory maximum interest rates and borrowing costs is sufficiently narrow that, in periods of rapidly increasing or high interest rates, there could be an adverse effect on our operations in these states if we were unable to pass on increased interest costs to our customers. Some state laws impose rate and other restrictions on credit transactions with customers in active military status in addition to those imposed by the Servicemembers Civil Relief Act.

State laws also impose requirements and restrictions on us with respect to, among other matters, required credit application and finance and lease disclosures, late fees and other charges, the right to repossess a vehicle for failure to pay or other defaults under the retail or lease contract, other rights and remedies we may exercise in the event of a default under the retail or lease contract, and other consumer protection matters. Many states are also focusing on cybersecurity and data privacy as areas warranting consumer protection. Some states have passed complex legislation dealing with consumer information, which impacts companies such as TMCC. In some jurisdictions, these laws and regulations provide a private right of action that would allow customers to bring suit directly against us for mishandling their data for certain violations of these laws and regulations.

TMIS operations are subject to state regulations and licensing requirements. State laws vary with respect to which products are regulated and what types of corporate licenses and filings are required to offer certain products. Certain products offered by TMIS are covered by state privacy laws as well as new cybersecurity and data privacy legislation. Our insurance company subsidiaries must be appropriately licensed in certain states in which they conduct business, must maintain minimum capital requirements and file annual financial information as determined by their state of domicile and the National Association of Insurance Commissioners. Failure to comply with these requirements could have an adverse effect on voluntary protection operations in a particular state. We actively monitor applicable laws and regulations in each state in order to maintain compliance.

State regulators are taking a more stringent approach to supervising and regulating providers of financial and voluntary protection products and services subject to their jurisdiction. In addition, we are subject to governmental and regulatory examinations, information-gathering requests and investigations from time to time. We expect to continue to face greater supervisory scrutiny and enhanced supervisory requirements for the foreseeable future.

Other Federal and International Regulation

Under the Volcker Rule, companies affiliated with U.S. insured depository institutions are generally prohibited from engaging in “proprietary trading” and certain transactions with certain privately offered funds. The activities prohibited by the Volcker Rule are not core activities for us. However, the federal financial regulatory agencies charged with implementing the Volcker Rule could further amend the rule or change their approach to administering, enforcing or interpreting the rule, which could negatively affect us and potentially require us to limit or change our activities or operations.

The Dodd-Frank Act amended the U.S. Commodity Exchange Act (“CEA”) to establish a comprehensive framework for the regulation of certain over-the-counter (“OTC”) derivatives referred to as swaps. Under the Dodd-Frank Act, the Commodity Futures Trading Commission (“CFTC”) is required to adopt certain rules and regulations governing swaps. The CFTC has completed almost all of its regulations in this area, most of which are in effect.

We continually review our operations for compliance with applicable laws. Future administrative rulings, judicial decisions, legislation, regulations and regulatory guidance, and supervision and enforcement actions may result in monetary penalties, increase our compliance costs, require changes in our business practices, affect our competitiveness, impair our profitability, harm our reputation or otherwise adversely affect our business.

Concern over climate change or other environmental matters has resulted in, and may continue to result in, increased legal and regulatory requirements intended to mitigate factors contributing to, or intended to address the potential impacts of, climate change or other environmental concerns. For example, various governmental entities, such as the SEC and the state of California, have adopted requirements for companies to provide expanded climate-related disclosures, including reporting on greenhouse gas emissions.

Laws and regulations aimed at limiting greenhouse gas emitting products or services, as well as those providing for financial incentives regarding electrified vehicles, are also increasing. For example, in March 2024, the Environmental Protection Agency (the “EPA”) issued extensive new rules on vehicle emissions that will require the automotive industry to accelerate its transition to electrified vehicles. Additionally, the Inflation Reduction Act (the

“Act”), signed into law in August 2022, modifies climate and clean energy corporate tax provisions, including, among other things, amendments to the federal tax credit for plug-in vehicles available under the previous tax law as well as enactment of the qualified commercial clean vehicles credit. Such regulations and government incentives may require us to alter our proposed business plans, lead to increased compliance costs and changes to our operations (including from the establishment of new procedures for internal controls and oversight), and affect vehicle sales, residual values, and the automotive industry and wider economy in ways not yet known which could have an adverse effect on our business, results of operations and financial condition.

Refer to Part 1, [Item 1A. Risk Factors, "Regulatory, Legal, and Other Risks"](#) – “The regulatory environment in which we operate could have a material adverse effect on our business and results of operations.”

HUMAN CAPITAL

Employees

At March 31, 2024, we had approximately 3,800 employees. We consider our employee relations to be satisfactory. We are not subject to any collective bargaining agreements with our employees. Depending on business needs, and as appropriate, we have implemented hybrid work models, which permit a mix of onsite and remote work arrangements for certain roles.

Culture

Our human capital objective in managing our business is to attract, retain, and fully engage talented team members who share our core values, including our “continuous quest for improvement” and “showing respect for people.” Toyota’s corporate culture is driven by “The Toyota Philosophy”, our roadmap of the company we want to be, which is underpinned by our mission of producing happiness for all and our vision of creating mobility for all. Our team members are actively involved in Toyota’s transformation into a mobility company. We offer a variety of training opportunities and career development resources to enhance the skills of our team members, encourage innovation, and create an attractive workplace where employees want to stay and grow. Our hybrid work schedules (offered as appropriate) are intended to provide flexibility to our team members, strengthen employee retention, and enable us to attract a broad and inclusive workforce. We encourage teamwork and collaboration and know that valuing diverse backgrounds, experiences, and perspectives is the right thing to do not only for our team members, but also for our business.

Diversity and Inclusion

We believe in equality, respect, and the inclusive treatment of all people, and we promote a workplace where all team members can play an active role. We believe that fostering a company culture that values and promotes diversity and inclusion helps us to achieve higher levels of productivity, enhances our competitiveness and ability to innovate, spurs creativity among our team members, and deepens our ability to understand and serve our customers.

We sponsor Business Partnering Groups, which are employee-driven networks based on common identities, affinities, experiences, and allyship, that allow team members to connect with each other, grow professionally, support our business goals, and help build the inclusive culture that represents the future of our company. We also offer trainings and workshops to educate team members and foster an inclusive and supportive environment.

Our Executive Diversity and Inclusion Committee endeavors to guide, endorse and support our diversity and inclusion strategic efforts. Toyota’s external Diversity Advisory Board works in partnership with our leadership to reinforce diversity and inclusion strategies and offer insight and perspective that helps Toyota cultivate a diversity and inclusion mindset across the enterprise.

Health and Safety

We recognize the health, safety, and well-being of our team members is a top priority. Actively cultivating a culture, environment, and team member experience that embraces, empowers, and respects all people - including their health, wellbeing, and safety - drives innovation and engagement. We offer a variety of support and benefits to our team members beyond traditional healthcare, including adoption and fertility benefits, parental leave, mental and financial health services, wellness programs, and support to enable people with disabilities to fully utilize their talents.

ITEM 1A. RISK FACTORS

We are exposed to certain risks and uncertainties that could have a material adverse impact on our business, results of operations and financial condition. There may be additional risks and uncertainties not presently known to us or that we currently consider immaterial that may also have a material adverse impact on our business, results of operations and financial condition.

INDUSTRY AND BUSINESS RISK

General business, economic, and geopolitical conditions, as well as other market events, may adversely affect our business, results of operations and financial condition.

Our 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, and private label vehicles, the rate of growth in the number and average balance of customer accounts, the U.S. regulatory environment, competition from other financiers, rate of default by our customers, changes in the U.S. and international wholesale capital funding markets, our credit ratings, the success of efforts to expand our product lines, levels of operating and administrative expenses including, but not limited to, personnel costs, technology costs and premises costs (including costs associated with reorganization or relocation), general economic conditions, inflation, consequences from changes in tax laws, and fiscal and monetary policies in the U.S., Europe and other countries in which we issue 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 retail, lease, and wholesale financing. In turn, lower used vehicle values could affect return rates, charge-offs, and depreciation on operating leases.

Economic slowdown and recession in the United States may lead to diminished consumer and business confidence, inflation, lower household incomes, increases in unemployment rates, higher consumer debt levels as well as higher consumer and commercial bankruptcy filings, any of which could adversely affect vehicle sales and discretionary consumer spending. These conditions may decrease the demand for our financing products, as well as increase our delinquencies and credit losses. In addition, because our credit exposures are generally collateralized by vehicles, the severity of losses can be particularly affected by declines in used vehicle values. Dealers are also affected by economic slowdown and recession, which increases the risk of default of certain dealers within our dealer portfolio. Elevated levels of market disruption and volatility globally or in the U.S. could increase our cost of capital and adversely affect our ability to access the global capital markets and fund our 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 our results of operations and financial condition by diminishing the value of our investment portfolio and increasing our cost of funding. If as a result we increase the rates we charge to our customers and dealers, our 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) our financial performance.

During a continued and sustained period of market disruption and volatility:

- there can be no assurance that we will continue to have access to the capital markets in a similar manner and at a similar cost as we have had in the past;
- issues of debt securities may be undertaken at spreads above benchmark rates that are greater than those on similar issuances undertaken during prior periods;
- we 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 our short-term debt outstanding to total debt outstanding may increase if negative conditions in the debt markets lead us 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 our results of operations and financial condition. Geopolitical conditions and other market events may also impact our results of operations. Restrictive exchange or import controls or other disruptive trade policies, disruption of operations as a result of systemic political or economic instability (including any uncertainty over the U.S. government debt ceiling), adverse changes to tax laws and regulations, social unrest, outbreak of war or expansion of hostilities (including the current conflicts in Ukraine and the Middle East), health epidemics and other outbreaks, climate-related risk, and acts of terrorism, could lead to among other things, declines in market liquidity and activity levels, volatile market conditions, a contraction of available credit, inflation, fluctuations in interest rates, weaker economic growth, and reduced business confidence on an international level, each of which could have a material adverse effect on our results of operations and financial condition.

Changes in interest rates and credit spreads may adversely affect our business, results of operations and financial condition.

U.S. benchmark interest rates and credit spreads have both increased and remained elevated throughout fiscal 2024. When interest rates are high or increasing, we generally expect to earn higher financing revenue from our new originations. However, during fiscal 2024, elevated rates have and in the future could continue to have an adverse effect on our business, financial condition and results of operations by increasing our cost of capital and the rates we charge to our customers and dealers, which could, in turn, decrease our financing volumes and market share, as a result of customers and dealers seeking alternative solutions or increasing the amount of cash purchases, thereby resulting in a decline in our competitive position. On the other hand, a low or negative interest rate environment may increase our financing volumes and market share, however it could also have an adverse effect on our business, financial condition and results of operations by reducing returns on our investments in marketable securities and compressing our net interest margin. When credit spreads widen, it becomes more expensive for us to borrow. Our credit spreads may widen or narrow not only in response to events and circumstances that are specific to us but also as a result of general economic and geopolitical events and conditions. Changes in credit spreads will affect, positively or negatively, the value of our derivatives, which could result in volatility in our results of operations, financial condition, and cash flows.

Our results of operations and financial condition are substantially dependent upon the sale of Toyota, Lexus, and private label vehicles, as well as our ability to offer competitive financing and voluntary protection products.

We primarily provide a variety of finance and voluntary protection products to authorized Toyota, Lexus, and private label dealers and their customers in the U.S. Accordingly, our business is substantially dependent upon the sale of Toyota, Lexus, and private label vehicles in the U.S. Changes in the volume of sales may result from changes in consumer demand, new vehicle incentive programs, recalls, the actual or perceived quality, safety or reliability of Toyota, Lexus, and private label vehicles, economic conditions, inflation, increased competition, increases in the price of vehicles due to increased raw material costs, governmental action or changes in or increased governmental regulation (including, for example, recent rules adopted by the EPA and states such as California regarding vehicle emissions), trade policies (including 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 extreme weather conditions, natural disasters, supply chain interruptions, including shortages of parts, components or raw materials, or other events. Any negative impact on the volume of Toyota, Lexus, and private label vehicle sales in the U.S. could have a material adverse effect on our business, results of operations, and financial condition.

TMS is the primary distributor of Toyota and Lexus vehicles in the U.S. While TMNA conducts extensive market research before launching new or refreshed vehicles and introducing new services, many factors both within and outside TMNA's control affect the success of new or existing products and services in the marketplace. Offering vehicles and services that customers want and value can mitigate the risks of increasing price competition and declining demand, but products and services that are perceived to be less desirable (whether in terms of product mix, price, quality, styling, safety, overall value, fuel efficiency, or other attributes) and the level of availability of products and services that are desirable can exacerbate these risks. With increased consumer interconnectedness through the internet, social media, and other media, mere allegations relating to quality, safety, fuel efficiency, corporate social responsibility (including related to climate change or other environmental issues), or other key attributes can negatively impact TMNA's reputation or market acceptance of its products or services, even where such allegations prove to be inaccurate or unfounded. Any negative impact to TMNA's reputation or market acceptance of its products or services could have an adverse impact on vehicle sales, which could have an adverse effect on our business, results of operations and financial condition.

The volume of TMNA 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.

We operate in a highly competitive environment and compete with other financial institutions and, to a lesser extent, other automobile manufacturers' affiliated finance companies primarily through service, quality, our relationship with TMNA, and financing rates. TMNA sponsors subvention, cash, and contractual residual value support incentive programs offered by us on certain new and used Toyota and Lexus vehicles. Our ability to offer competitive financing and voluntary protection products in the U.S. depends in part on the level of TMNA sponsored subvention, cash, and contractual residual value support incentive program activity, which varies based on TMNA marketing strategies, economic conditions, and the volume of vehicle sales, among other factors. Any negative impact on the level of TMNA sponsored subvention, cash, and contractual residual value support incentive programs could in turn have a material adverse effect on our business, results of operations, and financial condition.

Changes in consumer behavior could affect the automotive industry, TMNA and TMC, and, as a result, our business, results of operations and financial condition.

A number of trends are affecting the automotive industry. These include increased demand for electrified vehicles (including battery electric vehicles and hybrid vehicles), a continued preference for sport utility vehicles ("SUVs") and trucks over cars, high demand for incentives, the rise of mobility services such as vehicle sharing and ride hailing, the development of autonomous and electrified vehicles, the impact of demographic shifts on attitudes and behaviors 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, increased focus on climate-related initiatives and regulation, 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, TMNA and TMC, and could in turn have an impact on our business, results of operations and financial condition.

Recalls and other related announcements by TMNA or private label companies could affect our business, results of operations and financial condition.

TMNA, or other manufacturers of the vehicles we finance, periodically conducts vehicle recalls which could include temporary suspensions of sales and production of certain Toyota, Lexus, and private label vehicle models. Because our business is substantially dependent upon the sale of Toyota and Lexus vehicles, such events could adversely affect our business. A decrease in the level of sales, including as a result of the actual or perceived quality, safety or reliability of Toyota, Lexus, and private label vehicles or a change in standards of regulatory bodies will have a negative impact on the level of our financing and voluntary protection products volume, earning assets, Net financing revenues and Voluntary protection contract revenues and insurance earned premiums. The credit performance of our dealer and consumer portfolios may also be adversely affected. In addition, a decline in the values of used Toyota, Lexus, and private label vehicles would have a negative effect on residual values and return rates, which, in turn, could increase depreciation expense and credit losses. Further, certain of TMCC's 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, Lexus and private label vehicles and, accordingly, could have a negative effect on our business, results of operations and financial condition.

If we are unable to compete successfully or if competition increases in the businesses in which we operate, our results of operations could be negatively affected.

We operate in a highly competitive environment. We compete with other financial institutions including national and regional commercial banks, credit unions, savings and loan associations, finance companies, and to a lesser extent, other automobile 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 our contract volume, market share, Net financing revenues, Voluntary protection contract revenues and insurance earned premiums. Further, the financial condition and viability of our competitors and peers may have an adverse impact on the financial services industry in which we operate, resulting in a decrease in the demand for our products and services. This could have an adverse impact on the volume of our business and our results of operations.

A failure or interruption in our operations could adversely affect our results of operations and financial condition.

Operational risk is the risk of loss resulting from, among other factors, lack of established processes, inadequate or failed processes, systems or internal controls, cybersecurity attacks, theft, fraud, extreme weather conditions, natural disasters (such as wildfires, floods, tornadoes, earthquakes, hurricanes including an increase in the frequency of such conditions and disasters as the result of climate change) or other catastrophes (including without limitation, explosions, terrorist attacks, riots, civil disturbances and health epidemics and other outbreaks). 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 our voluntary protection product operations risk management program, inappropriate behavior or misconduct by our employees or those contracted to perform services for us, and vendors that do not perform in accordance with their contractual agreements. We have established business recovery plans to address interruptions in our operations, but we can give no assurance that these plans will be adequate to remediate all events that we may face. A catastrophic event that results in the destruction or disruption of any of our critical business or information technology systems could harm our ability to conduct normal business operations. These events can potentially result in financial losses or other damage to us, including damage to our reputation.

We rely on a framework of internal controls designed to provide a sound and well-controlled operating environment. Due to the complexity of our business and the challenges inherent in implementing control structures across large organizations, control issues could be identified in the future that could have a material adverse effect on our operations.

In addition, many parts of our business, including software, technology, marketing and finance, are dependent on key personnel. Competition for such employees is intense, which may increase our operating and administrative expenses and lead to other changes including flexible work arrangements and other considerations. Our future success depends on our ability to retain existing, and attract, hire and integrate new key personnel and other necessary employees. Any failure to do so could adversely affect our business, results of operations and financial condition.

Our private label financial services for third-party automotive and mobility companies may expose us to additional risks that could adversely affect our business, results of operations and financial condition.

In fiscal 2021, we began providing private label financial services to third-party automotive and mobility companies commencing with the provision of services to Mazda Motor of America, Inc. (“Mazda”). Pursuant to the agreement with Mazda, we currently offer exclusive private label automotive retail, lease, voluntary protection products and dealer financing products and services marketed under the brands Mazda Financial Services and Mazda Protection Products to Mazda customers and dealers in the U.S. In fiscal 2024, the agreement with Mazda was extended through 2030.

In fiscal 2023, in furtherance of its private label financial services initiative for third party automotive and mobility companies, we began to provide private label financial services for Bass Pro Shops’ boats, all-terrain vehicle products, and other mobility products. Pursuant to the agreement with Bass Pro Shops, we currently provide inventory financing, as well as consumer financing and voluntary protection products and services in certain stores for Bass Pro Shops, its affiliates, and authorized independent dealers.

We are currently leveraging our existing processes and personnel to originate and service the new assets and we have made certain technology investments to support the Bass Pro Shops program. We continue to evaluate the private label financial services business, which may include partnering with or transitioning the business to our affiliates, some of which are not consolidated with TMCC.

Although we intend to leverage our strengths and capabilities to serve and retain new private label customers, we may encounter additional costs and may fail to realize the anticipated benefits of our private label financial services program. The provision and or servicing of wholesale and retail financing to private label dealers and customers may result in additional credit risk exposure, which if we are unable to appropriately monitor and mitigate may result in an adverse effect on our results of operations and financial condition. Our private label financial services may also expose us to additional operating risks related to consumer demand for private label vehicles or mobility products, the profitability and financial condition of private label companies, the level of the private label incentivized retail financing, recalls announced by the private label and the perceived quality, safety or reliability of the private label vehicles or mobility products, and changes in prices of the private label used vehicles and their effect on residual values of the private label off-lease vehicles and return rates, each of which may adversely affect our business, results of operations and financial condition.

FINANCIAL MARKET AND ECONOMIC RISKS

Our borrowing costs and access to the unsecured debt capital markets depend significantly on the credit ratings of TMCC and its parent companies and our credit support arrangements.

The availability and cost of financing is influenced by credit ratings, which are intended to be an indicator of the creditworthiness of a particular company, security or obligation. Our credit ratings depend, in large part, on the existence of the credit support arrangements with TFSC and TMC and on the financial condition and results of operations of TMC. If these arrangements (or replacement arrangements acceptable to the rating agencies) become unavailable to us, or if the credit ratings of the credit support providers were lowered, our credit ratings would be adversely impacted.

Credit rating agencies which rate the credit of TMC and its affiliates, including TMCC, may qualify or alter ratings at any time. Global economic conditions, health epidemics and other geopolitical factors may directly or indirectly affect such ratings. Any downgrade in the sovereign credit ratings of the U.S. or Japan may directly or indirectly have a negative effect on the ratings of TMC and TMCC. Downgrades or placement on review for possible downgrades could result in an increase in our borrowing costs as well as reduced access to the global unsecured debt capital markets. These factors would have a negative impact on our competitive position, results of operations, liquidity and financial condition.

A disruption in our funding sources and access to the capital markets would have an adverse effect on our liquidity.

Liquidity risk is the risk arising from our ability to meet obligations in a timely manner when they come due. Our liquidity strategy is to maintain the capacity to fund assets and repay liabilities in a timely and cost-effective manner even in adverse market conditions. A disruption in our funding sources may adversely affect our ability to meet our obligations as they become due. An inability to meet obligations in a timely manner would have a negative impact on our ability to refinance maturing debt and fund new asset growth and would have an adverse effect on our results of operations and financial condition.

Refer to [Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, "Liquidity and Capital Resources"](#) for further discussion of liquidity risk.

Our allowance for credit losses may not be adequate to cover actual losses, which may adversely affect our results of operations and financial condition.

We maintain an allowance for credit losses to cover lifetime expected credit losses as of the balance sheet date resulting from the non-performance of our customers and dealers under their contractual obligations. The determination of the allowance involves significant assumptions, complex analyses, and management judgment and requires us to make significant estimates of current credit risks using existing qualitative and quantitative information. Actual results may differ from our estimates or assumptions. For example, we review and analyze external factors, including changes in economic conditions, actual or perceived quality, safety and reliability of Toyota, Lexus, and private label vehicles, unemployment levels, the used vehicle market, and consumer behavior, among other factors. Internal factors, such as purchase quality mix and operational changes are also considered. A change in any of these factors would cause a change in estimated lifetime expected credit losses. As a result, our allowance for credit losses may not be adequate to cover our actual losses. In addition, changes in accounting rules and related guidance, new information regarding existing portfolios, and other factors, both within and outside of our control, may require changes to the allowance for credit losses. A material increase in our allowance for credit losses may adversely affect our results of operations and financial condition.

Refer to [Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, "Critical Accounting Estimates"](#) for further discussion of the estimates involved in determining the allowance for credit losses and [Note 4 – Allowance for Credit Losses](#) of the Notes to Consolidated Financial Statements for further discussion of the methodology used in determining the allowance for credit losses.

Our business and operations make extensive use of quantitative models, estimates and assumptions. If our design, implementation or use of models is flawed or if actual results differ from our estimates or assumptions, our results of operations and financial condition could be materially and adversely affected.

We use quantitative models, estimates and assumptions to price products and services, measure risk, estimate asset and liability values, assess liquidity, manage our balance sheet, and otherwise conduct our business and operations. If the design, implementation, or use of any of these models is flawed or if actual results differ from our estimates or assumptions, it may adversely affect our 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, we could be subjected to

supervisory actions, litigation, and other proceedings that may adversely affect our business, results of operations and financial condition.

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

Fluctuations in the valuation of investment securities or significant fluctuations in investment market prices could negatively affect our Net financing revenues and results of operations.

Investment market prices, in general, are subject to fluctuation, which may result from perceived changes in the underlying characteristics of the investment, the relative price of alternative investments, geopolitical conditions, or general market conditions. Negative fluctuations in the fair value of equity investments and credit losses on available-for-sale debt securities may adversely affect our Net financing revenues and results of operations. Additionally, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value and could negatively affect our Net financing revenues and other revenues.

A decrease in the residual values of our off-lease vehicles and a higher number of returned lease assets could negatively affect our results of operations and financial condition.

We are exposed to residual value risk on the disposition of leased vehicles if sales proceeds realized upon the sale of returned lease assets are not sufficient to cover the residual value that was estimated at lease inception and if the number of returned lease assets is higher than anticipated. To the extent the estimated end-of-term market value of a leased vehicle is lower than the residual value established at lease inception, the residual value of the leased vehicle is adjusted downward resulting in additional depreciation expense over the term of the lease contract so that the carrying value at lease-end will approximate the estimated end-of-term market value. Among other factors, local, regional and national economic conditions, inflation, new vehicle pricing, new vehicle incentive programs, new vehicle sales, the actual or perceived quality, safety or reliability of our vehicles, future plans for new Toyota, Lexus, and private label product introductions, competitive actions and behavior, product attributes of popular vehicles, the mix of used vehicle supply, the level of current used vehicle values and inventory levels, and fuel prices heavily influence used vehicle values and thus the actual residual value of off-lease vehicles. Differences between the actual residual values realized on leased vehicles and our estimates of such values at lease inception could have a negative impact on our results of operations and financial condition, due to the impact of higher-than-anticipated Depreciation on operating leases recorded in our Consolidated Statements of Income. Actual return volumes may be higher than expected which can be impacted by higher contractual lease-end residual values relative to market values, a higher market supply of certain models of used vehicles, new vehicle incentive programs, and general economic conditions. The return of a higher number of leased vehicles could also impact the amount of depreciation expense recorded in our Consolidated Statements of Income, which could adversely affect our results of operations and financial condition.

Refer to [Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#), "[Financial Condition – Residual Value Risk](#)", "[Financial Condition – Disposition of Off-Lease Vehicles](#)" and "[Financial Condition – Depreciation on Operating Leases](#)" for further discussion of current lease trends.

We are exposed to customer and dealer credit risk, which could negatively affect our results of operations and financial condition.

Credit risk is the risk of loss arising from the failure of a customer or dealer to meet the terms of any retail, lease or dealer financing contract with us or otherwise fail to perform as agreed. An increase in credit risk would increase our provision for credit losses, which would have a negative impact on our results of operations and financial condition. There can be no assurance that our monitoring of credit risk and our efforts to mitigate credit risk are or will be sufficient to prevent an adverse effect on our results of operations and financial condition.

The level of credit risk in our retail loan portfolio is influenced primarily by two factors: the total number of contracts that experience default ("default frequency") and the amount of loss per occurrence ("loss severity"), which in turn are influenced by various economic factors, the used vehicle market, purchase quality mix, contract term length, and operational changes. The used vehicle market is impacted by the supply of, and demand for, used vehicles, interest rates, inflation, new vehicle incentive programs, the manufacturer's actual or perceived reputation for quality, safety, and reliability, and the general economic outlook.

The level of credit risk in our dealer portfolio is influenced primarily by the financial strength of dealers within our portfolio, dealer concentration, collateral quality, and other economic factors. The financial strength of dealers within our portfolio is influenced by general macroeconomic conditions, the overall demand for new and used vehicles, and the financial condition of automotive manufacturers, among other factors.

Economic slowdown and recession in the U.S., extreme weather conditions, natural disasters, health epidemics, and other factors increase the risk that a customer or dealer may not meet the terms of a retail, lease or dealer financing contract with us or may otherwise fail to perform as agreed. A weak economic environment evidenced by, among other things, unemployment, underemployment, and consumer bankruptcy filings, may affect some of our customers' and dealers' ability to make their scheduled payments.

Our results of operations, financial condition and cash flows may be adversely affected by market risks related to changes in interest rates, foreign currency exchange rates and market prices.

Market risk is the risk that changes in interest rates and foreign currency exchange rates cause volatility in our results of operations, financial condition and cash flows. We use various derivative instruments to manage our 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 (due to inflationary pressure or other factors) could affect our interest expense and the value of our derivatives, which could result in volatility in our results of operations, financial condition, and cash flows.

The failure or commercial soundness of our counterparties and other financial institutions may have an effect on our liquidity, results of operations or financial condition.

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

Our voluntary protection operations could suffer losses if our reserves are insufficient to absorb actual losses.

Our voluntary protection operations are subject to the risk of loss if our reserves for unearned voluntary protection contract revenues and insurance earned premiums on contracts in force are not sufficient. Using historical loss experience as a basis for recognizing revenue over the term of the contract or policy may result in the timing of revenue recognition varying materially from the actual loss development. Our voluntary protection operations are also subject to the risk of loss if our reserves for reported losses, losses incurred but not reported, and loss adjustment expenses are not sufficient. Because we use estimates in establishing reserves, actual losses may vary from amounts established in earlier periods as a result of changes in frequency and severity.

We are exposed to risk transfer credit risk which could negatively impact our voluntary protection operations.

Risk transfer credit risk is the risk that a reinsurer or other company assuming liabilities relating to our voluntary protection operations will be unable to meet its obligations under the terms of our agreement with them. Such failure could result in losses to our voluntary protection operations.

REGULATORY, LEGAL AND OTHER RISKS

A failure or interruption of our information systems could adversely affect our business, results of operations and financial condition.

We rely on our own information systems and third-party information systems to manage our operations, which creates meaningful operational risk for us. Any failure or interruption of our information systems or the third-party information systems on which we rely as a result of inadequate or failed processes or systems, human errors, employee misconduct, catastrophic events, security breaches, acts of vandalism, computer viruses, malware, ransomware, misplaced or lost data, or other events could disrupt our normal operating procedures, damage our reputation and have an adverse effect on our business, results of operations and financial condition. These operational risks may be increased as a result of remote or hybrid work arrangements.

In addition, we periodically upgrade or replace our existing transaction systems, which could have a significant impact on our ability to conduct our core business operations and increase our risk of loss resulting from disruptions of normal operating processes and procedures that may occur during and after the implementation of new systems. For example, the development and implementation of these new systems and any future upgrades related thereto may require significant expenditures and divert management's attention and other resources from our core business operations. There are no assurances that these new systems will provide us with the anticipated benefits and efficiencies. There can also be no assurance that the time and resources our 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 our data from any upgrade of our legacy system, will not have a material adverse effect on our business, results of operations and financial condition.

A security breach or a cyber-attack could adversely affect our business, results of operations and financial condition.

We collect and store certain personal and financial information from customers, employees, and other third parties. We and other financial institutions continue to be targets of ever evolving cybersecurity threats and cyberattacks. Additional security breaches or cyber-attacks involving our systems or facilities, including those shared with our affiliates, or the systems or facilities of third-party providers, could expose us to a risk of loss of personal information of customers, employees and third parties or other confidential, 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 our future business with current and potential customers, results of operations and financial condition.

We rely 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 our business. Advances in information system capabilities, new discoveries in the field of cryptography, the use of artificial intelligence by third-parties or other events or developments may result in a compromise or breach of the technology that we use to protect sensitive data. A party who is able to circumvent our security measures by methods such as hacking, fraud, trickery or other forms of deception could misappropriate proprietary information or cause interruption in our operations. We have been required to expend capital and other resources to protect against such security breaches or cyber-attacks or to remediate problems caused by such breaches or attacks, and we may be required to expend significant additional resources. Our security measures are designed to protect against security breaches and cyber-attacks, but our failure to prevent such security breaches and cyber-attacks could subject us to liability, decrease our profitability and damage our reputation. Even if a failure of, or interruption in, our systems or facilities is resolved timely or an attempted cyber incident or other security breach is successfully avoided or thwarted, it may require us to expend substantial resources or to take actions that could adversely affect customer satisfaction or behavior and expose us to reputational harm.

From time to time, we are also subjected to cyber-attacks that result in slow performance and loss or temporary unavailability of our information systems. Information security risks have increased because of new technologies, the use of the internet and telecommunications technologies (including mobile devices and in-vehicle systems) to conduct financial and other business transactions, and the increased sophistication and activities of state-sponsored actors, organized crime, perpetrators of fraud, terrorists, and others. In addition, we may have increased cyber-security risks and increased vulnerability to security breaches and other information technology disruptions as a result of increased remote or hybrid work arrangements among our colleagues. We 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 our business, results of operations and financial condition.

For more information regarding our process for identifying, assessing and managing material risks from cybersecurity threats, refer to [Item 1C, Cybersecurity](#).

Our enterprise data practices, including the collection, use, sharing, disposal and security of personal and financial information of our customers, employees, and third-party individuals are subject to increasingly complex, restrictive, and punitive laws and regulations which could adversely affect our business, results of operations and financial condition.

Under these laws and regulations, the failure to maintain compliant data practices could result in consumer complaints, lawsuits and regulatory inquiry, resulting in civil or criminal penalties, as well as brand impact or other harm to our business. In addition, increased consumer sensitivity to real or perceived failures in maintaining acceptable data practices could damage our reputation and deter current and potential customers from using our products and services. For example, well-publicized allegations involving the misuse or inappropriate sharing of personal information have led to expanded governmental scrutiny of practices relating to the safeguarding of personal information and the use or sharing of personal data by companies in the U.S. and other countries. That scrutiny has in some cases resulted in, and could in the future lead to, the adoption of stricter laws and regulations relating to the use and sharing of personal information. For example, some states have enacted and others are considering enacting data protection regimes that grant consumers broad new rights including access to, deletion of, and limiting the sharing of personal information that is collected by businesses and requiring regulated entities to establish measures to identify, manage, secure, track, produce, update and delete personal information. In some jurisdictions, these laws and regulations provide a private right of action that would allow customers to bring suit directly against us for certain violations of these laws and regulations. These types of laws and regulations could prohibit or significantly restrict financial services providers such as TMCC from sharing information among affiliates or with third parties such as vendors, and thereby increase compliance costs, or could restrict TMCC's use of personal data when developing or offering products or services to customers. These restrictions could inhibit TMCC's development or marketing of certain products or services or increase the costs of offering them to customers. Because many of these laws and regulations are new, there is little clarity as to their interpretation, as well as a lack of precedent for the scope of enforcement. In addition, these laws are state specific and have specific details that are not uniform state-to-state. The cost of compliance with these laws and regulations will be high and is likely to increase in the future. Any failure or perceived failure to comply with applicable privacy or data protection laws and regulations could result in requirements to modify or cease certain operations or practices, significant liabilities or fines, penalties or other sanctions.

The regulatory environment in which we operate could have a material adverse effect on our business and results of operations.

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

Consumer Finance Regulation

As a provider of finance and voluntary protection products, we operate in a highly regulated environment. We are subject to state licensing requirements and state, and federal laws and regulations. In addition, we are subject to governmental and regulatory examinations, information-gathering requests, and investigations from time to time at the state and federal levels. Compliance with applicable law is costly and can affect our 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 laws and regulations could restrict our ability to operate our business as currently operated, could impose substantial additional costs or require us to implement new processes, which could adversely affect our business, prospects, financial performance or financial condition. The failure to comply with applicable laws and regulations could result in significant statutory civil and criminal fines, penalties, monetary damages, attorney or legal fees and costs, restrictions on our ability to operate our business, possible revocation of licenses and damage to our reputation, brand and valued customer relationships. Any such costs, restrictions, revocations or damage could adversely affect our business, prospects, results of operations or financial condition.

Our principal consumer finance regulator at the federal level is the CFPB, which has broad regulatory, supervisory and enforcement authority over us. The CFPB's supervisory authority allows it, among other things, to conduct comprehensive and rigorous examinations to assess our compliance with consumer financial protection laws, which could result in enforcement actions, regulatory fines and mandated changes to our business products, policies and procedures.

The CFPB's rulemaking authority includes the authority to promulgate rules regarding, among other practices, debt collection practices that would apply to third-party collectors and first-party collectors, such as ourselves, and rules regarding consumer credit reporting practices. The timing and impact of these rules on our business remain uncertain. In addition, the CFPB has focused on the area of auto finance, particularly with respect to indirect financing arrangements, dealer compensation and fair lending compliance, and questioned the value and increased scrutiny of the marketing and sale of certain ancillary or add-on products, including products similar to those we finance or sell through TMIS.

The CFPB and FTC may investigate the products, services and operations of credit providers, including banks and other finance companies engaged in auto finance activities. As a result of such investigations, the CFPB and FTC have announced various enforcement actions against lenders in the past few years involving significant penalties, consent orders, cease and desist orders and similar remedies that, if applicable to us or the products, services and operations we offer, may require us to cease or alter certain business practices, which could have a material adverse effect on our results of operations, financial condition, and liquidity. Supervision and investigations by these agencies may result in monetary penalties, increase our compliance costs, require changes in our business practices, affect our competitiveness, impair our profitability, harm our reputation or otherwise adversely affect our business.

Refer to [Item 1. Business, "Regulatory Environment"](#) for further discussion of the CFPB's authority and activities.

At the state level, state regulators are taking a more stringent approach to supervising and regulating financial and voluntary protection products and services subject to their jurisdiction. For example, certain states have proposed rate cap bills that would put limits on the maximum rate of finance charges. We expect to continue to face greater supervisory scrutiny and enhanced supervisory requirements for the foreseeable future.

Other Federal Regulation

Under the Volcker Rule companies affiliated with U.S. insured depository institutions are generally prohibited from engaging in "proprietary trading" and certain transactions with certain privately offered funds. The activities prohibited by the Volcker Rule are not core activities for us. However, the federal financial regulatory agencies charged with implementing the Volcker Rule could further amend the rule or change their approach to administering, enforcing or interpreting the rule, which could negatively affect us and potentially require us to limit or change our activities or operations.

Environmental Related Regulation

Concern over climate change or other environmental matters has resulted in, and may continue to result in, increased legal and regulatory requirements intended to mitigate factors contributing to, or intended to address the potential impacts of, climate change or other environmental concerns. For example, various governmental entities, such as the SEC and the state of California, have adopted requirements for companies to provide expanded climate-related disclosures, including reporting on greenhouse gas emissions.

Laws and regulations aimed at limiting greenhouse gas emitting products or services, as well as those providing for financial incentives regarding electrified vehicles, are also increasing. For example, in March 2024, the EPA issued extensive new rules on vehicle emissions that will require the automotive industry to accelerate its transition to electrified vehicles. Additionally, the Inflation Reduction Act (the "Act"), signed into law in August 2022, modifies climate and clean energy corporate tax provisions, including, among other things, amendments to the federal tax credit for plug-in vehicles available under the previous tax law as well as enactment of the qualified commercial clean vehicles credit. Such regulations and government incentives may require us to alter our proposed business plans, lead to increased compliance costs and changes to our operations (including from the establishment of new procedures for internal controls and oversight), and affect vehicle sales, residual values, and the automotive industry and wider economy in ways not yet known, which could have an adverse effect on our business, results of operations and financial condition.

Refer to [Item 1. Business, "Regulatory Environment"](#) for additional information on our regulatory environment.

Adverse economic conditions or changes in state laws in states in which we have customer concentrations may negatively affect our results of operations and financial condition.

We are exposed to geographic customer concentration risk on our retail, lease, dealer, and voluntary protection products in certain states. Factors adversely affecting the economies and applicable laws in the states where we have concentration risk could have an adverse effect on our results of operations and financial condition.

Refer to [Note 1 – Basis of Presentation and Significant Accounting Policies](#) of the Notes to Consolidated Financial Statements for additional information and disclosure about customer concentrations in certain states.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved SEC staff comments to report.

ITEM 1C. CYBERSECURITY

Cybersecurity is one of the top operational risks facing TMCC. We and other financial institutions continue to be targets of ever evolving cybersecurity threats and cyberattacks. As a result, we devote significant resources to a cybersecurity program designed to minimize such risks and protect TMCC, along with data from our customers and clients.

Cybersecurity Risk Management and Strategy

TMCC's cybersecurity program is designed to identify and assess internal and external cybersecurity threats to and within TMCC's business and operations and to take action aimed at protecting the Company, mitigating and managing cybersecurity risk, and in time of attack, to respond expeditiously to minimize the impact of the attack.

Managing cybersecurity threats is a component of our broader enterprise risk management program, which establishes a risk management framework that seeks to identify, assess, and monitor risks that could materially impact our business, customers, clients, employees and stakeholders.

TMCC's cybersecurity program utilizes a variety of controls that are designed to identify, prevent, detect, respond to, and recover from cybersecurity threats and events. Those processes and controls include:

- dedicated cybersecurity professionals who are responsible for analyzing cybersecurity threats, defining cybersecurity risk policies and standards, implementing controls, monitoring the environment, and responding to cybersecurity incidents;
- periodic cybersecurity awareness training for employees and contractors on our policies and emerging cybersecurity threats, including phishing awareness;
- internal and independent cybersecurity testing, including penetration testing and tabletop exercises, to assess vulnerabilities of our information systems and evaluate our cyber defense capabilities, technical safeguards and resiliency;
- identifying and managing cybersecurity risk of our critical third-party suppliers;
- periodic cybersecurity risk assessments for our information systems and applications;
- cybersecurity monitoring and response processes employing cross functional teams to identify, assess, escalate, investigate, contain, and remediate incidents; and
- incident response and recovery plans.

As part of TMCC's cybersecurity program, TMCC engages with assessors and third-party advisers to perform various services, including assessments of process design and operating effectiveness; security testing and attestation; periodic assessment of enterprise cybersecurity maturity; industry benchmarking; and thought leadership related to continuous improvement of processes, training, technology, and data.

TMCC's cybersecurity program also aims to identify and assess cybersecurity risks associated with its use of third-party service providers with access to TMCC's systems and data, as well as such third-party service providers' adherence to certain cybersecurity standards and processes. As appropriate, TMCC requires such third-party service providers to agree to be subject to cybersecurity evaluations by TMCC.

Although, we and our third-party service providers have experienced cybersecurity incidents, which have resulted in adverse impacts to our business, we have not experienced material losses or other material consequences related to cybersecurity incidents experienced by us or our third-party service providers. However, we expect to experience cybersecurity incidents resulting in adverse impacts with increased frequency and severity due to the continuously evolving threat environment, and there can be no assurance that future cybersecurity incidents, including incidents experienced by our third-party service providers, will not have a material adverse effect on our business, results of operations and financial condition. Further discussion of how TMCC's business, results of operations and financial condition may be materially adversely affected by risk from cybersecurity threats is contained in [Item 1A. Risk Factors, Regulatory, Legal and Other Risks](#), "A security breach or a cyber-attack could adversely affect our business, results of operations and financial condition."

Cybersecurity Governance

The Board of Directors (the “Board”) has risk oversight responsibility for the cybersecurity and data privacy risk management programs of TMCC, which are administered directly and with assistance from the Cybersecurity Committee of the Board.

The purpose of the Cybersecurity Committee is to assist the Board in fulfilling its oversight responsibility with respect to its information technology use and protection, including enterprise cybersecurity and data privacy, among other things. The Cybersecurity Committee receives, reviews, and discusses reports from members of management, as appropriate or required by law, including but not limited to the Chief Information Officer, Chief Information Security Officer, Chief Risk Officer, Chief Legal, Compliance and Administrative Officer, and other officers or employees as appropriate, regarding TMCC’s practices, management and functioning of technology operations and information security, cybersecurity and data privacy risks. The Cybersecurity Committee reports to the Board regarding its activities, its receipt of reports regarding material cybersecurity and data privacy issues, material issues found in vulnerability assessments or penetration testing, and reports from the Chief Information Officer and Chief Information Security Officer.

Our information security team works closely with key stakeholders, including regulators, government agencies, law enforcement, peer institutions, industry groups, and develops and invests in talent and innovative technology to manage cybersecurity risk.

TMCC’s cybersecurity program is administered by our Chief Information Security Officer. We believe our Chief Information Security Officer and our information security team have the appropriate expertise, background, and depth of experience to manage cybersecurity and data privacy risks arising from cybersecurity threats, including applicable knowledge gained through industry experience, information security leadership roles, military experience, academia, ongoing internal and external training, and regular discussions with consultants and industry peers with applicable knowledge and expertise regarding emerging cybersecurity threats.

When a cybersecurity threat or incident is identified, the Chief Information Security Officer works closely with cross functional committees, leveraging subject matter expertise across the organization, as part of our incident response plans and promptly provides information to senior management, the Cybersecurity Committee, and the Board, as necessary, regarding significant cybersecurity incidents, including those experienced by third party service providers, which may pose significant risk to our business, customers, clients, employees and stakeholders, and continues to provide regular reports until such incidents are concluded.

ITEM 2. PROPERTIES

Our headquarters operations are located in Plano, Texas, and our facilities are leased from TMNA.

Additional operations for both finance and voluntary protection products are located in three regional Experience Centers. The Central Region Experience Center is co-located with our headquarters in Plano, Texas. The Western Region Experience Center is located in Chandler, Arizona. The Eastern Region Experience Center is located in Alpharetta, Georgia. Our dealer lending function is centralized at the Central Region Experience Center. We also have a sales and operations office in Puerto Rico. All premises are occupied under lease.

We believe that our properties are suitable to meet the current requirements of our business.

ITEM 3. LEGAL PROCEEDINGS

For a discussion of legal proceedings, see [Note 9 – Commitments and Contingencies](#) of the Notes to Consolidated Financial Statements - Litigation and Governmental Proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

TMCC is a wholly-owned subsidiary of TFSIC, and accordingly, all shares of TMCC's stock are owned by TFSIC. There is no market for TMCC's stock.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement Regarding Forward-Looking Information

Certain statements contained in this Form 10-K are “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations and currently available information. However, since these statements are based on factors that involve risks and uncertainties, our performance and results may differ materially from those described or implied by such forward-looking statements. Words such as “believe,” “anticipate,” “expect,” “estimate,” “project,” “should,” “intend,” “will,” “may” or words or phrases of similar meaning are intended to identify forward-looking statements. We caution that the forward-looking statements involve known and unknown risks, uncertainties and other important factors such as the following that may cause actual results to differ materially from those stated:

- Changes in general business, economic, and geopolitical conditions, including trade policy, as well as in consumer demand and the competitive environment in the automotive markets in the United States;
- Changes in interest rates and credit spreads;
- A decline in TMNA or any private label sales volume and the level of TMNA or any private label sponsored subvention, cash, and contractual residual value support incentive programs;
- Extreme weather conditions, natural disasters, changes in fuel prices, manufacturing disruptions and production suspensions of Toyota, Lexus, and private label vehicles and related parts supply;
- Increased competition from other financial institutions seeking to increase their share of financing Toyota, Lexus, and private label vehicles;
- Changes in consumer behavior;
- Recalls announced by TMNA or private label companies and the perceived quality of Toyota, Lexus, and any private label vehicles;
- Availability and cost of financing;
- Failure or interruption in our operations, including our communications and information systems, or as a result of our failure to retain existing or to attract new key personnel;
- Increased cost, credit and operating risk exposure, or our failure to realize the anticipated benefits from our private label financial services to third-party automotive and mobility companies, including Mazda and Bass Pro Shops;
- Changes in our credit ratings and those of our ultimate parent, TMC and changes in our credit support arrangements;
- Changes in our financial position and liquidity, or changes or disruptions in our funding sources or access to the global capital markets;
- Revisions to the estimates and assumptions for our allowance for credit losses;
- Flaws in the design, implementation and use of quantitative models and revisions to the estimates and assumptions that are used to determine the value of certain assets;
- Fluctuations in the value or market prices of our investment securities;
- Changes in prices of used vehicles and their effect on residual values of our off-lease vehicles and return rates;
- Failure of our customers or dealers to meet the terms of any contract with us, or otherwise perform as agreed;
- Market risks including changes in interest rates and foreign currency exchange rates and market prices;
- Failure or changes in commercial soundness of our counterparties and other financial institutions;
- Insufficient establishment of reserves, or the failure of a reinsurer to meet its obligations, in our voluntary protection operations;
- A security breach or a cyber-attack;

- *Failure to maintain compliant enterprise data practices, including the collection, use, sharing, and security of personally identifiable and financial information of our customers and employees;*
- *Compliance with current laws and regulations or becoming subject to more stringent laws, regulatory requirements and regulatory scrutiny;*
- *Changes in the economies and applicable laws in the states where we have concentration risk; and*
- *Other risks and uncertainties set forth in [Part I, Item 1A. Risk Factors](#).*

Forward-looking statements speak only as of the date they are made. We will not update the forward-looking statements to reflect actual results or changes in the factors affecting the forward-looking statements.

OVERVIEW

Key Performance Indicators and Factors Affecting Our Business

In our finance operations, we generate revenue, income, and cash flows by providing retail, lease, and dealer financing to dealers and their customers. We measure the performance of our finance operations using the following metrics: financing volume, market share, Net financing revenues, Operating and administrative expense, residual value and credit loss metrics.

In our voluntary protection operations, we generate revenue primarily through underwriting and providing claims administration for products that cover certain risks of customers. We measure the performance of our voluntary protection operations using the following metrics: issued contract volume, average number of contracts in force, loss metrics and investment income.

Our financial results are affected by a variety of economic and industry factors including, but not limited to, new and used vehicle markets, Toyota, Lexus, and private label new vehicle production volume, vehicle inventory levels, vehicle sales and incentive programs, consumer behavior, employment levels, our ability to respond to changes in interest rates with respect to both contract pricing and funding, the actual or perceived quality, safety or reliability of Toyota, Lexus, and private label vehicles, the financial health of the dealers we finance, and competitive pressure. Our financial results may also be affected by the regulatory environment in which we operate, including as a result of new legislation or changes in regulation and any compliance costs or changes we may be required to make to our business practices. All of these factors can influence consumer contract and dealer financing volume, the number of consumer contracts and dealers that default and the loss per occurrence, our inability to realize originally estimated contractual residual values on leased vehicles, the volume and performance of our voluntary protection operations, and our Net financing revenues on consumer and dealer financing volume. Changes in the volume of vehicle sales, sales of our voluntary protection products, or the level of voluntary protection expenses and insurance losses could materially and adversely impact our voluntary protection operations. Additionally, our funding programs and related costs are influenced by changes in the global capital markets, prevailing interest rates, and our credit ratings and those of our parent companies, which may affect our ability to obtain cost effective funding to support earning asset growth.

Our primary competitors are other financial institutions including national and regional commercial banks, credit unions, savings and loan associations, independent voluntary protection product contract providers, online banks, finance companies, alternative financing sources and, to a lesser extent, other automobile manufacturers' affiliated finance companies that actively seek to purchase consumer contracts through Toyota, Lexus, and private label dealers. We strive to achieve the following:

Exceptional Customer Service: Our relationship with Toyota, Lexus, and private label dealers and their customers offers us a competitive advantage. We seek to leverage this opportunity by providing exceptional service to the dealers and their customers. Through our Experience Centers, we work closely with the dealers to improve the quality of service we provide to them. We also focus on assisting the dealers with the quality of their customer service operations to enhance customer loyalty for the dealers and the Toyota, Lexus, and private label brands. By providing consistent and reliable support, training, and resources to our dealer network, we continue to develop and improve our dealer relationships. In addition to marketing programs targeted toward customer retention, we work closely with TMNA, private label companies, and other third-party distributors to offer special retail, lease, dealer financing, and voluntary protection products. We also focus on providing a positive customer experience to existing retail, lease, and voluntary protection product customers through our Experience Centers.

Risk-Based Origination and Pricing: We price and structure our retail and lease contracts to compensate us for the credit risk we assume. The objective of this strategy is to maximize operating results and better match contract rates across a broad range of risk levels. To achieve this objective, we evaluate our existing portfolio for key opportunities to expand volume in targeted markets. We deliver timely strategic information to the dealers to assist them in benefiting from market opportunities. We continuously strive to refine our strategy and methodology for risk-based pricing.

Liquidity: Our liquidity strategy is to maintain the capacity to fund assets and repay liabilities in a timely and cost-effective manner even in adverse market conditions. This capacity is primarily driven by our ability to raise funds in the global capital markets and through loans, credit facilities, and other transactions, as well as our ability to generate liquidity from our earnings assets. Our pursuit of this strategy has led us to develop a diversified borrowing base that is distributed across a variety of markets, geographies, investors, and financing structures, among other factors.

Fiscal 2024 Operating Environment

During the fiscal year ending March 31, 2024 (“fiscal 2024”), the U.S. economy was impacted by uncertainties related to inflationary pressures and higher interest rates. The economic conditions during fiscal 2024, including consumer price increases and higher interest rates, have had an adverse effect on our business, financial condition and results of operations by increasing our cost of capital and the rates we charge to our customers and dealers which negatively impacts our financing volumes and market share, as a result of customers and dealers seeking alternative solutions or increasing the amount cash purchases, thereby resulting in a decline of our competitive position. These economic conditions have also negatively impacted some consumers ability to make scheduled payments which has resulted in an increase in consumer delinquencies and charge-offs.

While economic conditions had an adverse effect, a general increase of inventory levels of new vehicles, along with an increase in sale incentives, resulted in an industry-wide increase in vehicle sales in the U.S. in fiscal 2024 as compared to fiscal 2023. Average used vehicle values in fiscal 2024 remained elevated compared to historic levels; however, there has been a decline in values in the current fiscal year. Future declines in used vehicle values resulting from increases in the supply of new and used vehicles and increases in new vehicle sales incentives could unfavorably impact return rates, residual values, depreciation expense and credit losses.

During fiscal 2024, we maintained broad global access to both domestic and international funding markets. Conditions in the global capital markets were generally stable during fiscal 2024. While the rate of inflation declined in the U.S. and other major economies, interest rates remained elevated as a result of the central banks’ efforts to bring inflation down to target levels. During fiscal 2024, our interest expense increased as compared to the same period in 2023 as a result of higher interest rates. Future changes in interest rates in the U.S. and foreign markets could result in volatility in our interest expense, which could affect our results of operations.

RESULTS OF OPERATIONS

(Dollars in millions)	Years ended March 31,		
	2024	2023	2022
Net income:			
Finance operations ¹	\$ 1,126	\$ 1,041	\$ 2,416
Voluntary protection operations ¹	334	(62)	119
Total net income	<u>\$ 1,460</u>	<u>\$ 979</u>	<u>\$ 2,535</u>

¹. Refer to [Note 14 – Segment Information](#) of the Notes to Consolidated Financial Statement for the total asset balances of our finance operations and voluntary protection operations.

Fiscal 2024 Compared to Fiscal 2023

Our consolidated net income was \$1.5 billion in fiscal 2024, compared to \$979 million in fiscal 2023. The increase in net income for fiscal 2024 compared to fiscal 2023 was primarily due to a \$943 million decrease in depreciation on operating leases, a \$851 million increase in total financing revenues, and a \$776 million increase in investment and other income, net, partially offset by a \$1.7 billion increase in interest expense, a \$144 million increase in operating and administrative expense, a \$126 million increase in provision for credit losses, a \$122 million increase in voluntary protection contract expenses and insurance losses, and a \$113 million increase in provision for income taxes.

Our overall capital position increased \$473 million, taking into account a \$979 million dividend in February 2024 to TFSIC, bringing total shareholder's equity to \$17.0 billion at March 31, 2024, as compared to \$16.5 billion at March 31, 2023. Our debt increased to \$122.4 billion at March 31, 2024 from \$111.7 billion at March 31, 2023. Our debt-to-equity ratio increased to 7.2 at March 31, 2024 from 6.8 at March 31, 2023.

Fiscal 2023 Compared to Fiscal 2022

Our consolidated net income was \$979 million in fiscal 2023, compared to \$2.5 billion in fiscal 2022. The decrease in net income for fiscal 2023 compared to fiscal 2022 was primarily due to a \$1.7 billion increase in interest expense, a \$627 million decrease in total financing revenues, a \$477 million increase in provision for credit losses, and a \$79 million increase in operating and administrative expense, partially offset by a \$724 million decrease in depreciation on operating leases, a \$460 million decrease in provision for income taxes, and a \$123 million increase in investment and other income, net.

Our overall capital position decreased \$1.6 billion, taking into account a \$2.5 billion dividend in February 2023 to TFSIC, bringing total shareholder's equity to \$16.5 billion at March 31, 2023, as compared to \$18.1 billion at March 31, 2022. Our debt increased to \$111.7 billion at March 31, 2023 from \$109.2 billion at March 31, 2022. Our debt-to-equity ratio increased to 6.8 at March 31, 2023 from 6.0 at March 31, 2022.

Finance Operations

The following table summarizes key results of our Finance Operations:

(Dollars in millions)	Years ended March 31,			Percentage change	
	2024	2023	2022	2024 to 2023	2023 to 2022
Financing revenues:					
Operating lease	\$ 6,270	\$ 7,063	\$ 8,337	(11)%	(15)%
Retail	4,965	3,737	3,254	33%	15%
Dealer	909	493	329	84%	50%
Total financing revenues	12,144	11,293	11,920	8%	(5)%
Depreciation on operating leases	4,179	5,122	5,846	(18)%	(12)%
Interest expense	4,705	3,054	1,401	54%	118%
Net financing revenues	3,260	3,117	4,673	5%	(33)%
Investment and other income, net	515	314	45	64%	598%
Net financing and other revenues	3,775	3,431	4,718	10%	(27)%
Expenses:					
Provision for credit losses	839	713	236	18%	202%
Operating and administrative	1,466	1,331	1,311	10%	2%
Total expenses	2,305	2,044	1,547	13%	32%
Income before income taxes	1,470	1,387	3,171	6%	(56)%
Provision for income taxes	344	346	755	(1)%	(54)%
Net income from finance operations	\$ 1,126	\$ 1,041	\$ 2,416	8%	(57)%

Our finance operations reported net income of \$1.1 billion and \$1.0 billion during fiscal 2024 and 2023, respectively. The increase in net income from finance operations for fiscal 2024 compared to fiscal 2023 was primarily due to a \$943 million decrease in depreciation on operating leases, an \$851 million increase in total financing revenues, and a \$201 million increase in investment and other income, net, partially offset by a \$1.7 billion increase in interest expense, a \$135 million increase in operating and administrative expenses, and a \$126 million increase in provision for credit losses.

Financing Revenues

Total financing revenues increased 8 percent during fiscal 2024 compared to fiscal 2023 due to the following:

- Operating lease revenues decreased 11 percent in fiscal 2024 as compared to fiscal 2023, primarily due to lower average outstanding earning asset balances.
- Retail financing revenues increased 33 percent in fiscal 2024 as compared to fiscal 2023, due to higher portfolio yields and higher average outstanding earning asset balances.
- Dealer financing revenues increased 84 percent in fiscal 2024 as compared to fiscal 2023, due to higher portfolio yields and higher average outstanding earning asset balances.

As a result of the above, our total portfolio yield, which includes operating lease, retail and dealer financing revenues, increased to 6.2 percent for fiscal 2024, compared to 5.1 percent for fiscal 2023.

Depreciation on Operating Leases

We recorded depreciation on operating leases of \$4.2 billion during fiscal 2024 compared to \$5.1 billion during fiscal 2023. The decrease is primarily due to lower average operating lease units outstanding and lower expected residual value losses in the near term.

Production of new vehicles has improved during fiscal 2024, compared to fiscal 2023, and as a result we saw an increase in dealer new vehicle inventory levels. While average used vehicle values remain elevated from historic levels due to previous new vehicle inventory constraints and higher off-lease vehicle purchases by consumers and dealers, there has been a decline in vehicle values in the current fiscal year. Declines in used vehicle values resulting from increases in the supply of new vehicles and increases in new vehicle sales incentives could unfavorably impact return rates, residual values, and depreciation expense in the future.

Interest Expense

Our liabilities consist mainly of fixed and variable rate debt, denominated in U.S. dollars and various other currencies, which we issue in the global capital markets, while our assets consist primarily of U.S. dollar denominated, fixed rate receivables. We enter into interest rate swaps and foreign currency swaps to economically hedge the interest rate and foreign currency risks that result from the different characteristics of our assets and liabilities. The following table summarizes the components of interest expense:

(Dollars in millions)	Years ended March 31,		
	2024	2023	2022
Interest expense on debt	\$ 4,936	\$ 2,919	\$ 1,498
Interest (income) expense on derivatives	(661)	(569)	107
Interest expense on debt and derivatives	4,275	2,350	1,605
Gains on debt denominated in foreign currencies	(80)	(614)	(438)
(Gains) losses on foreign currency swaps	(90)	805	818
Losses (gains) on U.S. dollar interest rate swaps	600	513	(584)
Total interest expense	<u>\$ 4,705</u>	<u>\$ 3,054</u>	<u>\$ 1,401</u>

During fiscal 2024, total interest expense increased to \$4.7 billion from \$3.1 billion in fiscal 2023. The increase in total interest expense is primarily attributable to an increase in interest expense on debt, losses on U.S. dollar interest rate swaps, partially offset by interest income on derivatives.

Interest expense on debt and derivatives primarily represents contractual net interest settlements and changes in accruals on secured and unsecured notes and loans payable and derivatives, and includes amortization of discounts, premiums, and debt issuance costs. During fiscal 2024, interest expense on debt and derivatives increased to \$4.3 billion from \$2.4 billion in fiscal 2023. The increase in interest expense on debt is due to an increase in weighted average interest rates and an increase in average debt outstanding. The increase in interest income on derivatives is primarily due to an increase in net interest income on pay-fixed swaps, partially offset by an increase in interest expense on pay-float swaps.

Gains or losses on debt denominated in foreign currencies represent the impact of translation adjustments. We use foreign currency swaps to economically hedge the debt denominated in foreign currencies. During fiscal 2024, we recorded net gains of \$170 million, primarily due to the impact of net interest income on foreign currency swaps. During fiscal 2023, we recorded net losses of \$191 million, primarily due to increases in foreign currency swap rates across the various currencies in which our debt is denominated.

Gains or losses on U.S. dollar interest rate swaps represent the change in the valuation of interest rate swaps. During fiscal 2024, we recorded losses of \$600 million, primarily due to the impact of net interest income. During fiscal 2023, we recorded losses of \$513 million, primarily due to net interest income becoming realized on our pay-fixed swaps partially offset by an upward shift of U.S. dollar swap rates resulting in gains on pay-fixed swaps exceeding losses on our pay-float swaps.

Future changes in interest and foreign currency exchange rates could result in significant volatility in our interest expense, thereby affecting our results of operations.

Investment and Other Income, Net

We recorded investment and other income, net of \$515 million for fiscal 2024, compared to \$314 million for fiscal 2023. The increase in investment and other income, net for fiscal 2024 compared to fiscal 2023 was primarily due to higher yields on cash and cash equivalents.

Provision for Credit Losses

We recorded a provision for credit losses of \$839 million for fiscal 2024, compared to \$713 million for fiscal 2023. The economic conditions have resulted in an increase in consumer delinquencies and charge-offs as well as higher expected credit losses on both our consumer and dealer portfolios. These factors combined with the increase in size of our retail loan portfolio have led to an increase in the provision for credit losses for fiscal 2024 compared to fiscal 2023.

Operating and Administrative Expenses

We recorded operating and administrative expenses of \$1.5 billion for fiscal 2024, compared to \$1.3 billion for fiscal 2023. The increase in operating and administrative expenses for fiscal 2024 compared to fiscal 2023 was primarily due to higher general operating expenses, technology expenses, and employee expenses.

Voluntary Protection Operations

The following table summarizes key results of our Voluntary Protection Operations:

	Years ended March 31,			Percentage change	
	2024	2023	2022	2024 to 2023	2023 to 2022
Contracts (units in thousands)					
Issued	3,175	2,998	3,020	6%	(1)%
Average in force	10,895	10,292	9,989	6%	3%
(Dollars in millions)					
Voluntary protection contract revenues and insurance earned premiums	\$ 1,120	\$ 1,053	\$ 1,015	6%	4%
Investment and other income (loss), net	358	(217)	(71)	(265)%	206%
Revenues from voluntary protection operations	1,478	836	944	77%	(11)%
Expenses:					
Voluntary protection contract expenses and insurance losses	592	470	405	26%	16%
Operating and administrative	454	445	386	2%	15%
Total expenses	1,046	915	791	14%	16%
Income (loss) before income taxes	432	(79)	153	(647)%	(152)%
Provision (benefit) for income taxes	98	(17)	34	(676)%	(150)%
Net income (loss) from voluntary protection operations	<u>\$ 334</u>	<u>\$ (62)</u>	<u>\$ 119</u>	(639)%	(152)%

Our voluntary protection operations reported net income of \$334 million for fiscal 2024, compared to net loss of \$62 million for fiscal 2023. The increase in net income from voluntary protection operations for fiscal 2024, compared to fiscal 2023 was primarily due to a \$575 million increase in investment and other income (loss), net and a \$67 million increase in voluntary protection contract revenues and insurance earned premiums, partially offset by a \$122 million increase in voluntary protection contract expenses and insurance losses and a \$115 million increase in provision for income taxes.

Contracts issued increased 6 percent during fiscal 2024 compared to fiscal 2023. The increase in issuances was primarily in prepaid maintenance contracts. The average number of contracts in force increased 6 percent during fiscal 2024 compared to fiscal 2023, due to net growth in the voluntary protection portfolio compared to prior years, primarily in prepaid maintenance, vehicle service, and tire and wheel contracts.

Revenue from Voluntary Protection Operations

Our voluntary protection operations reported voluntary protection contract revenues and insurance earned premiums of \$1.1 billion for fiscal 2024 and fiscal 2023. Voluntary protection contract revenues and insurance earned premiums represent revenues from in force contracts and are affected by issuances as well as the level, age, and mix of in force contracts. Voluntary protection contract revenues and insurance earned premiums are recognized over the term of the contracts in relation to the timing and level of anticipated claims.

Investment and Other Income (Loss), Net

Our voluntary protection operations reported investment and other income, net of \$358 million for fiscal 2024, compared to investment and other loss, net of \$217 million for fiscal 2023. Investment and other income (loss), net consists primarily of dividend and interest income, realized gains and losses on investments in marketable securities, changes in fair value from equity and available-for-sale debt securities for which the fair value option was elected, and credit loss expense on available-for-sale debt securities, if any. The increase in investment and other income (loss), net in fiscal 2024, compared to fiscal 2023, was primarily due to gains from changes in fair value on our equity investments and increased interest income due to rising interest rates.

Voluntary Protection Contract Expenses and Insurance Losses

Our voluntary protection operations reported voluntary protection contract expenses and insurance losses of \$592 million for fiscal 2024, compared to \$470 million for fiscal 2023. Voluntary protection contract expenses and insurance losses incurred are a function of the amount of covered risks, the frequency and severity of claims associated with in force contracts and the level of risk retained by our voluntary protection operations. Voluntary protection contract expenses and insurance losses include amounts paid and accrued for reported losses, estimates of losses incurred but not reported, and any related claim adjustment expenses. The increase in voluntary protection contract expenses and insurance losses in fiscal 2024 compared to fiscal 2023 was primarily due to an increase in frequency and severity of claims in our vehicle service and guaranteed auto protection contracts, as well as an increase in frequency of claims in our prepaid maintenance contracts.

Operating and Administrative Expenses

Our voluntary protection operations reported operating and administrative expenses of \$454 million for fiscal 2024, compared to \$445 million for fiscal 2023. The increase in operating and administrative expenses in fiscal 2024 as compared to fiscal 2023 was attributable to higher general operating expenses and higher product expenses driven by the continued growth of our voluntary protection product business.

Provision for Income Taxes

We recorded a provision for income taxes of \$442 million for fiscal 2024, compared to \$329 million for fiscal 2023. Our effective tax rate for fiscal 2024 and fiscal 2023 was 23 percent and 25 percent, respectively. The increase in the provision for income taxes for fiscal 2024, compared to fiscal 2023, was primarily due to an increase in income before income taxes. The lower effective tax rate for fiscal 2024 compared to fiscal 2023 was primarily attributable to the decrease in state tax provision.

FINANCIAL CONDITION

Vehicle Financing Volume and Net Earning Assets

The composition of our vehicle contract volume and market share is summarized below:

(Units in thousands):	Years ended March 31,			Percentage change	
	2024	2023	2022	2024 to 2023	2023 to 2022
Vehicle financing volume ¹:					
New retail contracts	840	718	697	17%	3%
Used retail contracts	390	406	466	(4)%	(13)%
Lease contracts	343	258	423	33%	(39)%
Total	<u>1,573</u>	<u>1,382</u>	<u>1,586</u>	14%	(13)%
TMNA subvented vehicle financing volume ²:					
New retail contracts	392	446	253	(12)%	76%
Used retail contracts	59	48	32	23%	50%
Lease contracts	222	148	247	50%	(40)%
Total	<u>673</u>	<u>642</u>	<u>532</u>	5%	21%
Market share of TMNA sales ³:	54.4%	53.6%	54.9%		

¹. Total financing volume was comprised of approximately 65 percent Toyota, 16 percent Mazda, 15 percent Lexus, and 4 percent non-Toyota/Lexus/Mazda for fiscal 2024. Total financing volume was comprised of approximately 68 percent Toyota, 13 percent Lexus, 12 percent Mazda, and 7 percent non-Toyota/Lexus/Mazda for fiscal 2023. Total financing volume was comprised of approximately 65 percent Toyota, 15 percent Lexus, 13 percent Mazda, and 7 percent non-Toyota/Lexus/Mazda for fiscal 2022.

². TMNA subvented volume units are included in the total vehicle financing. Units exclude third-party subvented units.

³. Represents the percentage of total domestic TMNA sales of new Toyota and Lexus vehicles financed by us, excluding sales under dealer rental car and commercial fleet programs, sales of a private Toyota distributor and private label vehicles financed.

Vehicle Financing Volume

The volume of our retail and lease contracts, which are acquired primarily from Toyota, Lexus, and private label dealers, is substantially dependent upon TMNA and private label sales volume, the level of TMNA, private label, and third-party sponsored subvention and other incentive programs, as well as TMCC competitive rate and other incentive programs.

Our financing volume increased 14 percent in fiscal 2024, compared to fiscal 2023, primarily due to an increase in the availability of new vehicles and higher levels of subvention and other incentives program on lease and used retail contracts. Production of new vehicles has improved in fiscal 2024, compared to fiscal 2023, and as a result we saw an increase in dealer new vehicle inventory levels.

Our market share of TMNA sales remained relatively consistent for fiscal 2024, compared to fiscal 2023.

The composition of our net earning assets is summarized below:

(Dollars in millions)	Years ended March 31,			Percentage change	
	2024	2023	2022	2024 to 2023	2023 to 2022
Net Earning Assets					
Finance receivables, net					
Retail finance receivables, net	\$ 85,576	\$ 78,216	\$ 72,185	9%	8%
Dealer financing, net ¹	16,093	12,064	10,247	33%	18%
Total finance receivables, net	101,669	90,280	82,432	13%	10%
Investments in operating leases, net	28,013	29,869	35,455	(6)%	(16)%
Net earning assets	<u>\$ 129,682</u>	<u>\$ 120,149</u>	<u>\$ 117,887</u>	8%	2%
Average original contract term in months					
Lease contracts ²	36	37	37		
Retail contracts ³	69	69	69		
Dealer Financing					
(Number of dealers serviced)					
Toyota, Lexus, and private label dealers ¹	1,245	1,264	966	(2)%	31%
Dealers outside of the Toyota/Lexus/private label dealer network	392	393	399	0%	(2)%
Total number of dealers receiving wholesale financing	<u>1,637</u>	<u>1,657</u>	<u>1,365</u>	(1)%	21%

¹. Includes wholesale and other credit arrangements in which we participate as part of a syndicate of lenders.

². Lease contract terms range from 24 months to 60 months.

³. Retail contract terms range from 24 months to 85 months.

Retail Contract Volume and Earning Assets

Despite lower levels of subvention and other incentive programs, our new retail contract volume increased 17 percent during fiscal 2024 compared to fiscal 2023 due to an increase in the availability of new vehicles.

Our used retail contracts decreased 4 percent during fiscal 2024, compared to fiscal 2023, primarily due to increased competition in the used vehicle marketplace.

Our retail finance receivables, net increased 9 percent at March 31, 2024 as compared to March 31, 2023 due to higher retail contracts outstanding and higher average amount financed.

Lease Contract Volume and Earning Assets

Our lease contract volume increased 33 percent during fiscal 2024, compared to fiscal 2023, primarily due to higher levels of incentive and subvention programs. Our investments in operating leases, net, decreased 6 percent at March 31, 2024 as compared to March 31, 2023, due to lower average operating lease units outstanding, partially offset by higher vehicle values.

Dealer Financing and Earning Assets

Dealer financing, net increased 33 percent at March 31, 2024, as compared to March 31, 2023, primarily due to an increase in wholesale and revolving credit financing. Production of new vehicles has improved in fiscal 2024, compared to fiscal 2023, and as a result we saw an increase in dealer new vehicle inventory levels.

Residual Value Risk

We are exposed to risk on the disposition of leased vehicles that are not purchased by lessees, dealers, or third parties at contractual residual value to the extent that sales proceeds realized upon the sale of returned lease vehicles are not sufficient to cover the contractual residual value that was estimated at lease inception.

Factors Affecting Exposure to Residual Value Risk

Residual value represents an estimate of the end-of-term market value of a leased vehicle. The primary factors affecting our exposure to residual value risk are the levels at which residual values are established at lease inception, current economic conditions and outlook, projected end-of-term market values, and the resulting impact on depreciation expense and lease return rates. Higher average operating lease units outstanding and the resulting increase in future maturities, a higher supply of used vehicles, as well as further deterioration in actual and expected used vehicle values for Toyota, Lexus, and private label vehicles could unfavorably impact return rates, residual values, and depreciation expense. The evaluation of these factors involves significant assumptions, complex analyses, and management judgment. Refer to [“Critical Accounting Estimates”](#) for further discussion of the estimates involved in the determination of accumulated depreciation on investments in operating leases.

Residual Values at Lease Inception

Residual values of lease vehicles are estimated at lease inception by examining external industry data, the anticipated Toyota, Lexus, and private label product pipeline and our own experience. Factors considered in this evaluation include, macroeconomic forecasts, historical portfolio trends, new vehicle pricing, new vehicle incentive programs, new vehicle sales, product attributes of popular vehicles, the mix and level of used vehicle supply, current and projected used vehicle values, the actual or perceived quality, safety or reliability of Toyota, Lexus, and private label vehicles, and fuel prices. We use various channels to sell vehicles returned at lease-end. Refer to [Part 1, Item 1, Business, “Finance Operations – Retail and Lease Financing – Remarketing”](#) for additional information on remarketing.

End-of-term Market Values

On a quarterly basis, we review the estimated end-of-term market values of leased vehicles to assess the appropriateness of our carrying values. To the extent the estimated end-of-term market value of a leased vehicle is lower than the residual value established at lease inception, the residual value of the leased vehicle is adjusted downward so that the carrying value at lease end will approximate the estimated end-of-term market value. Factors affecting the estimated end-of-term market value are similar to those considered in the evaluation of residual values at lease inception discussed above. These factors are evaluated in the context of their historical trends to anticipate potential changes in the relationship among these factors in the future. For investments in operating leases, adjustments are made on a straight-line basis over the remaining terms of the lease contracts and are included in Depreciation on operating leases in our Consolidated Statements of Income as a change in accounting estimate.

Lease Return Rate

The lease return rate represents the number of leased vehicles returned to us for sale as a percentage of lease contracts that were originally scheduled to mature in the same period less certain qualified early terminations. When the market value of a leased vehicle at contract maturity is less than its contractual residual value (i.e., the price at which the lease customer or dealer may purchase the leased vehicle), there is a higher probability that the vehicle will be returned to us. In addition, a higher market supply of certain models of used vehicles generally results in a lower market value for those vehicles, resulting in a higher probability that the vehicle will be returned to us. A higher rate of vehicle returns exposes us to greater residual value risk which impacts depreciation expense at lease termination.

Impairment of Operating Leases

We evaluate our investment in operating leases portfolio for potential impairment when we determine a triggering event has occurred. When a triggering event has occurred, we perform a test of recoverability by comparing the expected undiscounted future cash flows (including expected residual values) over the remaining lease terms to the carrying value of the asset group. If the test of recoverability identifies a possible impairment, the asset group’s fair value is measured in accordance with the fair value measurement framework. An impairment charge is recognized for the amount by which the carrying value of the asset group exceeds its estimated fair value and would be recorded in our Consolidated Statements of Income. As of March 31, 2024, 2023, and 2022 and during the years then ended, there was no impairment in our investment in operating leases portfolio.

Disposition of Off-Lease Vehicles

The following table summarizes scheduled maturities on our operating lease portfolio and off-lease vehicles sold at lease termination:

(Units in thousands)	Years ended March 31,			Percentage Change	
	2024	2023	2022	2024 to 2023	2023 to 2022
Scheduled maturities	488	486	504	0%	(4)%
Vehicles sold through:					
Dealer Direct program					
Grounding dealer	11	13	34	(15)%	(62)%
Dealer Direct online program	4	1	3	300%	(67)%
Physical auction	11	5	7	120%	(29)%
Total vehicles sold at lease termination ¹	26	19	44	37%	(57)%

¹. Excludes leased vehicles purchased by lessees or dealers at contractual residual value prior to an authorized dealer securing the vehicle.

Scheduled maturities remained relatively consistent in fiscal 2024 compared to fiscal 2023. Total vehicles sold at lease termination increased 37 percent in fiscal 2024, compared to fiscal 2023. Production of new vehicles has improved in fiscal 2024, compared to fiscal 2023, and as a result we saw a general increase in dealer new vehicle inventory levels. Average used vehicle values in fiscal 2024 remained elevated compared to historic levels; however, there has been a decline in values in the current fiscal year. As a result of the increase in dealer new vehicle inventory levels and decline in used vehicle values, we saw a slight decrease of off-lease vehicles purchased by consumers and dealers at contractual residual value prior to an authorized dealer securing the vehicle which led to higher units being processed through the dealer direct program and physical auction. Refer to [Part 1, Item 1. Business, “Finance Operations – Retail and Lease Financing - Remarketing”](#) for additional information on disposal of lease vehicles.

Depreciation on Operating Leases

Depreciation expense is recorded on a straight-line basis over the lease term and is based upon the depreciable basis of the leased vehicle. The depreciable basis is originally established as the difference between a leased vehicle’s original acquisition cost and its residual value established at lease inception. Changes to residual values have an effect on depreciation expense. To the extent the estimated end-of-term market value of a leased vehicle is lower than the residual value established at lease inception, the residual value of the leased vehicle is adjusted downward so that the carrying value at lease-end will approximate the estimated end-of-term market value. Refer to [“Critical Accounting Estimates”](#) for a further discussion of the assumptions involved in the determination of residual values.

Depreciation on operating leases and average operating lease units outstanding are as follows:

	Years ended March 31,			Percentage	
	2024	2023	2022	2024 to 2023	2023 to 2022
Depreciation on operating leases (dollars in millions)	\$ 4,179	\$ 5,122	\$ 5,846	(18)%	(12)%
Average operating lease units outstanding (in thousands)	978	1,141	1,314	(14)%	(13)%

We recorded depreciation expense on operating leases of \$4.2 billion for fiscal 2024, compared to \$5.1 billion for fiscal 2023. The decrease is primarily due to lower average operating lease units outstanding and lower expected residual value losses in the near term.

Declines in used vehicle values resulting from increases in the supply of new vehicles and increases in new vehicle sales incentives could unfavorably impact return rates, residual values, and depreciation expense in the future.

Credit Risk

We are exposed to credit risk on our retail loans and dealer portfolios. Credit risk on our finance receivables is the risk of loss arising from the failure of consumers or dealers to make contractual payments. The level of credit risk on our retail loan portfolio is influenced by two factors: default frequency and loss severity, which in turn are influenced by various factors such as economic conditions, the used vehicle market, purchase quality mix, and operational changes.

The level of credit risk on our dealer portfolio is influenced by the financial strength of dealers within our portfolio, dealer concentration, collateral quality, and other economic factors. The financial strength of dealers within our portfolio is influenced by, among other factors, general economic conditions, the overall demand for new and used vehicles and the financial condition of automotive manufacturers in general.

Factors Affecting Retail Loan Portfolio Credit Risk

Economic Factors

General economic conditions such as changes in unemployment rates, housing values, bankruptcy rates, consumer debt levels, fuel prices, consumer credit performance, interest rates, inflation, household disposable income, US Government stimulus and relief programs, and unforeseen events such as natural disasters, severe weather, health epidemics or geopolitical conflicts, among other factors, can influence both default frequency and loss severity.

Used Vehicle Market

Changes in used vehicle values directly affect the proceeds from sales of repossessed vehicles, and accordingly, the level of loss severity we experience. The supply of, and demand for, used vehicles, interest rates, inflation, new vehicle inventory, the level of manufacturer incentive programs on new vehicles, the manufacturer's actual or perceived reputation for quality, safety, or reliability, and general economic outlook are some of the factors affecting the used vehicle market.

Purchase Quality Mix

A change in the mix of contracts acquired at various risk levels may change the amount of credit risk we assume. An increase in the number of contracts acquired with lower credit quality (as measured by scores that establish a consumer's creditworthiness based on present financial condition, experience, and credit history) can increase the amount of credit risk. Conversely, an increase in the number of contracts with higher credit quality can lower credit risk. An increase in the mix of contracts with lower credit quality can also increase operational risk unless appropriate controls and procedures are established. We strive to price contracts to achieve an appropriate risk adjusted return on our investment.

The average original contract term of retail loan contracts influences credit losses. Longer term contracts generally experience a higher rate of default and thus affect default frequency. In addition, the carrying values of vehicles under longer term contracts decline at a slower rate, resulting in a longer period during which we may be subject to used vehicle market volatility, which may in turn lead to increased loss severity.

The types and models of the vehicles in our retail loan portfolio has an effect on loss severity. Vehicle product mix can be influenced by factors such as customer preferences, fuel efficiency and fuel prices. These factors impact the demand for and values of used vehicles and consequently, loss severity.

Operational Changes

Operational changes and ongoing implementation of new information and transaction systems and improved methods of consumer evaluation are designed to have a positive effect on the credit risk profile of our retail loan portfolio. Customer service improvements in the management of delinquencies and credit losses increase operational efficiency and effectiveness. We remain focused on our service operations and credit loss mitigation methods. We are exposed to operational risk related to potential changes in the regulatory landscape which may limit our ability to conduct pre and post charge-off collections activity.

In an effort to mitigate credit losses, we regularly evaluate our purchasing practices. We limit our risk exposure by limiting approvals of lower credit quality contracts and requiring certain loan-to-value ratios.

We continue to refine our credit risk management and analysis to ensure that the appropriate level of collection resources are aligned with portfolio risk, and we adjust capacity accordingly. We continue to focus on early and late-stage delinquencies to increase the likelihood of resolution. We have also increased efficiency in our collections through the use of technology.

Factors Affecting Dealer Portfolio Credit Risk

The financial strength of dealers to which we extend credit directly affects our credit risk. Lending to dealers with lower credit quality, or a negative change in the credit quality of existing dealers, increases the risk of credit loss we assume. Extending a substantial amount of financing or commitments to a specific dealer or group of dealers creates a concentration of credit risk, particularly when the financing may not be secured by fully realizable collateral assets. Collateral quality influences credit risk in that lower quality collateral increases the risk that in the event of default and subsequent liquidation of collateral, the value of the collateral may be less than the amount owed to us.

We assign risk classifications to each of our dealers and dealer groups based on their financial condition, the strength of the collateral, and other quantitative and qualitative factors including input from our field personnel. Our monitoring processes of the dealers and dealer groups are based on these risk classifications. We periodically update the risk classifications based on changes in financial condition. As part of our monitoring processes, we require dealers to submit periodic financial statements. We also perform periodic physical audits of vehicle inventory as well as monitor the timeliness of dealer inventory financing payoffs in accordance with the agreed-upon terms in order to identify possible risks. We continue to enhance our risk management processes to mitigate dealer portfolio risk and to focus on higher risk dealers through enhanced risk governance, inventory audits, and credit watch processes. Where appropriate, we increase the frequency of our audits and examine more closely the financial condition of the dealer or dealer group. We continue to be diligent in underwriting dealers and have conducted targeted personnel training to address dealer credit risk.

Additionally, TMNA and other manufacturers may be obligated by applicable law, or under agreements with us, to repurchase or to reassign new vehicle inventory we financed that meets certain mileage and model year parameters, curtailing our risk. We also provide other types of financing to certain Toyota and Lexus dealers and other third parties at the request of TMNA or private Toyota distributors, and the credit risk associated with such financing is mitigated by guarantees from TMNA or the applicable private distributors.

We also provide financing for some dealerships which sell products not distributed by TMNA or any of its affiliates. A significant adverse change in a non-Toyota/Lexus manufacturer such as restructuring or bankruptcy may increase the risk associated with the dealers we have financed that sell these products.

Origination, Credit Loss, and Delinquency Experience

Our credit loss experience may be affected by a number of factors including the economic environment, our purchasing, servicing, and collections practices, used vehicle market conditions and subvention. Changes in the economy that impact the consumer such as increasing interest rates, and a rise in the unemployment rate as well as higher debt balances, coupled with deterioration in actual and expected used vehicle values, could increase our credit losses. In addition, a decline in the effectiveness of our collection practices could also increase our credit losses. We continuously evaluate and refine our purchasing practices and collection efforts to minimize risk. In addition, subvention contributes to our overall portfolio quality, as subvented contracts typically have higher credit scores than non-subvented contracts. For information regarding the potential impact of current market conditions, refer to [Part I, Item 1A. Risk Factors](#).

The following table provides information related to our origination experience:

	Years Ended March 31,		
	2024	2023	2022
Average consumer portfolio origination FICO score	756	744	742
Average consumer retail loan origination term (months) ¹	69	69	69

¹. Retail loan origination greater than or equal to 78 months was 11%, 10%, 10% as of March 31, 2024, 2023, and 2022, respectively.

While we have included the average origination FICO score to illustrate origination trends, we also use a proprietary credit scoring system to evaluate an applicant's risk profile. Refer to [Part I, Item 1. Business "Finance Operations"](#) for further discussion of the proprietary manner in which we evaluate risk.

The following table provides information related to our finance receivables and investment in operating leases:

	Years ended March 31,		
	2024	2023	2022
Net charge-offs as a percentage of average finance receivables ^{1, 5}	0.69%	0.54%	0.22%
Default frequency as a percentage of outstanding consumer finance receivables contracts	1.25%	0.89%	0.72%
Average consumer finance receivables loss severity per unit ²	\$ 14,113	\$ 12,425	\$ 9,012
Aggregate balances for accounts 60 or more days past due as a percentage of earning assets ^{3, 4, 5}			
Finance receivables	0.64%	0.61%	0.43%
Operating leases	0.48%	0.40%	0.26%

¹. Net charge-off includes the write-offs of accounts deemed to be uncollectable and accounts greater than 120 days past due.

². Average loss per unit upon disposition of repossessed vehicles or charge-off prior to repossession.

³. Substantially all retail receivables do not involve recourse to the dealer in the event of customer default.

⁴. Includes accounts in bankruptcy and excludes accounts for which vehicles have been repossessed.

⁵. Excludes accrued interest from average finance receivables.

Management considers historical credit loss information when assessing the allowance for credit losses. Historical credit losses are primarily driven by two factors: default frequency and loss severity. Net charge-offs as a percentage of average finance receivables increased to 0.69 percent at March 31, 2024 from 0.54 percent at March 31, 2023 and default frequency as a percentage of outstanding finance receivables contracts increased to 1.25 percent for fiscal 2024 compared to 0.89 percent for fiscal 2023. Our average finance receivables loss severity per unit for fiscal 2024 increased to \$14,113 from \$12,425 in fiscal 2023. The increase in net charge-offs, default frequency, and loss severity per unit were due to higher average amounts financed, an increase in full balance charge-offs, and higher delinquencies.

Our aggregate balances for accounts 60 or more days past due on finance receivables increased to 0.64 percent at March 31, 2024, compared to 0.61 percent at March 31, 2023. Our aggregate balances for accounts 60 or more days past due on operating leases increased to 0.48 percent at March 31, 2024, compared to 0.40 percent at March 31, 2023. The economic conditions, including consumer price increases and high interest rates, have negatively impacted some consumers ability to make scheduled payments which has resulted in an increase in consumer delinquencies and charge-offs.

Allowance for Credit Losses

We maintain an allowance for credit losses which is measured by an impairment model that reflects lifetime expected losses.

The allowance for credit losses for our retail loan portfolio is measured on a collective basis when loans have similar risk characteristics such as loan-to-value ratio, book payment-to-income ratio, FICO score at origination, collateral type (new or used, Lexus, Toyota, or private label), contract term, and other relevant factors. We use statistical models to estimate lifetime expected credit losses of our retail loan portfolio segment by applying probability of default and loss given default to the exposure at default on a loan level basis. Probability of default models are developed from internal risk scoring models which consider variables such as delinquency status, historical default frequency, and other credit quality indicators. Other credit quality indicators include loan-to-value ratio, book payment-to-income ratio, FICO score at origination, collateral type, and contract term. Loss given default models forecast the extent of losses given that a default has occurred and consider variables such as collateral, trends in recoveries, historical loss severity, and other contract structure variables. Exposure at default represents the expected outstanding principal balance, including the effects of expected prepayment when applicable. The lifetime expected credit losses incorporate the probability-weighted forward-looking macroeconomic forecasts for baseline, favorable, and adverse scenarios. The loan lifetime is regarded by management as the reasonable and supportable period. We use macroeconomic forecasts from a third party and update such forecasts quarterly. On an ongoing basis, we review our models, including macroeconomic factors, the selection of macroeconomic scenarios and their weighting to ensure they reflect the risk of the portfolio.

For the allowance for credit losses for our dealer portfolio, an allowance for credit losses is established for both outstanding dealer finance receivables and certain unfunded off-balance sheet lending commitments. The allowance for credit losses is measured on a collective basis when loans have similar risk characteristics such as dealer group internal risk rating and loan-to-value ratios. We measure lifetime expected credit losses of our dealer products portfolio segment by applying probability of default and loss given default to the exposure at default on a loan level basis. Probability of default is primarily established based on internal risk assessments. The probability of default model also considers qualitative factors related to macroeconomic outlooks. Loss given default is established based on the nature and market value of the collateral, loan-to-value ratios and other credit quality indicators. Exposure at default represents the expected outstanding principal balance. The lifetime of the loan or lending commitment is regarded by management as the reasonable and supportable period. On an ongoing basis, we review our models and the macroeconomic outlook, to ensure they reflect the risk of the portfolio.

If management does not believe the models reflect lifetime expected credit losses, a qualitative adjustment is made to reflect management judgment regarding observable changes in recent or expected economic trends and conditions, portfolio composition, and other relevant factors.

The following table provides information related to our allowance for credit losses for finance receivables and certain off-balance sheet lending commitments:

(Dollars in millions)	Years ended March 31,		
	2024	2023	2022
Allowance for credit losses at beginning of period	\$ 1,513	\$ 1,272	\$ 1,215
Charge-offs	(776)	(535)	(237)
Recoveries	108	63	58
Provision for credit losses	839	713	236
Allowance for credit losses at end of period ¹	<u>\$ 1,684</u>	<u>\$ 1,513</u>	<u>\$ 1,272</u>

¹. Ending balances as of March 31, 2024, 2023, and 2022 include \$47 million, \$24 million, and \$26 million, respectively, of allowance for credit losses recorded in Other liabilities on the Consolidated Balance Sheets which is related to off-balance-sheet commitments.

	Years ended March 31,		
	2024	2023	2022
Allowance for credit losses as a percentage of finance receivables ¹	1.58%	1.62%	1.49%

¹. Ending balances as of March 31, 2024, 2023, and 2022 exclude \$47 million, \$24 million, and \$26 million, respectively, of allowance for credit losses recorded in Other liabilities on the Consolidated Balance Sheets which is related to off-balance-sheet commitments.

Our allowance for credit losses increased from \$1.5 billion at March 31, 2023 to \$1.7 billion at March 31, 2024, primarily due to the increase in the size of our retail loan portfolio. The allowance for credit losses as a percentage of finance receivables decreased to 1.58 percent in fiscal 2024 from 1.62 percent in fiscal 2023. While the economic conditions have resulted in an increase in consumer delinquencies and charge-offs, the macroeconomic outlook has improved compared to prior fiscal year.

Future changes in the economy that impact the consumer and consumer confidence such as increasing interest rates and a rise in the unemployment rate as well as higher debt balances, coupled with deterioration in actual and expected used vehicle values, could result in further increases to our allowance for credit losses. In addition, a decline in the effectiveness of our collection practices could also increase our allowance for credit losses.

LIQUIDITY AND CAPITAL RESOURCES

Cash Requirements, Obligations, and Arrangements

Our primary material cash requirements include the acquisition of finance receivables and investment in operating leases from dealers, providing various financing to dealers, payments related to debt and swaps, operating expenses, voluntary protection contract expenses, income taxes, and dividend payments. In conjunction with our cash requirements, we have certain obligations to make future payments under contracts and commitments. Aggregate contractual obligations and commitments in existence at March 31, 2024, are summarized as follows:

(Dollars in millions)		Payments due by period					
Contractual obligations	2025	2026	2027	2028	2029	Thereafter	Total
Debt ¹	\$ 56,556	\$ 24,222	\$ 15,949	\$ 10,296	\$ 5,603	\$ 10,336	\$ 122,962
Estimated interest payments for debt ²	3,480	2,124	1,426	915	555	893	9,393
Premises occupied under lease	15	13	14	13	12	39	106
Purchase obligations ³	7	-	-	-	-	-	7
Total	\$ 60,058	\$ 26,359	\$ 17,389	\$ 11,224	\$ 6,170	\$ 11,268	\$ 132,468

- Debt reflects the remaining principal obligation. Foreign currency denominated debt principal is based on exchange rates as of March 31, 2024. Debt excludes unamortized premium/discount and debt issuance costs of \$543 million.
- Interest payments for debt payable in foreign currencies or based on variable interest rates are estimated using the applicable current rates as of March 31, 2024.
- Purchase obligations represent fixed or minimum payment obligations under supplier contracts. The amounts included herein represent the minimum contractual obligations in certain situations; however, actual amounts incurred may be substantially higher depending on the particular circumstance, including in the case of information technology contracts, the amount of usage once we have implemented it. Contracts that do not specify fixed payments or provide for a minimum payment are not included. The contracts noted herein contain voluntary provisions under which the contract may be terminated for a specified fee depending upon the contract.

The contractual obligations and commitments in the above table do not include our contractual obligations on derivative instruments because future cash obligations under these contracts are inherently uncertain. We recognize all derivative instruments on our consolidated balance sheet at fair value. The amounts recognized as fair value do not represent the amounts that will be ultimately paid or received upon settlement under these contracts. Refer to [Note 6 – Derivatives, Hedging Activities and Interest Expense](#) of the Notes to the Consolidated Financial Statements for additional discussion and disclosure.

In addition, the contractual obligations and commitments in the above table do not include term loans and revolving lines of credit we extend to dealers and dealer groups and other off-balance sheet guarantees and commitments, as the amount, if any, and timing of future payments is uncertain.

We provide fixed and variable rate credit facilities to dealers and various multi-franchise organizations referred to as dealer groups. These credit facilities are typically used for facilities construction and refurbishment, working capital requirements, real estate purchases, business acquisitions, and other general business purposes. These loans are typically secured with liens on real estate, vehicle inventory, and/or other dealership assets, as appropriate, and may be guaranteed by the individual or corporate guarantees of the affiliated dealers, dealer groups, or dealer principals. Refer to [Note 9 – Commitments and Contingencies](#) of the Notes to Consolidated Financial Statements for additional discussion and disclosure on credit facility commitments with dealers.

We have also extended credit facilities to affiliates as described in [Note 12 – Related Party Transactions](#) of the Notes to Consolidated Financial Statements.

TMCC has guaranteed the payments of principal and interest with respect to the bond obligations that were issued by Putnam County, West Virginia and Gibson County, Indiana to finance the construction of pollution control facilities at manufacturing plants of certain TMCC affiliates. TMCC would be required to perform under the guarantees in the event of non-payment on the bonds and other related obligations. TMCC is entitled to reimbursement by the applicable affiliates for any amounts paid. TMCC receives a nominal annual fee for guaranteeing such payments. Other than this fee, there are no corresponding expenses or cash flows arising from our guarantees. The nature, business purpose, and amounts of these guarantees are described in [Note 9 – Commitments and Contingencies](#) of the Notes to Consolidated Financial Statements.

In the ordinary course of business, we enter into agreements containing indemnification provisions standard in the industry related to several types of transactions. Refer to [Note 9 – Commitments and Contingencies](#) of the Notes to Consolidated Financial Statements for a description of agreements containing indemnification provisions. We have not made any material payments in the past as a result of these provisions, and as of March 31, 2024, we determined that it is not probable that we will be required to make any material payments in the future. As of March 31, 2024 and 2023, no amounts have been recorded under these indemnification provisions.

Liquidity

Liquidity risk is the risk relating to our ability to meet our financial obligations when they come due. Our liquidity strategy is to ensure that we maintain the ability to fund assets and repay liabilities in a timely and cost-effective manner, even in adverse market conditions. Our strategy includes raising funds via the global capital markets and through loans, credit facilities, and other transactions, as well as generating liquidity from our earning assets. This strategy has led us to develop a diversified borrowing base that is distributed across a variety of markets, geographies, investors, and financing structures.

Liquidity management involves forecasting and maintaining sufficient capacity to meet our cash needs, including unanticipated events. To ensure adequate liquidity through a full range of potential operating environments and market conditions, we conduct our liquidity management and business activities in a manner that will preserve and enhance funding stability, flexibility and diversity. Key components of this operating strategy include a strong focus on developing and maintaining direct relationships with commercial paper investors and wholesale market funding providers and maintaining the ability to sell certain assets when and if conditions warrant.

We develop and maintain contingency funding plans and regularly evaluate our liquidity position under various operating circumstances, allowing us to assess how we will be able to operate through a period of stress when access to normal sources of capital is constrained. The plans project funding requirements during a potential period of stress, specify and quantify sources of liquidity, and outline actions and procedures for effectively managing through the problem period. In addition, we monitor the ratings and credit exposure of the lenders that participate in our credit facilities to ascertain any issues that may arise with potential draws on these facilities if that contingency becomes warranted.

We maintain broad access to a variety of domestic and global markets and may choose to realign our funding activities depending upon market conditions, relative costs, and other factors. We believe that our funding sources, combined with operating and investing activities, provide sufficient liquidity to meet future funding requirements and business growth. For liquidity purposes, we hold cash in excess of our immediate funding needs. These excess funds are invested in short-term, highly liquid and investment grade money market instruments, which provide liquidity for our short-term funding needs and flexibility in the use of our other funding sources. We maintained excess funds ranging from \$3.8 billion to \$11.6 billion with an average balance of \$7.0 billion during fiscal 2024. The amount of excess funds we hold excludes amounts related to voluntary protection operations, and may fluctuate, depending on market conditions and other factors. We also have access to liquidity under a \$5.0 billion credit facility with TMS, which as of March 31, 2024, had no outstanding amount and is further described in [Note 7 – Debt and Credit Facilities](#) of the Notes to the Consolidated Financial Statements. We believe we have sufficient capacity to meet our short-term funding requirements and manage our liquidity, including payment of dividends.

Credit support is provided to us by our indirect parent TFSC, and, in turn, to TFSC by TMC. Taken together, these credit support agreements provide an additional source of liquidity to us, although we do not rely upon such credit support in our liquidity planning and capital and risk management. The credit support agreements are not a guarantee by TMC or TFSC of any securities or obligations of TFSC or TMCC, respectively. The fees paid pursuant to these agreements are disclosed in [Note 12 – Related Party Transactions](#) of the Notes to Consolidated Financial Statements.

TMC's obligations under its credit support agreement with TFSC rank pari passu with TMC's senior unsecured debt obligations. Refer to [Part I, Item 1A. Risk Factors](#) – "Our borrowing costs and access to the unsecured debt capital markets depend significantly on the credit ratings of TMCC and its parent companies and our credit support arrangements" for further discussion.

We routinely monitor global financial conditions and our financial exposure to our global counterparties, particularly in those countries experiencing significant economic, fiscal or political strain, and the corresponding likelihood of default. As of March 31, 2024, our exposure to foreign sovereign and non-sovereign counterparties was not significant. Refer to the ["Liquidity and Capital Resources - Credit Facilities and Letters of Credit" section](#) and [Part I, Item 1A. Risk Factors](#) – "The failure or commercial soundness of our counterparties and other financial institutions may have an effect on our liquidity, results of operations or financial condition" for further discussion.

Funding

The following table summarizes the components of our outstanding debt which includes unamortized premiums, discounts, debt issuance costs and the effects of foreign currency translation adjustments:

(Dollars in millions)	March 31, 2024			March 31, 2023		
	Face value	Carrying value	Weighted average contractual interest rates	Face value	Carrying value	Weighted average contractual interest rates
Unsecured notes and loans payable						
Commercial paper	\$ 17,462	\$ 17,222	5.59%	\$ 16,946	\$ 16,737	5.01%
U.S. medium term note ("MTN") program	53,146	52,981	4.06%	45,727	45,576	3.11%
Euro medium term note ("EMTN") program	13,637	13,550	2.54%	12,104	12,022	2.10%
Other debt	4,331	4,330	5.44%	4,616	4,614	5.08%
Total Unsecured notes and loans payable	88,576	88,083	4.19%	79,393	78,949	3.48%
Secured notes and loans payable	34,387	34,337	4.64%	32,777	32,736	3.76%
Total debt	<u>\$ 122,963</u>	<u>\$ 122,420</u>	4.32%	<u>\$ 112,170</u>	<u>\$ 111,685</u>	3.56%

Unsecured notes and loans payable

The following table summarizes the significant activities by program of our Unsecured notes and loans payable:

(Dollars in millions)	Commercial paper ¹	MTNs	EMTNs	Other	Total Unsecured notes and loans payable
Balance at March 31, 2023	\$ 16,946	\$ 45,727	\$ 12,104	\$ 4,616	\$ 79,393
Issuances	516	22,720	3,238	765	27,239
Maturities and terminations	-	(15,301)	(1,665)	(1,050)	(18,016)
Non-cash changes in foreign currency rates	-	-	(40)	-	(40)
Balance at March 31, 2024	<u>\$ 17,462</u>	<u>\$ 53,146</u>	<u>\$ 13,637</u>	<u>\$ 4,331</u>	<u>\$ 88,576</u>
Issuances during the one month ended April 30, 2024	\$ 3,304	\$ 1,945	\$ -	\$ 39	\$ 5,288

¹. Changes in Commercial paper are shown net in fiscal 2024 due to its short duration.

Commercial paper

Short-term funding needs are met through the issuance of commercial paper in the U.S. Commercial paper outstanding under our commercial paper programs ranged from approximately \$16.6 billion to \$18.1 billion during fiscal 2024, with an average outstanding balance of \$17.3 billion. Our commercial paper programs are supported by the credit facilities discussed under the heading [“Credit Facilities and Letters of Credit.”](#) We believe we have sufficient capacity to meet our short-term funding requirements and manage our liquidity.

MTN program

We maintain a shelf registration statement with the SEC to provide for the issuance of debt securities in the U.S. capital markets to retail and institutional investors. We currently qualify as a well-known seasoned issuer under SEC rules, which allows us to issue under our registration statement an unlimited amount of debt securities during the three-year period ending January 2027. Debt securities issued under the U.S. shelf registration statement are issued pursuant to the terms of an indenture which requires TMCC to comply with certain covenants, including negative pledge and cross-default provisions. We are currently in compliance with these covenants.

EMTN program

Our EMTN program, shared with our affiliates Toyota Motor Finance (Netherlands) B.V., Toyota Credit Canada Inc. and Toyota Finance Australia Limited (TMCC and such affiliates, the “EMTN Issuers”), provides for the issuance of debt securities in the international capital markets. In September 2023, the EMTN Issuers renewed the EMTN program for a one-year period. The maximum aggregate principal amount authorized under the EMTN Program to be outstanding at any time is €60.0 billion or the equivalent in other currencies. The authorized amount is shared among all EMTN Issuers. The authorized aggregate principal amount under the EMTN program may be increased from time to time. Debt securities issued under the EMTN program are issued pursuant to the terms of an agency agreement. Certain debt securities issued under the EMTN program are subject to negative pledge provisions. We are currently in compliance with these covenants.

Other debt

TMCC has entered into term loan agreements with various banks. These term loan agreements contain covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross-default provisions and limitations on certain consolidations, mergers and sales of assets. We are currently in compliance with these covenants and conditions.

We may borrow from affiliates on terms based upon a number of business factors such as funds availability, cash flow timing, relative cost of funds, and market access capabilities. Amounts borrowed from affiliates are recorded in Other liabilities on our Consolidated Balance Sheets and are therefore excluded from Debt amounts.

Secured notes and loans payable

Asset-backed securitization of our earning asset portfolio provides us with an alternative source of funding. We regularly execute public or private securitization transactions.

The following table summarizes the significant activities of our Secured notes and loans payable:

(Dollars in millions)	Secured notes and loans payable
Balance at March 31, 2023	\$ 32,777
Issuances	17,095
Maturities and terminations	(15,485)
Balance at March 31, 2024	\$ 34,387
Issuances during the one month ended April 30, 2024	\$ 2,621

We securitize finance receivables and beneficial interests in investments in operating leases (“Securitized Assets”) using a variety of structures. Our securitization transactions involve the transfer of Securitized Assets to bankruptcy-remote special purpose entities. These bankruptcy-remote entities are used to ensure that the Securitized Assets are isolated from the claims of creditors of TMCC and that the cash flows from these assets are available solely for the benefit of the investors in these asset-backed securities. Investors in asset-backed securities do not have recourse to our other assets, and neither TMCC nor our affiliates guarantee these obligations. We are not required to repurchase or make reallocation payments with respect to the Securitized Assets that become delinquent or default after securitization. As seller and servicer of the Securitized Assets, we are required to repurchase or make a reallocation payment with respect to the underlying assets that are subsequently discovered not to have met specified eligibility requirements. This repurchase obligation is customary in securitization transactions. With the exception of our revolving asset-backed securitization program, funding obtained from our securitization transactions is repaid as the underlying Securitized Assets amortize.

We service the Securitized Assets in accordance with our customary servicing practices and procedures. Our servicing duties include collecting payments on Securitized Assets and submitting them to a trustee for distribution to security holders and other interest holders. We prepare monthly servicer certificates on the performance of the Securitized Assets, including collections, investor distributions, delinquencies, and credit losses. We also perform administrative services for the special purpose entities.

Our use of special purpose entities in securitizations is consistent with conventional practice in the securitization market. None of our officers, directors, or employees hold any equity interests or receive any direct or indirect compensation from our special purpose entities. These entities do not own our stock or the stock of any of our

affiliates. Each special purpose entity has a limited purpose and generally is permitted only to purchase assets, issue asset-backed securities, and make payments to the security holders, other interest holders and certain service providers as required under the terms of the transactions.

Our securitizations are structured to provide credit enhancement to reduce the risk of loss to security holders and other interest holders in the asset-backed securities. Credit enhancement may include some or all of the following:

- **Overcollateralization:** The principal of the Securitized Assets that exceeds the principal amount of the related secured debt.
- **Excess spread:** The expected interest collections on the Securitized Assets that exceed the expected fees and expenses of the special purpose entity, including the interest payable on the debt, net of swap settlements, if any.
- **Cash reserve funds:** A portion of the proceeds from the issuance of asset-backed securities may be held by the securitization trust in a segregated reserve fund and may be used to pay principal and interest to security holders and other interest holders if collections on the underlying receivables are insufficient.
- **Yield supplement arrangements:** Additional overcollateralization may be provided to supplement the future contractual interest payments from securitized receivables with relatively low contractual interest rates.
- **Subordinated notes:** The subordination of principal and interest payments on subordinated notes may provide additional credit enhancement to holders of senior notes.

In addition to the credit enhancement described above, we may enter into interest rate swaps with our special purpose entities that issue variable rate debt. Under the terms of these swaps, the special purpose entities are obligated to pay TMCC a fixed rate of interest on payment dates in exchange for receiving a floating rate of interest on notional amounts equal to the outstanding balance of the secured notes and loans payable. This arrangement enables the special purpose entities to mitigate the interest rate risk inherent in issuing variable rate debt that is secured by fixed rate Securitized Assets.

Securitized Assets and the related debt remain on our Consolidated Balance Sheets. We recognize financing revenue on the Securitized Assets. We also recognize interest expense on the secured notes and loans payable issued by the special purpose entities and maintain an allowance for credit losses on the Securitized Assets to cover estimated lifetime expected credit losses using a methodology consistent with that used for our non-securitized asset portfolio. The interest rate swaps between TMCC and the special purpose entities are considered intercompany transactions and therefore are eliminated in our consolidated financial statements.

Our secured notes also include a revolving asset-backed securitization program, backed by a revolving pool of finance receivables and cash collateral. Cash flows from these receivables during the revolving period in excess of what is needed to pay certain expenses of the securitization trust and contractual interest payments on the related secured notes may be used to purchase additional receivables, provided that certain conditions are met following the purchase. The secured notes feature a scheduled revolving period, with the ability to repay the secured notes in full, after which an amortization period begins. The revolving period may also end with the amortization period beginning upon the occurrence of certain events that include certain segregated account balances falling below their required levels, credit losses or delinquencies on the pool of assets supporting the secured notes exceeding specified levels, the adjusted pool balance falling to less than 50% of the initial principal amount of the secured notes, or interest not being paid on the secured notes.

Public Securitization

We maintain a shelf registration statement with the SEC to provide for the issuance of securities backed by Securitized Assets in the U.S. capital markets during the three-year period ending December 2024. We regularly sponsor public securitization trusts that issue securities backed by retail finance receivables, including registered securities that we retain. None of these securities have defaulted, experienced any events of default or failed to pay principal in full at maturity. As of March 31, 2024 and 2023, we did not have any outstanding lease securitization transactions registered with the SEC.

Credit Facilities and Letters of Credit

For additional liquidity purposes, we maintain credit facilities, which may be used for general corporate purposes, as described below:

364-Day Credit Agreement, Three-Year Credit Agreement and Five-Year Credit Agreement

TMCC, Toyota Credit de Puerto Rico Corp. (“TCPR”), and other Toyota affiliates are party to a \$5.0 billion 364-day syndicated bank credit facility, a \$5.0 billion three-year syndicated bank credit facility, and a \$5.0 billion five-year syndicated bank credit facility, expiring in fiscal years ending March 31, 2025, 2027, and 2029, respectively.

The ability to make draws is subject to covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross-default provisions and limitations on certain consolidations, mergers and sales of assets. These agreements were not drawn upon and had no outstanding balances as of March 31, 2024 and 2023. We are currently in compliance with the covenants and conditions of the credit agreements described above.

Committed Revolving Asset-backed Facility

We are party to a 364-day revolving securitization facility with certain bank-sponsored asset-backed conduits and other financial institutions expiring in fiscal year ending March 31, 2025. Under the terms and subject to the conditions of this facility, the committed lenders under the facility have committed to make advances up to a facility limit of \$8.0 billion backed by eligible retail finance receivables transferred by us to a special-purpose entity acting as borrower. We utilized \$3.4 billion and \$5.5 billion of this facility as of March 31, 2024 and 2023, respectively.

Other Unsecured Credit Agreements

TMCC is party to additional unsecured credit facilities with various banks. As of March 31, 2024, TMCC had committed bank credit facilities totaling \$4.4 billion of which \$2.4 billion, \$75 million, and \$1.9 billion mature in fiscal years ending March 31, 2025, 2026, and 2027, respectively.

These credit agreements contain covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross-default provisions and limitations on certain consolidations, mergers and sales of assets. These credit facilities were not drawn upon and had no outstanding balances as of March 31, 2024 and 2023. We are currently in compliance with the covenants and conditions of the credit agreements described above.

TMCC is party to a \$5.0 billion three-year revolving credit facility with TMS expiring in fiscal year ending March 31, 2027. This credit facility was not drawn upon and had no outstanding balance as of March 31, 2024 and 2023.

From time to time, we may borrow from affiliates based upon a number of business factors such as funds availability, cash flow timing, relative cost of funds, and market access capabilities.

Credit Ratings

The cost and availability of unsecured financing is influenced by credit ratings, which are intended to be an indicator of the creditworthiness of a particular company, security, or obligation. 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 credit rating organization. Each credit rating organization may have different criteria for evaluating risk, and therefore ratings should be evaluated independently for each organization. Our credit ratings depend in part on the existence of the credit support agreements of TFSC and TMC. Refer to [Part I, Item 1A. Risk Factors](#) – “Our borrowing costs and access to the unsecured debt capital markets depend significantly on the credit ratings of TMCC and its parent companies and our credit support arrangements.”

Credit Support Agreements

Under the terms of a credit support agreement between TMC and TFSC, TMC has agreed to:

- maintain 100 percent ownership of TFSC;
- cause TFSC and its subsidiaries to have a tangible net worth (the aggregate amount of issued capital, capital surplus and retained earnings less any intangible assets) of at least JPY 10 million, equivalent to approximately \$66 thousand at March 31, 2024; and
- make sufficient funds available to TFSC so that TFSC will be able to (i) service the obligations arising out of its own bonds, debentures, notes and other investment securities and commercial paper and (ii) honor its obligations incurred as a result of guarantees or credit support agreements that it has extended (collectively, “Securities”).

The agreement is not a guarantee by TMC of any securities or obligations of TFSC. TMC’s obligations under the credit support agreement rank pari passu with TMC’s senior unsecured debt obligations. Either party may terminate the agreement upon 30 days written notice to the other party. However, such termination cannot take effect unless and until (1) all Securities issued on or prior to the date of the termination notice have been repaid or (2) each rating agency that has issued a rating in respect of TFSC or any Securities upon the request of TMC or TFSC has confirmed to TFSC that the debt ratings of all such Securities will be unaffected by such termination. In addition, with certain exceptions, the agreement may be modified only by the written agreement of TMC and TFSC, and no modification or amendment can have any adverse effect upon any holder of any Securities outstanding at the time of such modification or amendment. The agreement is governed by, and construed in accordance with, the laws of Japan.

Under the terms of a similar credit support agreement between TFSC and TMCC, TFSC has agreed to:

- maintain 100 percent ownership of TMCC;
- cause TMCC and its subsidiaries to have a tangible net worth (the aggregate amount of issued capital, capital surplus and retained earnings less any intangible assets) of at least \$100,000; and
- make sufficient funds available to TMCC so that TMCC will be able to service the obligations arising out of its own bonds, debentures, notes and other investment securities and commercial paper (collectively, “TMCC Securities”).

The agreement is not a guarantee by TFSC of any TMCC Securities. The agreement contains termination and modification provisions that are similar to those in the agreement between TMC and TFSC as described above. The agreement is governed by, and construed in accordance with, the laws of Japan. TMCC Securities do not include the securities issued by securitization trusts in connection with TMCC’s securitization programs or any indebtedness under TMCC’s credit facilities or term loan agreements.

Holders of TMCC Securities have the right to claim directly against TFSC and TMC to perform their respective obligations under the credit support agreements by making a written claim together with a declaration to the effect that the holder will have recourse to the rights given under the credit support agreements. If TFSC and/or TMC receive such a claim from any holder of TMCC Securities, TFSC and/or TMC shall indemnify, without any further action or formality, the holder against any loss or damage resulting from the failure of TFSC and/or TMC to perform any of their respective obligations under the credit support agreements. The holder of TMCC Securities who made the claim may then enforce the indemnity directly against TFSC and/or TMC.

In addition, TMCC and TFSC are parties to a credit support fee agreement which requires TMCC to pay to TFSC a fee which is based upon the weighted average outstanding amount of TMCC Securities entitled to credit support.

TCPR is the beneficiary of a credit support agreement with TFSC containing the same provisions as the credit support agreement between TFSC and TMCC but pertaining to TCPR bonds, debentures, notes and other investment securities and commercial paper (collectively, “TCPR Securities”). Holders of TCPR Securities have the right to claim directly against TFSC and TMC to perform their respective obligations as described above. This agreement is not a guarantee by TFSC of any securities or other obligations of TCPR. TCPR has agreed to pay TFSC a fee which is based upon the weighted average outstanding amount of TCPR Securities entitled to credit support.

Derivative Instruments

Our liabilities consist mainly of fixed and variable rate debt, denominated in U.S. dollars and various other currencies, which we issue in the global capital markets, while our assets consist primarily of U.S. dollar denominated, fixed rate receivables. We enter into interest rate swaps and foreign currency swaps to economically hedge the interest rate and foreign currency risks that result from the different characteristics of our assets and liabilities. Our use of derivative transactions is intended to reduce long-term fluctuations in the fair value of assets and liabilities caused by market movements. All of our derivatives are categorized as not designated for hedge accounting, and all of our derivative activities are authorized and monitored by our management and our Asset-Liability Committee (“ALCO”) which provides a framework for financial controls and governance to manage market risk.

Refer to [Note 6 – Derivatives, Hedging Activities and Interest Expense](#) of the Notes to Consolidated Financial Statements for further discussion and disclosure on derivative instruments.

NEW ACCOUNTING GUIDANCE

Refer to [Note 1 – Basis of Presentation and Significant Accounting Policies](#) of the Notes to Consolidated Financial Statements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make certain estimates which affect reported financial results. The evaluation of the factors used in determining each of our critical accounting estimates involves significant assumptions, complex analyses, and management judgment. Changes in the evaluation of these factors may have a significant impact on the consolidated financial statements. Additionally, due to inherent uncertainties in making estimates, actual results could differ from those estimates, and those differences could be material. The accounting estimates we consider to be critical are the following:

- Accumulated depreciation on investment in operating leases; and
- Allowance for credit losses

Accumulated Depreciation on Investment in Operating Leases

Accumulated depreciation on investment in operating leases reduces the value of the leased vehicles from their original value at acquisition to their expected market value at the end of the lease term. Refer to [Note 5 – Investments in Operating Leases, Net](#) of the Notes to Consolidated Financial Statements for further discussion and disclosure of our investment in operating leases, including accumulated depreciation.

Nature of Estimates and Assumptions Required

The accumulated depreciation on investment in operating leases is based on assumptions of end-of-term market value of the leased vehicles and the number of vehicles that will be returned at maturity. At the inception of a lease, the residual values are estimated by examining external industry data, the anticipated Toyota, Lexus, and private label product pipeline and our own experience. Factors considered in this evaluation include, but are not limited to, local, regional and national economic forecasts, new vehicle pricing, new vehicle incentive programs, new vehicle sales, competitor actions and behavior, product attributes of popular vehicles, the mix and level of used vehicle supply, current and projected used vehicle values, the actual or perceived quality, safety or reliability of Toyota, Lexus, and private label vehicles, buying and leasing behavior trends, and fuel prices. We review the estimated end-of-term market values of leased vehicles to assess the appropriateness of their carrying values on a quarterly basis. To the extent the estimated end-of-term market value of a leased vehicle is lower than the contractual residual value established at lease inception, the residual value of the leased vehicle is adjusted downward so that the carrying value at lease end will approximate the estimated end-of-term market value. Factors affecting the estimated end-of-term market value are similar to those considered in the evaluation of the contractual residual values 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.

The vehicle lease return rate represents the number of end-of-term leased vehicles returned to us for sale as a percentage of lease contracts that were originally scheduled to mature in the same period less certain qualified early terminations. When the market value of a leased vehicle at maturity is less than its contractual residual value (i.e., the price at which the lease customer may purchase the leased vehicle), there is a higher probability that the vehicle will be returned. In addition, a higher market supply of certain models of used vehicles generally results in a lower relative level of demand for those vehicles, resulting in a higher probability that the vehicle will be returned.

Sensitivity Analysis

At March 31, 2024, holding other estimates constant, if end-of-term market values for returned units were to decrease by one percent from our present estimates, the effect would be to increase depreciation expense by approximately \$67 million. If the forecasted end-of-term market value of a leased vehicle is less than the contractual residual value, additional depreciation expense is recorded.

At March 31, 2024, holding other estimates constant, if the return rate for our existing lease portfolio were to increase by one percentage point from our present estimates, the effect would be to increase depreciation expense by approximately \$14 million. Adjustments are made on a straight-line basis over the remaining terms of the leases and are included in Investment in operating leases, net on our Consolidated Balance Sheets and in Depreciation on operating leases in our Consolidated Statements of Income.

Allowance for Credit Losses

We maintain an allowance for credit losses to cover lifetime expected credit losses as of the balance sheet date on our earning assets resulting from the failure of customers or dealers to make required payments. For evaluation purposes, exposures to credit losses are segmented into the two primary categories of “retail loan” and “dealer”. Our retail loan portfolio consists, for accounting purposes, of our retail loan portfolio segment which is characterized by smaller contract balances than our dealer portfolio. Our dealer portfolio consists, for accounting purposes, of our dealer products portfolio segment. The overall allowance is evaluated at least quarterly, considering a variety of assumptions and factors to determine whether allowances are considered adequate to cover lifetime expected credit losses as of the balance sheet date. Refer to [Note 4 – Allowance for Credit Losses](#) of the Notes to Consolidated Financial Statements for further discussion and disclosure of our allowance for credit losses.

Retail Loan Portfolio

The level of credit risk for the retail loan portfolio is influenced by various factors such as economic conditions, the used vehicle market, credit quality, contract structure, and collection strategies and practices. The allowance for credit losses is measured on a collective basis when loans have similar risk characteristics such as loan-to-value ratio, book payment-to-income ratio, FICO score at origination, collateral type (new or used, Lexus, Toyota, or private label), contract term, and other relevant factors. We use statistical models to estimate lifetime expected credit losses of our retail loan portfolio segment by applying probability of default and loss given default to the exposure at default on a loan level basis. Probability of default models are developed from internal risk scoring models which consider variables such as delinquency status, historical default frequency, and other credit quality indicators such as loan-to-value ratio, book payment to income ratio, FICO score at origination, collateral type, and contract term. Loss given default models forecast the extent of losses given that a default has occurred and considers variables such as collateral, trends in recoveries, historical loss severity, and other contract structure variables. Exposure at default represents the expected outstanding principal balance, including the effects of expected prepayment when applicable. The lifetime expected credit losses incorporate the probability-weighted forward-looking macroeconomic forecasts for baseline, favorable, and adverse scenarios. The loan lifetime is regarded by management as the reasonable and supportable period. We use macroeconomic forecasts from a third party and update such forecasts quarterly. On an ongoing basis, we review our models, including macroeconomic factors, the selection of macroeconomic scenarios and their weighting to ensure they reflect the risk of the portfolio.

If management does not believe the models reflect lifetime expected credit losses, a qualitative adjustment is made to reflect management judgment regarding observable changes in recent or expected economic trends and conditions, portfolio composition, and other relevant factors.

Dealer Portfolio

The level of credit risk in the dealer portfolio is influenced primarily by the financial strength of dealers within our portfolio, dealer concentration, collateral quality, and other economic factors. The financial strength of dealers within our portfolio is influenced by, among other factors, general economic conditions, the overall demand for new and used vehicles and the financial condition of automotive manufacturers. The allowance for credit losses is established for both outstanding dealer finance receivables and certain unfunded off-balance sheet lending commitments. The allowance for credit losses is measured on a collective basis when loans have similar risk characteristics such as dealer group internal risk rating and loan-to-value ratios. We measure lifetime expected credit losses of our dealer products portfolio segment by applying probability of default and loss given default to the exposure at default on a loan level basis. Probability of default is primarily established based on internal risk assessments. The probability of default model also considers qualitative factors related to macroeconomic outlooks. Loss given default is established based on the nature and market value of the collateral, loan-to-value ratios and other credit quality indicators. Exposure at default represents the expected outstanding principal balance. The lifetime of the loan or lending commitment is regarded by management as the reasonable and supportable period. On an ongoing basis, we review our models and the macroeconomic outlook, to ensure they reflect the risk of the portfolio.

If management does not believe the models reflect lifetime expected credit losses, a qualitative adjustment is made to reflect management judgment regarding observable changes in recent or expected economic trends and conditions, portfolio composition, and other relevant factors.

Sensitivity Analysis

The assumptions used in evaluating our exposure to credit losses involve estimates and significant judgment. The majority of our credit losses are related to our retail loan portfolio. Holding other estimates constant, a 10 percent increase or decrease in the assumptions used to derive probability of default and loss given default would have resulted in a change in the allowance for credit losses of \$155 million as of March 31, 2024.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK

Our business and global capital market activities give rise to market sensitive assets and liabilities. This sensitivity is considered market risk and is caused by changes in market prices of our financial instruments on the balance sheet which is driven by various market factors such as interest rates, foreign exchange rates, credit spreads, and other market driven factors. Market risk is inherent in the financial instruments associated with our operations such as cash equivalents, finance receivables, debt and equity securities, debt, and derivatives.

ALCO is responsible for the execution of our market risk management strategies and their activities are governed by written policies and procedures. The principal objective of asset and liability management is to manage the sensitivity of net interest margin to changing interest rates. When evaluating risk management strategies, we consider a variety of factors, including, but not limited to, management's risk tolerance, market conditions and portfolio composition.

We manage our exposure to certain market risks through our regular operating and financing activities and when deemed appropriate, through the use of derivative instruments. These instruments are used to manage underlying exposures; we do not use derivatives for trading, market making or speculative purposes. Refer to "Derivative Instruments" within [Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#) for information on risk management strategies, corporate governance and derivatives usage.

Interest Rate Risk

Interest rate risk can result from timing differences in the maturity or re-pricing of assets and liabilities. Changes in the level and volatility of market interest rate curves also create interest rate risk as the re-pricing of assets and liabilities are a function of implied forward interest rates. We are also exposed to basis risk, which is the difference in re-pricing characteristics of two floating rate indices.

We use sensitivity simulations to assess and manage interest rate risk. Our simulations allow us to analyze the sensitivity of our existing portfolio as well as the expected sensitivity of our new business. We measure the potential volatility in our net interest margin and manage our interest rate risk by assessing the dollar impact given a 100-basis point increase or decrease in the implied yield curve. We have established risk limits to monitor and control our exposures. ALCO reviews the amount at risk and prescribes steps, if needed, to mitigate our exposure. Our current exposure is considered within tolerable limits.

Sensitivity Model Assumptions

Interest rate scenarios were derived from implied forward curves based on market expectations. Internal and external data sources were used for the reinvestment of maturing assets, refinancing of maturing debt and replacement of maturing derivatives. The prepayment of retail and lease contracts was based on our historical experience and attrition projections, voluntary or involuntary. We monitor our balance sheet positions, economic trends and market conditions, internal forecasts and expected business growth in an effort to maintain the reasonableness of the sensitivity model.

The table below reflects the potential 12-month change in pre-tax cash flows based on hypothetical movements in future market interest rates. The sensitivity analysis assumes instantaneous, parallel shifts in interest rate yield curves. These interest rate scenarios do not represent management's view of future interest rate movements. In reality, interest rate movements are rarely instantaneous or parallel and rates could move more or less than the rate scenarios reflected in the table below. In situations where existing interest rates are below one percent, the assumption of a 100-basis point decrease in interest rates is subject to a floor of zero percent, which is reflected in the "-100bp" scenario for both March 31, 2024 and 2023.

Sensitivity analysis (in millions)	Immediate change in rates	
	+100bp	-100bp
March 31, 2024	\$ 12.7	\$ (11.8)
March 31, 2023	\$ (1.8)	\$ 2.8

Our net interest cash flow sensitivity results show a slightly asset sensitive position on March 31, 2024 and slightly liability sensitive position on March 31, 2023. We regularly assess the viability of our business and hedging strategies to reduce unacceptable risks to earnings and implement strategies to protect our net interest margins from the potential negative effects of changes in interest rates. We have established risk limits to monitor and control our exposures. Our current exposure is considered within tolerable limits.

Foreign Currency Risk

Foreign currency risk represents exposure to changes in the values of our current holdings and future cash flows denominated in other currencies. To meet our funding objectives, we issue fixed and variable rate debt denominated in a number of different currencies. Our policy is to minimize exposures to changes in foreign exchange rates. Currency exposure related to foreign currency debt is economically hedged at issuance through the execution of foreign currency swaps which effectively convert our obligations on foreign denominated debt into U.S. dollar denominated SOFR based payments. As a result, our economic exposure to foreign currency risk is minimized.

Certain equity investments in our investment securities portfolio are exposed to foreign currency risk. The equity investments may invest directly in foreign currencies, in securities that trade in and receive revenues in foreign currencies, or in financial derivatives that provide exposure to foreign currencies. The equity investments may also enter into foreign currency derivative contracts to hedge the currency exposure associated with some or all of the equity investments' securities. The market value of these holdings is translated into U.S. dollars based on the current exchange rates each business day. The effect of changes in foreign currency on our portfolio is reflected in the net asset value of the equity investment.

Derivative Counterparty Credit Risk

We manage derivative counterparty credit risk by maintaining policies for entering into derivative contracts, exercising our rights under our derivative contracts, requiring the posting of collateral and actively monitoring our exposure to counterparties.

All of our derivative counterparties to which we had credit exposure at March 31, 2024 were assigned investment grade ratings by a credit rating organization. Our counterparty credit risk could be adversely affected by deterioration of the global economy and financial distress in the banking industry.

Our ISDA Master Agreements permit multiple transactions to be cancelled and settled with a single net balance paid to either party in the event of default or other termination event outside the normal course of business, such as a ratings downgrade of either party to the contract. These ISDA Master Agreements also contain reciprocal collateral arrangements which help mitigate our exposure to the credit risk associated with our counterparties. As of March 31, 2024, we have daily valuation and collateral exchange arrangements with all of our counterparties. Our collateral agreements with substantially all our counterparties include a zero threshold, full collateralization requirement, which has significantly reduced counterparty credit risk exposure. Under our ISDA Master Agreements, cash is the only permissible form of collateral. Neither we nor our counterparties are required to hold collateral in a segregated account. Upon default, the collateral agreement grants the party in a net asset position the right to set-off amounts receivable against any posted collateral.

We also enter into centrally cleared derivatives which are subject to master netting agreements and perform valuation and margin exchange on a daily basis.

Issuer Credit Risk

Issuer credit risk represents exposures to changes in the creditworthiness of individual issuers or groups of issuers. Changes in economic conditions may expose us to issuer credit risk where the value of an asset may be adversely impacted by changes in the levels of credit spreads, by credit migration, or by defaults.

The following tables summarize our investments in marketable securities distribution by credit rating as of:

(Dollars in millions)	March 31, 2024						
	Amortized cost	Fair value	Distribution by credit rating				
			AAA	AA	A	BBB	BB or below
Available-for-sale debt securities:							
U.S. government and agency obligations	\$ 783	\$ 697	\$ -	\$ 697	\$ -	\$ -	\$ -
Foreign government and agency obligations	13	12	-	2	1	4	5
Municipal debt securities	8	7	1	6	-	-	-
Corporate debt securities	477	430	-	3	120	250	57
Mortgage-backed securities	199	184	32	127	14	2	9
Asset-backed securities	142	138	46	32	27	25	8
Total available-for-sale debt securities:	<u>\$ 1,622</u>	<u>\$ 1,468</u>	<u>\$ 79</u>	<u>\$ 867</u>	<u>\$ 162</u>	<u>\$ 281</u>	<u>\$ 79</u>
Fixed income mutual funds		\$ 1,964	\$ 267	\$ 455	\$ 1,233	\$ 9	\$ -
Total		<u>\$ 3,432</u>	<u>\$ 346</u>	<u>\$ 1,322</u>	<u>\$ 1,395</u>	<u>\$ 290</u>	<u>\$ 79</u>

(Dollars in millions)	March 31, 2023						
	Amortized cost	Fair value	Distribution by credit rating				
			AAA	AA	A	BBB	BB or below
Available-for-sale debt securities:							
U.S. government and agency obligations	\$ 796	\$ 744	\$ 744	\$ -	\$ -	\$ -	\$ -
Foreign government and agency obligations	14	12	-	-	4	3	5
Municipal debt securities	8	8	3	4	1	-	-
Corporate debt securities	487	430	-	3	127	249	51
Mortgage-backed securities	152	140	109	8	17	-	6
Asset-backed securities	127	120	40	21	23	29	7
Total available-for-sale debt securities:	<u>\$ 1,584</u>	<u>\$ 1,454</u>	<u>\$ 896</u>	<u>\$ 36</u>	<u>\$ 172</u>	<u>\$ 281</u>	<u>\$ 69</u>
Fixed income mutual funds		\$ 2,712	\$ 242	\$ 471	\$ 1,175	\$ 815	\$ 9
Total		<u>\$ 4,166</u>	<u>\$ 1,138</u>	<u>\$ 507</u>	<u>\$ 1,347</u>	<u>\$ 1,096</u>	<u>\$ 78</u>

Equity Price Risk

We are exposed to equity price risk related to our investments in equity mutual funds included in our investment portfolio. These investments, classified as available-for-sale on our Consolidated Balance Sheet, consist of passively managed mutual funds that are designed to track the performance of major equity market indices. Fair market values of the equity investments are determined using a net asset value that is quoted in an active market.

We utilize the Value at Risk (“VaR”) methodology to simulate the potential loss in fair value of our investment portfolio due to adverse market movements. The model is based on historical data for the previous year assuming a holding period of 30 business days and a loss methodology approximating a 99 percent confidence interval.

The table below shows the VaR, excluding taxation impact, of our equity investment portfolio as of and for the period ending:

(Dollars in millions)	March 31, 2024	March 31, 2023
Average	\$ 124	\$ 112
Minimum	\$ 69	\$ 65
Maximum	\$ 163	\$ 124

These hypothetical scenarios, derived from historical market price fluctuations, represent an estimate of reasonably possible net losses and are not necessarily indicative of actual results that may occur. Additionally, the hypothetical scenarios do not represent the maximum possible loss or any expected loss that may occur, since actual future gains and losses will differ from estimates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder of Toyota Motor Credit Corporation:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Toyota Motor Credit Corporation and its subsidiaries (the “Company”) as of March 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, shareholder’s equity and cash flows for each of the three years in the period ended March 31, 2024, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2024 in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for investment tax credits in fiscal 2024.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

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

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Retail Loan Portfolio Allowance for Credit Losses

As described in Notes 3 and 4 to the consolidated financial statements, the Company had retail loans of \$87,125 million, for which an allowance for credit losses of \$1,549 million was recorded as of March 31, 2024. The allowance for credit losses represents management’s estimate of expected credit losses over the expected lifetime of the loans. The loan lifetime is regarded by management as the reasonable and supportable period. Management uses statistical models to estimate lifetime expected credit losses of the retail loan portfolio by applying probability

of default and loss given default to the exposure at default on a loan level basis. Probability of default models are developed from internal risk scoring models which consider variables such as delinquency status, historical default frequency and other credit quality indicators such as loan-to-value ratio, book payment-to-income ratio, FICO score at origination, collateral type, and contract term. Loss given default models forecast the extent of losses given that a default has occurred and consider variables such as collateral, trends in recoveries, historical loss severity and other contract structure variables. Exposure at default represents the expected outstanding principal balance, including the effects of expected prepayment when applicable. The lifetime expected credit losses incorporate the probability weighted forward looking macroeconomic forecasts for baseline, favorable, and adverse scenarios. If management does not believe the models reflect lifetime expected credit losses, a qualitative adjustment is made to reflect management judgment regarding observable changes in recent or expected economic trends and conditions, portfolio composition, and other relevant factors.

The principal considerations for our determination that performing procedures relating to the retail loan portfolio allowance for credit losses is a critical audit matter are (i) the significant judgment by management in determining the estimate of the retail loan portfolio allowance for credit losses, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to probability of default and loss given default assumptions and the qualitative adjustment used in estimating the allowance for credit losses, and (ii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures also included, among others, testing management's process for estimating the retail loan portfolio allowance for credit losses by (i) evaluating the appropriateness of the models used to estimate the retail loan portfolio allowance for credit losses, (ii) testing certain data used in the estimate, and (iii) evaluating the reasonableness of probability of default and loss given default assumptions and the qualitative adjustment, which also involved the use of professionals with specialized skill and knowledge to perform these procedures to test management's process.

/s/ PricewaterhouseCoopers LLP

Dallas, Texas
June 4, 2024

We have served as the Company's auditor since 1983.

TOYOTA MOTOR CREDIT CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in millions)

	Years ended March 31,		
	2024	2023	2022
Financing revenues:			
Operating lease	\$ 6,270	\$ 7,063	\$ 8,337
Retail	4,965	3,737	3,254
Dealer	909	493	329
Total financing revenues	12,144	11,293	11,920
Depreciation on operating leases	4,179	5,122	5,846
Interest expense	4,705	3,054	1,401
Net financing revenues	3,260	3,117	4,673
Voluntary protection contract revenues and insurance earned premiums	1,120	1,053	1,015
Investment and other income (loss), net	873	97	(26)
Net financing revenues and other revenues	5,253	4,267	5,662
Expenses:			
Provision for credit losses	839	713	236
Operating and administrative	1,920	1,776	1,697
Voluntary protection contract expenses and insurance losses	592	470	405
Total expenses	3,351	2,959	2,338
Income before income taxes	1,902	1,308	3,324
Provision for income taxes	442	329	789
Net income	<u>\$ 1,460</u>	<u>\$ 979</u>	<u>\$ 2,535</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in millions)

	Years ended March 31,		
	2024	2023	2022
Net income	\$ 1,460	\$ 979	\$ 2,535
Other comprehensive income, net of tax			
Net unrealized losses on available-for-sale debt securities [net of tax benefit of \$2, \$10 and \$8, respectively]	(7)	(37)	(28)
Reclassification of net (gains) losses realized on available-for-sale debt securities included in investment and other income, net [net of tax provision of \$0, \$0 and \$0, respectively]	(1)	1	(1)
Other comprehensive loss	(8)	(36)	(29)
Comprehensive income	<u>\$ 1,452</u>	<u>\$ 943</u>	<u>\$ 2,506</u>

Refer to the accompanying Notes to Consolidated Financial Statements.

TOYOTA MOTOR CREDIT CORPORATION
CONSOLIDATED BALANCE SHEETS
(Dollars in millions except share data)

	March 31, 2024	March 31, 2023
ASSETS		
Cash and cash equivalents	\$ 8,570	\$ 6,398
Restricted cash and cash equivalents	2,251	2,090
Investments in marketable securities	4,505	5,037
Finance receivables, net of allowance for credit losses of \$1,637 and \$1,489, respectively	101,669	90,280
Investments in operating leases, net	28,013	29,869
Other assets	4,373	3,921
Total assets	<u>\$ 149,381</u>	<u>\$ 137,595</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Debt	\$ 122,420	\$ 111,685
Deferred income taxes	3,272	3,727
Other liabilities	6,707	5,674
Total liabilities	<u>132,399</u>	<u>121,086</u>
Commitments and contingencies (Refer to Note 9)		
Shareholder's equity:		
Capital stock, no par value (100,000 shares authorized; 91,500 issued and outstanding) at March 31, 2024 and 2023	915	915
Additional paid-in capital	2	2
Accumulated other comprehensive loss	(65)	(57)
Retained earnings	16,130	15,649
Total shareholder's equity	<u>16,982</u>	<u>16,509</u>
Total liabilities and shareholder's equity	<u>\$ 149,381</u>	<u>\$ 137,595</u>

The following table presents the assets and liabilities of our consolidated variable interest entities (Refer to [Note 8](#)).

	March 31, 2024	March 31, 2023
ASSETS		
Finance receivables, net	\$ 31,130	\$ 28,764
Investments in operating leases, net	10,274	11,063
Other assets	142	108
Total assets	<u>\$ 41,546</u>	<u>\$ 39,935</u>
LIABILITIES		
Debt	\$ 34,337	\$ 32,736
Other liabilities	66	51
Total liabilities	<u>\$ 34,403</u>	<u>\$ 32,787</u>

Refer to the accompanying Notes to Consolidated Financial Statements.

TOYOTA MOTOR CREDIT CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY
(Dollars in millions)

	Capital stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at March 31, 2021	\$ 915	\$ 2	\$ 8	\$ 14,670	\$ 15,595
Net income	-	-	-	2,535	2,535
Other comprehensive loss, net of tax	-	-	(29)	-	(29)
Balance at March 31, 2022	<u>\$ 915</u>	<u>\$ 2</u>	<u>\$ (21)</u>	<u>\$ 17,205</u>	<u>\$ 18,101</u>
Net income	-	-	-	979	979
Other comprehensive loss, net of tax	-	-	(36)	-	(36)
Dividends	-	-	-	(2,535)	(2,535)
Balance at March 31, 2023	<u>\$ 915</u>	<u>\$ 2</u>	<u>\$ (57)</u>	<u>\$ 15,649</u>	<u>\$ 16,509</u>
Net income	-	-	-	1,460	1,460
Other comprehensive loss, net of tax	-	-	(8)	-	(8)
Dividends	-	-	-	(979)	(979)
Balance at March 31, 2024	<u>\$ 915</u>	<u>\$ 2</u>	<u>\$ (65)</u>	<u>\$ 16,130</u>	<u>\$ 16,982</u>

Refer to the accompanying Notes to Consolidated Financial Statements.

TOYOTA MOTOR CREDIT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in millions)

	Years ended March 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net income	\$ 1,460	\$ 979	\$ 2,535
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,301	5,205	5,963
Recognition of deferred income and fees	(1,507)	(1,797)	(2,396)
Provision for credit losses	839	713	236
Amortization of deferred costs	1,030	1,029	1,019
Foreign currency and other adjustments to the carrying value of financial instruments, net	180	206	(230)
Net (gains) losses from investments in marketable securities	(145)	375	181
Net change in:			
Derivative assets	10	10	(7)
Other assets and accrued interest	91	(1,040)	(465)
Deferred income taxes	(453)	2,173	(1,288)
Derivative liabilities	6	(8)	24
Other liabilities	1,003	(505)	652
Net cash provided by operating activities	6,815	7,340	6,224
Cash flows from investing activities:			
Purchase of investments in marketable securities	(727)	(2,467)	(2,468)
Proceeds from sales of investments in marketable securities	1,282	1,902	1,769
Proceeds from maturities of investments in marketable securities	113	59	338
Acquisition of finance receivables	(54,549)	(49,105)	(47,923)
Collection of finance receivables	44,692	41,309	41,372
Net change in certain wholesale receivables	(2,442)	(930)	3,168
Acquisition of investments in operating leases	(13,755)	(9,617)	(15,064)
Proceeds from disposals of investments in operating leases	11,888	11,001	12,510
Long term loans to affiliates	(1,145)	(760)	(200)
Payments on long term loans from affiliates	669	340	300
Net change in financing support provided to affiliates	(5)	(36)	(26)
Other, net	(74)	(83)	(71)
Net cash used in investing activities	(14,053)	(8,387)	(6,295)
Cash flows from financing activities:			
Proceeds from issuance of debt	43,413	38,797	37,266
Payments on debt	(33,498)	(35,374)	(38,156)
Net change in commercial paper and other short-term financing	635	(1,088)	555
Net change in financing support provided by affiliates	-	-	(11)
Dividend paid	(979)	(2,535)	-
Net cash provided by (used in) financing activities	9,571	(200)	(346)
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	2,333	(1,247)	(417)
Cash and cash equivalents and restricted cash and cash equivalents at the beginning of the period	8,488	9,735	10,152
Cash and cash equivalents and restricted cash and cash equivalents at the end of the period	\$ 10,821	\$ 8,488	\$ 9,735
Supplemental disclosures:			
Interest paid, net	\$ 4,010	\$ 2,375	\$ 1,649
Income taxes paid (received), net	\$ 57	\$ (462)	\$ 1,797

Refer to the accompanying Notes to Consolidated Financial Statements.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 1 – Basis of Presentation and Significant Accounting Policies

Nature of Operations

Toyota Motor Credit Corporation (“TMCC”) is a wholly-owned subsidiary of Toyota Financial Services International Corporation (“TFSIC”), a California corporation, which is a wholly-owned subsidiary of Toyota Financial Services Corporation (“TFSC”), a Japanese corporation. TFSC, in turn, is a wholly-owned subsidiary of Toyota Motor Corporation (“TMC”), a Japanese corporation. TFSC manages TMC’s worldwide financial services operations. References herein to the “Company”, “we”, “our”, and “us” denote TMCC and its consolidated subsidiaries. TMCC is marketed under the brands of Toyota Financial Services, Lexus Financial Services, Mazda Financial Services, and Bass Pro Shops Financial Services.

We provide a variety of finance and voluntary vehicle and payment protection products and services to authorized Toyota and Lexus dealers or dealer groups, private label dealers or dealer groups, and, to a lesser extent, other domestic and import franchise dealers (collectively referred to as “dealers”) and their customers in the United States of America (the “U.S.”) and Puerto Rico. Our business is substantially dependent upon the sale of Toyota, Lexus, and private label vehicles.

Our products and services fall primarily into the following categories:

- ***Finance Operations*** - We acquire retail installment sales contracts from dealers in the U.S. and Puerto Rico (“retail contracts”) and leasing contracts accounted for as operating leases (“lease contracts”) from dealers in the U.S. We collectively refer to our retail and lease contracts as the “consumer portfolio.” We also provide dealer financing, including wholesale financing, working capital loans, revolving lines of credit and real estate financing to dealers in the U.S. and Puerto Rico. We collectively refer to our dealer financing portfolio as the “dealer portfolio.”
- ***Voluntary Protection Operations*** - Through Toyota Motor Insurance Services, Inc., a wholly-owned subsidiary, and its insurance company subsidiaries (collectively referred to as “TMIS”), we provide underwriting and claims administration for voluntary vehicle and payment protection products sold by dealers in the U.S. Our voluntary vehicle and payment protection products include vehicle service, guaranteed auto protection, prepaid maintenance, excess wear and use, tire and wheel protection, key replacement protection, and used vehicle limited warranty contracts (“voluntary protection products”). TMIS also provides coverage and related administrative services to certain of our affiliates in the U.S.

Our finance operations are located in the U.S. and Puerto Rico with earning assets principally sourced through Toyota, Lexus, and private label dealers. As of March 31, 2024, approximately 21 percent of retail and lease contracts were concentrated in California, 13 percent in Texas, 7 percent in New York, and 5 percent in New Jersey. Our voluntary protection operations are located in the U.S. As of March 31, 2024, approximately 23 percent of voluntary protection contracts were concentrated in California, 6 percent in New York, and 5 percent in Maryland. Any material adverse changes to the economies or applicable laws in these states could have an adverse effect on our financial condition and results of operations.

Other Matters

In fiscal 2023, in furtherance of its private label financial services initiative for third party automotive and mobility companies, we began to provide private label financial services to Great American Outdoors Group LLC, the parent company of Bass Pro Shops, Cabela’s and the White River Marine Group (“Bass Pro Shops”) for Bass Pro Shops’ boats, all-terrain vehicle products, and other mobility products. Pursuant to the agreement with Bass Pro Shops, we currently provide inventory financing, as well as consumer financing and voluntary protection products and services in certain stores for Bass Pro Shops, its affiliates, and authorized independent dealers. We are leveraging our existing processes and personnel to originate and service the new assets, and we have made certain technology investments to support the Bass Pro Shops program. We did not acquire any existing Bass Pro Shops assets or liabilities pursuant to the agreement, and launch costs were not significant.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 1 – Basis of Presentation and Significant Accounting Policies (Continued)

Basis of Presentation and Principles of Consolidation

Our accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”). Certain prior period amounts have been reclassified to conform to current period presentation. Related party transactions presented in the Consolidated Financial Statements are disclosed in [Note 12 – Related Party Transactions](#).

The consolidated financial statements include the accounts of TMCC, its wholly-owned subsidiaries and all variable interest entities (“VIE”) of which we are the primary beneficiary. All intercompany transactions and balances have been eliminated.

In the fourth quarter of fiscal 2024, we changed our accounting method for investment tax credits from the flow-through method to the deferral method. While the flow-through method is acceptable under U.S. GAAP, we believe the deferral method is preferable as the benefit of the investment tax credit is amortized over the same period as lease revenue and corresponding depreciation related to the underlying vehicle is recognized. The fiscal 2024 full year impact of this change resulted in a \$60 million decrease to depreciation on operating leases, a \$205 million increase to our provision for income taxes, which resulted in a reduction of \$145 million to net income. The increase to provision for income taxes caused our effective tax rate to increase from the estimated 10.5% as of December 31, 2023, to 23.2% as of March 31, 2024. Based on the amount of the investment tax credits received prior to fiscal 2024, the change in accounting principle was immaterial to our prior-period financial statements. See [Note 11 – Income Taxes](#) for further discussion of this change in accounting principle.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Because of inherent uncertainty involved in making estimates, actual results could differ from those estimates and assumptions. The accounting estimates that are most important to our business are the accumulated depreciation related to our investments in operating leases and the allowance for credit losses.

Significant Accounting Policies

Our significant accounting policies are found in the respective Note for which the policy is applicable.

Recently Adopted Accounting Guidance

On April 1, 2022, we adopted ASU 2021-05, *Lessors-Certain Leases with Variable Lease Payments (Topic 842)*, which requires a lessor to classify and account for a lease with variable lease payments that do not depend on a reference index or rate as an operating lease if certain criteria are met. The adoption of this guidance did not have a material impact on our consolidated financial statements and related disclosures.

On April 1, 2023, we adopted ASU 2022-02, *Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, on a prospective basis. This ASU eliminates the accounting guidance for Troubled Debt Restructurings by creditors that have adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, while enhancing disclosure requirements for certain loan refinancing and restructurings made to borrowers experiencing financial difficulty. Additionally, the ASU adds the requirement to disclose current period gross write-offs by year of origination for financing receivables. The adoption of this guidance did not have a material impact on our consolidated financial statements and related disclosures. Refer to [Note 3 - Finance Receivables](#), Net for additional information.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 1 – Basis of Presentation and Significant Accounting Policies (Continued)

Accounting Guidance Issued But Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280)*, to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This ASU is effective for us on March 31, 2025, with early adoption permitted. We are currently evaluating the impact of this standard on our consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740)*, requiring more granular disclosure of the components of income taxes. This ASU is effective for us on March 31, 2026, with early adoption permitted. We are currently evaluating the impact of this standard on our consolidated financial statements and related disclosures.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 2 – Cash and Cash Equivalents and Investments in Marketable Securities

Cash and cash equivalents

Cash and cash equivalents represent highly liquid investments with maturities of three months or less from the date of acquisition and may include money market instruments, commercial paper, certificates of deposit, U.S. government and agency obligations, or similar instruments.

Restricted cash and cash equivalents

Restricted cash and cash equivalents include customer collections on securitized receivables to be distributed to investors as payments on the related secured notes and loans payable, which are primarily related to securitization trusts. Restricted cash equivalents may also contain proceeds from certain debt issuances for which the use of the cash is restricted.

Investments in marketable securities

Investments in marketable securities consist of debt securities and equity investments.

We classify all of our debt securities as available-for-sale (“AFS”). Except when the fair value option is elected, AFS debt securities are recorded at fair value with unrealized gains or losses included in accumulated other comprehensive income (“AOCI”), net of applicable taxes. Interest income is recognized on an accrual basis and determined using the effective interest method. Realized gains and losses from sales of AFS debt securities are determined using the specific identification method or first in first out method. Dividend income, interest income, and realized gains and losses from the sales of AFS debt securities are included in Investment and other income (loss), net in our Consolidated Statements of Income.

We elected the fair value option for certain debt securities held within one of our investment portfolios for operational ease given the size and composition of this portfolio. All debt securities within this specific portfolio are recorded at fair value with changes in fair value included in Investment and other income (loss), net in our Consolidated Statements of Income. AFS debt securities for which the fair value option is elected are not subject to credit loss impairment evaluation. As of March 31, 2024 and 2023, we held AFS debt securities for which the fair value option was elected of \$778 million and \$770 million, respectively. The difference between the aggregate fair value and the aggregate unpaid principal balance of AFS debt securities for which the fair value option was elected was an unrealized loss of \$70 million and \$57 million as of March 31, 2024 and 2023, respectively.

All equity investments are recorded at fair value with changes in fair value included in Investment and other income (loss), net in our Consolidated Statements of Income. Realized gains and losses from sales of equity investments are determined using the first in first out method and are included in Investment and other income (loss), net in our Consolidated Statements of Income.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 2 – Cash and Cash Equivalents and Investments in Marketable Securities (Continued)

Investments in marketable securities consisted of the following:

	March 31, 2024			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale debt securities:				
U.S. government and agency obligations	\$ 783	\$ 1	\$ (87)	\$ 697
Foreign government and agency obligations	13	-	(1)	12
Municipal debt securities	8	-	(1)	7
Corporate debt securities	477	2	(49)	430
Mortgage-backed securities:				
U.S. government agency	123	-	(5)	118
Non-agency residential	12	-	(1)	11
Non-agency commercial	64	-	(9)	55
Asset-backed securities	142	1	(5)	138
Total available-for-sale debt securities	<u>\$ 1,622</u>	<u>\$ 4</u>	<u>\$ (158)</u>	<u>\$ 1,468</u>
Equity investments				<u>3,037</u>
Total investments in marketable securities				<u>\$ 4,505</u>

	March 31, 2023			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale debt securities:				
U.S. government and agency obligations	\$ 796	\$ 7	\$ (59)	\$ 744
Foreign government and agency obligations	14	-	(2)	12
Municipal debt securities	8	1	(1)	8
Corporate debt securities	487	2	(59)	430
Mortgage-backed securities:				
U.S. government agency	76	-	(3)	73
Non-agency residential	10	-	(1)	9
Non-agency commercial	66	-	(8)	58
Asset-backed securities	127	-	(7)	120
Total available-for-sale debt securities	<u>\$ 1,584</u>	<u>\$ 10</u>	<u>\$ (140)</u>	<u>\$ 1,454</u>
Equity investments				<u>3,583</u>
Total investments in marketable securities				<u>\$ 5,037</u>

A portion of our equity investments are investments in funds that are privately placed and managed by an open-end investment management company (the “Trust”). If we elect to redeem shares, the Trust will normally redeem all shares for cash, but may, in unusual circumstances, redeem amounts exceeding the lesser of \$250 thousand or 1 percent of the Trust’s asset value by payment in kind of securities held by the respective fund during any 90-day period.

We also invest in actively traded open-end mutual funds. Redemptions are subject to normal terms and conditions as described in each fund’s prospectus.

We had no non-cash investing activities related to in kind redemption in fiscal 2024 and 2023. Non-cash investing activities related to in kind redemptions and subsequent purchases amounted to \$1.1 billion in fiscal 2022.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 2 – Cash and Cash Equivalents and Investments in Marketable Securities (Continued)

Unrealized Losses on Securities

The following table presents the aggregate fair value and unrealized losses on AFS debt securities in a continuous unrealized loss position:

	March 31, 2024					
	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Available-for-sale debt securities:						
U.S. government and agency obligations	\$ 317	\$ (13)	\$ 336	\$ (74)	\$ 653	\$ (87)
Foreign government and agency obligations	1	-	8	(1)	9	(1)
Municipal debt securities	-	-	2	(1)	2	(1)
Corporate debt securities	31	(3)	339	(46)	370	(49)
Mortgage-backed securities						
U.S. Government agency	51	(1)	49	(4)	100	(5)
Non-agency residential	1	-	7	(1)	8	(1)
Non-agency commercial	1	-	53	(9)	54	(9)
Asset-backed securities	17	-	58	(5)	75	(5)
Total available-for-sale debt securities	<u>\$ 419</u>	<u>\$ (17)</u>	<u>\$ 852</u>	<u>\$ (141)</u>	<u>\$ 1,271</u>	<u>\$ (158)</u>

	March 31, 2023					
	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Available-for-sale debt securities:						
U.S. government and agency obligations	\$ 90	\$ (3)	\$ 304	\$ (56)	\$ 394	\$ (59)
Foreign government and agency obligations	-	-	11	(2)	11	(2)
Municipal debt securities	-	-	2	(1)	2	(1)
Corporate debt securities	46	(2)	352	(57)	398	(59)
Mortgage-backed securities						
U.S. Government agency	38	(1)	17	(2)	55	(3)
Non-agency residential	-	-	8	(1)	8	(1)
Non-agency commercial	-	-	57	(8)	57	(8)
Asset-backed securities	47	(1)	59	(6)	106	(7)
Total available-for-sale debt securities	<u>\$ 221</u>	<u>\$ (7)</u>	<u>\$ 810</u>	<u>\$ (133)</u>	<u>\$ 1,031</u>	<u>\$ (140)</u>

An allowance for credit losses is established when it is determined that a credit loss has occurred. As of March 31, 2024 and 2023, management determined credit losses for securities in an unrealized loss position were not significant. This analysis considered a variety of factors including, but not limited to, performance indicators of the issuer, default rates, industry analyst reports, credit ratings, and other relevant information.

Gains and Losses on Securities

The following table represents gains and losses on our investments in marketable securities presented in our Consolidated Statements of Income:

	Years ended March 31,		
	2024	2023	2022
Available-for-sale debt securities:			
Unrealized losses on securities for which the fair value option was elected ¹	\$ (13)	\$ (17)	\$ (41)
Realized losses on sales	\$ (1)	\$ (38)	\$ (4)
Equity investments:			
Unrealized gains (losses)	\$ 296	\$ (297)	\$ (158)
Realized (losses) gains on sales	\$ (137)	\$ (23)	\$ 22

¹ Starting in fiscal 2022, we elected the fair value option for certain debt securities.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 2 – Cash and Cash Equivalents and Investments in Marketable Securities (Continued)

Contractual Maturities

The amortized cost and fair value by contractual maturities of available-for-sale debt securities are summarized in the following table. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations.

	March 31, 2024	
	<u>Amortized cost</u>	<u>Fair value</u>
Available-for-sale debt securities:		
Due within 1 year	\$ 52	\$ 51
Due after 1 year through 5 years	309	293
Due after 5 years through 10 years	471	442
Due after 10 years	449	360
Mortgage-backed and asset-backed securities ¹	341	322
Total	<u>\$ 1,622</u>	<u>\$ 1,468</u>

¹. Mortgage-backed and asset-backed securities are shown separately from other maturity groupings as these securities have multiple maturity dates.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 3 – Finance Receivables, Net

Finance receivables, net consists of retail loan and dealer products portfolio segments, and includes deferred origination costs, deferred income, and allowance for credit losses. Finance receivables, net also includes securitized retail receivables, which represent retail receivables that have been sold for legal purposes to securitization trusts but continue to be included in our consolidated financial statements, as discussed further in [Note 8 – Variable Interest Entities](#). Cash flows from these securitized retail receivables are available only for the repayment of debt issued by these trusts and other obligations arising from the securitization transactions. They are not available for payment of our other obligations or to satisfy claims of our other creditors.

Finance receivables are classified as held-for-investment if the Company has the intent and ability to hold the receivables for the foreseeable future or until maturity or payoff. As of March 31, 2024 and 2023, all finance receivables were classified as held-for-investment.

Revenues associated with retail and dealer financing are recognized to approximate a constant effective yield over the contract term. Incremental direct fees and costs incurred in connection with the acquisition of retail contracts and dealer financing receivables, including incentive and rate participation payments made to dealers, are capitalized and amortized to approximate a constant effective yield over the term of the related contracts. Payments received on subvention and other consumer incentives are deferred and recognized to approximate a constant effective yield over the term of the related contracts.

For both retail loan and dealer products portfolio segments, accrued interest, deferred income, and deferred origination costs, if any, are written off within Provision for credit losses at the earlier of when an account is deemed to be uncollectible or when an account is greater than 120 days past due.

Finance receivables, net consisted of the following:

	March 31, 2024	March 31, 2023
Retail receivables ¹	\$ 87,150	\$ 79,515
Dealer financing	16,181	12,123
	<u>103,331</u>	<u>91,638</u>
Deferred origination costs	1,399	1,315
Deferred income	(1,424)	(1,184)
Allowance for credit losses		
Retail receivables	(1,549)	(1,430)
Dealer financing	(88)	(59)
Total allowance for credit losses	<u>(1,637)</u>	<u>(1,489)</u>
Finance receivables, net	<u>\$ 101,669</u>	<u>\$ 90,280</u>

¹. Includes gross securitized retail receivables of \$31.5 billion and \$29.0 billion as of March 31, 2024 and 2023, respectively.

Accrued interest related to finance receivables is presented in Other assets on the Consolidated Balance Sheets and was \$396 million and \$284 million at March 31, 2024 and 2023, respectively.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 3 – Finance Receivables, Net (Continued)

Credit Quality Indicators

We are exposed to credit risk on our finance receivables. Credit risk is the risk of loss arising from the failure of customers or dealers to meet the terms of their contracts with us or otherwise fail to perform as agreed.

Retail Loan Portfolio Segment

The retail loan portfolio segment consists of one class of finance receivables. While we use various credit quality metrics to develop our allowance for credit losses on the retail loan portfolio segment, we primarily utilize the aging of the individual accounts to monitor the credit quality of these finance receivables. Based on our experience, the payment status of borrowers is the strongest indicator of the credit quality of the underlying receivables. Payment status also impacts charge-offs.

Individual borrower accounts within the retail loan portfolio segment are segregated into aging categories based on the number of days past due. The aging of finance receivables is updated monthly.

The following tables present the amortized cost basis of our retail loan portfolio by origination fiscal year by credit quality indicator based on number of days past due:

Amortized Cost Basis by Origination Fiscal Year at March 31, 2024							
	2024	2023	2022	2021	2020	2019 and Prior	Total
Aging of finance receivables:							
Current	\$ 35,407	\$ 22,473	\$ 15,041	\$ 8,539	\$ 2,654	\$ 748	\$ 84,862
30-59 days past due	301	488	426	242	92	53	1,602
60-89 days past due	77	143	119	68	27	17	451
90 days or greater past due	38	69	53	29	10	11	210
Total	<u>\$ 35,823</u>	<u>\$ 23,173</u>	<u>\$ 15,639</u>	<u>\$ 8,878</u>	<u>\$ 2,783</u>	<u>\$ 829</u>	<u>\$ 87,125</u>
Gross Charge-Offs	\$ 38	\$ 297	\$ 258	\$ 111	\$ 38	\$ 34	\$ 776

Amortized Cost Basis by Origination Fiscal Year at March 31, 2023							
	2023	2022	2021	2020	2019	2018 and Prior	Total
Aging of finance receivables:							
Current	\$ 32,377	\$ 22,585	\$ 14,278	\$ 5,555	\$ 2,178	\$ 846	\$ 77,819
30-59 days past due	306	439	285	125	71	44	1,270
60-89 days past due	90	135	82	35	21	15	378
90 days or greater past due	47	63	33	16	9	11	179
Total	<u>\$ 32,820</u>	<u>\$ 23,222</u>	<u>\$ 14,678</u>	<u>\$ 5,731</u>	<u>\$ 2,279</u>	<u>\$ 916</u>	<u>\$ 79,646</u>

The amortized cost of retail loan portfolio excludes accrued interest of \$318 million and \$235 million at March 31, 2024 and 2023, respectively. The previous tables include contracts greater than 120 days past due, which are recorded at the fair value of collateral less estimated costs to sell, and contracts in bankruptcy.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 3 – Finance Receivables, Net (Continued)

Dealer Products Portfolio Segment

The dealer products portfolio segment consists of three classes of finance receivables: wholesale, real estate, and working capital (includes both working capital and revolving lines of credit). All loans outstanding for an individual dealer or dealer group, which includes affiliated entities, are aggregated and evaluated collectively by dealer or dealer group. This reflects the interconnected nature of financing provided to our individual dealer and dealer group customers, and their affiliated entities.

When assessing the credit quality of the finance receivables within the dealer products portfolio segment, we segregate the finance receivables account balances into four categories representing distinct credit quality indicators based on internal risk assessments. The internal risk assessments for all finance receivables within the dealer products portfolio segment are updated on a monthly basis.

The four credit quality indicators are:

- Performing – Account not classified as either Credit Watch, At Risk or Default;
- Credit Watch – Account designated for elevated attention;
- At Risk – Account where there is an increased likelihood that default may exist based on qualitative and quantitative factors; and
- Default – Account is not currently meeting contractual obligations or we have temporarily waived certain contractual requirements

The following tables present the amortized cost basis of our dealer products portfolio by credit quality indicator based on internal risk assessments by origination fiscal year:

Amortized Cost Basis by Origination Fiscal Year at March 31, 2024								
	2024	2023	2022	2021	2020	2019 and Prior	Revolving loans	Total
Wholesale								
Performing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,287	\$ 6,287
Credit Watch	-	-	-	-	-	-	238	238
At Risk	-	-	-	-	-	-	112	112
Default	-	-	-	-	-	-	36	36
Wholesale total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,673	\$ 6,673
Real estate								
Performing	\$ 1,224	\$ 883	\$ 815	\$ 860	\$ 128	\$ 784	\$ 3	\$ 4,697
Credit Watch	58	37	44	6	-	-	-	145
At Risk	8	1	10	-	-	2	-	21
Default	4	2	-	25	-	-	-	31
Real estate total	\$ 1,294	\$ 923	\$ 869	\$ 891	\$ 128	\$ 786	\$ 3	\$ 4,894
Working Capital								
Performing	\$ 769	\$ 414	\$ 235	\$ 122	\$ 105	\$ 159	\$ 2,715	\$ 4,519
Credit Watch	20	41	13	-	-	-	2	76
At Risk	-	3	-	-	2	-	1	6
Default	-	-	-	13	-	-	-	13
Working capital total	\$ 789	\$ 458	\$ 248	\$ 135	\$ 107	\$ 159	\$ 2,718	\$ 4,614
Total	\$ 2,083	\$ 1,381	\$ 1,117	\$ 1,026	\$ 235	\$ 945	\$ 9,394	\$ 16,181

For the twelve months ended March 31, 2024, there were no gross charge-offs in our dealer product portfolio.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 3 – Finance Receivables, Net (Continued)

	Amortized Cost Basis by Origination Fiscal Year at March 31, 2023						Revolving loans	Total
	2023	2022	2021	2020	2019	2018 and Prior		
Wholesale								
Performing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,859	\$ 3,859
Credit Watch	-	-	-	-	-	-	54	54
At Risk	-	-	-	-	-	-	51	51
Default	-	-	-	-	-	-	-	-
Wholesale total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,964	\$ 3,964
Real estate								
Performing	\$ 1,378	\$ 1,024	\$ 1,057	\$ 133	\$ 300	\$ 850	\$ 209	\$ 4,951
Credit Watch	5	-	2	-	-	-	-	7
At Risk	8	7	-	-	-	2	-	17
Default	-	-	-	-	-	-	-	-
Real estate total	\$ 1,391	\$ 1,031	\$ 1,059	\$ 133	\$ 300	\$ 852	\$ 209	\$ 4,975
Working Capital								
Performing	\$ 789	\$ 317	\$ 182	\$ 131	\$ 124	\$ 88	\$ 1,552	\$ 3,183
Credit Watch	-	-	-	-	-	-	-	-
At Risk	-	1	-	-	-	-	-	1
Default	-	-	-	-	-	-	-	-
Working capital total	\$ 789	\$ 318	\$ 182	\$ 131	\$ 124	\$ 88	\$ 1,552	\$ 3,184
Total	\$ 2,180	\$ 1,349	\$ 1,241	\$ 264	\$ 424	\$ 940	\$ 5,725	\$ 12,123

The amortized cost of the dealer products portfolio excludes accrued interest of \$78 million and \$49 million at March 31, 2024 and 2023, respectively. As of March 31, 2024 and 2023, the amount of line-of-credit arrangements that are converted to term loans in each reporting period was not significant, respectively.

Past Due Finance Receivables by Class

Substantially all finance receivables do not involve recourse to the dealer in the event of customer default. Finance receivables include contracts greater than 120 days past due, which are recorded at the fair value of collateral less estimated costs to sell, and contracts in bankruptcy. Contracts for which vehicles have been repossessed are excluded. For all finance receivables, we define “past due” as any payment, including principal and interest, that is at least 30 days past the contractual due date. For any customer who is granted a payment extension under an extension program, the aging of the receivable is adjusted for the number of days of the extension granted.

The following tables present the aging of the amortized cost basis of our finance receivables by class:

	March 31, 2024						90 Days or greater past due and accruing
	30 - 59 Days past due	60 - 89 Days past due	90 Days or greater past due	Total Past due	Current	Total Finance receivables	
Retail loan	\$ 1,602	\$ 451	\$ 210	\$ 2,263	\$ 84,862	\$ 87,125	\$ 142
Wholesale	-	-	-	-	6,673	6,673	-
Real estate	-	-	-	-	4,894	4,894	-
Working capital	-	-	-	-	4,614	4,614	-
Total	\$ 1,602	\$ 451	\$ 210	\$ 2,263	\$ 101,043	\$ 103,306	\$ 142

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 3 – Finance Receivables, Net (Continued)

	March 31, 2023						90 Days or greater past due and accruing
	30 - 59 Days past due	60 - 89 Days past due	90 Days or greater past due	Total Past due	Current	Total Finance receivables	
Retail loan	\$ 1,270	\$ 378	\$ 179	\$ 1,827	\$ 77,819	\$ 79,646	\$ 111
Wholesale	-	-	-	-	3,964	3,964	-
Real estate	-	-	-	-	4,975	4,975	-
Working capital	-	-	-	-	3,184	3,184	-
Total	<u>\$ 1,270</u>	<u>\$ 378</u>	<u>\$ 179</u>	<u>\$ 1,827</u>	<u>\$ 89,942</u>	<u>\$ 91,769</u>	<u>\$ 111</u>

Loan Modifications

Under certain circumstances, we may agree to modify the terms of an existing loan with a borrower for various reasons, including a borrower experiencing financial difficulties. We evaluate all loan modifications, which generally represent a continuation of the existing loan and not a new loan. For borrowers experiencing financial difficulties within the retail loan portfolio segment, we may provide contract term extensions. For borrowers experiencing financial difficulties within the dealer product portfolio segment, we may provide contract term extensions, interest rate adjustments, waivers of loan covenants, or any combination of the three. The effect of these modifications is already included in the allowance for credit losses because our estimated allowance represents currently expected credit losses.

The amortized cost at March 31, 2024 of the loans modified during fiscal 2024 was not significant. The unpaid principal balances, net of recoveries, of loans charged off during the reporting period that were modified within 12 months preceding default were not significant for the twelve months ended March 31, 2024.

Troubled Debt Restructuring

For accounts not under bankruptcy protection, the amount of finance receivables modified as a troubled debt restructuring during fiscal 2023 was not significant for each class of finance receivables. Troubled debt restructurings for accounts not under bankruptcy protection within the retail loan class of finance receivables are comprised exclusively of contract term extensions that reduce the monthly payment due from the customer. For the three classes of finance receivables within the dealer products portfolio segment, troubled debt restructurings include contract term extensions, interest rate adjustments, waivers of loan covenants, or any combination of the three. We generally use a discounted cash flow approach for determining allowance for credit losses for finance receivables modified as a troubled debt restructuring that are granted with interest rate concessions, and a non-discounted cash flow approach for other loans. Troubled debt restructurings of accounts not under bankruptcy protection did not include forgiveness of principal or interest rate adjustments during fiscal 2023.

We consider finance receivables under bankruptcy protection within the retail loan class to be troubled debt restructurings as of the date we receive notice of a customer filing for bankruptcy protection, regardless of the ultimate outcome of the bankruptcy proceedings. The bankruptcy court may impose modifications as part of the proceedings, including interest rate adjustments and forgiveness of principal. For fiscal 2023, the financial impact of troubled debt restructurings related to finance receivables under bankruptcy protection was not significant to our Consolidated Statements of Income and Consolidated Balance Sheets.

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Note 4 – Allowance for Credit Losses

Management develops and documents the allowance for credit losses on finance receivables based on two portfolio segments. The determination of portfolio segments is based primarily on the qualitative consideration of the nature of our business operations and the characteristics of the underlying finance receivables, as follows:

- ***Retail Loan Portfolio Segment*** – The retail loan portfolio segment consists of retail contracts acquired from dealers in the U.S. and Puerto Rico. Under a retail contract, we are granted a security interest in the underlying collateral which consists primarily of Toyota, Lexus, and private label vehicles. Based on the common risk characteristics associated with the finance receivables, the retail loan portfolio segment is considered a single class of finance receivable.
- ***Dealer Products Portfolio Segment*** – The dealer products portfolio segment consists of wholesale financing, real estate loans, working capital loans, and revolving lines of credit to dealers in the U.S. and Puerto Rico. Wholesale financing is primarily collateralized by new or used vehicle inventory with the outstanding balance fluctuating based on the level of inventory. Working capital loans and revolving lines of credit are granted for working capital purposes and are secured by dealership assets. Real estate loans are collateralized by the underlying real estate, are underwritten primarily on a loan-to-value basis and are typically for a fixed term. Based on the risk characteristics associated with the underlying finance receivables, the dealer products portfolio segment consists of three classes of finance receivables: wholesale, working capital (includes both working capital and revolving lines of credit), and real estate.

Management's estimate of lifetime expected credit losses is based on an evaluation of relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the future collectability of the finance receivables. Management's evaluation takes into consideration the risks in the retail loan portfolio and dealer products portfolio, past loss experience, delinquency trends, underwriting and collection practices, changes in portfolio composition, economic forecasts and other relevant factors.

Methodology Used to Develop the Allowance for Credit Losses

The allowance for credit losses is measured on a collective basis when loans have similar risk characteristics. Loans that do not share similar risk characteristics are evaluated on an individual basis.

We measure expected losses of all components of finance receivables on an amortized cost basis, excluding accrued interest, and including off-balance-sheet lending commitments that are not unconditionally cancellable by TMCC. Estimated expected credit losses for off-balance-sheet lending commitments within our dealer products portfolio are included in Other liabilities on the Consolidated Balance Sheets. We have elected to exclude accrued interest from the measurement of expected credit losses as we apply policies and procedures that result in the timely write-offs of accrued interest. Accrued interest is written off within allowance for credit losses at the earlier of when an account is deemed to be uncollectible or when an account is greater than 120 days past due.

Retail Loan Portfolio Segment

The level of credit risk in our retail loan portfolio segment is influenced by various factors such as economic conditions, the used vehicle market, credit quality, contract structure, and collection strategies and practices. The allowance for credit losses is measured on a collective basis when loans have similar risk characteristics such as loan-to-value ratio, book payment-to-income ratio, FICO score at origination, collateral type (new or used, Lexus, Toyota, or private label), contract term, and other relevant factors. We use statistical models to estimate lifetime expected credit losses of our retail loan portfolio segment by applying probability of default and loss given default to the exposure at default on a loan level basis.

Probability of default models are developed from internal risk scoring models which consider variables such as delinquency status, historical default frequency, and other credit quality indicators such as loan-to-value ratio, book payment-to-income ratio, FICO score at origination, collateral type, and contract term.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 4 – Allowance for Credit Losses (Continued)

Loss given default models forecast the extent of losses given that a default has occurred and considers variables such as collateral, trends in recoveries, historical loss severity, and other contract structure variables. Exposure at default represents the expected outstanding principal balance, including the effects of expected prepayment when applicable.

The lifetime expected credit losses incorporate the probability-weighted forward-looking macroeconomic forecasts for baseline, favorable, and adverse scenarios. The loan lifetime is regarded by management as the reasonable and supportable period. We use macroeconomic forecasts from a third party and update such forecasts quarterly.

On an ongoing basis, we review our models, including macroeconomic factors, the selection of macroeconomic scenarios and their weighting to ensure they reflect the risk of the portfolio.

If management does not believe the models reflect lifetime expected credit losses, a qualitative adjustment is made to reflect management judgment regarding observable changes in recent or expected economic trends and conditions, portfolio composition, and other relevant factors. While management uses the best information available to make such evaluations, future adjustments to the allowance for credit losses may be necessary if conditions differ substantially from the assumptions used in making the evaluations.

Dealer Products Portfolio Segment

The level of credit risk in our dealer products portfolio segment is influenced primarily by the financial strength of dealers within our portfolio, dealer concentration, collateral quality, and other economic factors. The financial strength of dealers within our portfolio is influenced by, among other factors, general economic conditions, the overall demand for new and used vehicles and the financial condition of automotive manufacturers. The allowance for credit losses is established for both outstanding dealer finance receivables and certain unfunded off-balance sheet lending commitments. The allowance for credit losses is measured on a collective basis when loans have similar risk characteristics such as dealer group internal risk rating and loan-to-value ratios. We measure lifetime expected credit losses of our dealer products portfolio segment by applying probability of default and loss given default to the exposure at default on a loan level basis. Probability of default is primarily established based on internal risk assessments. The probability of default model also considers qualitative factors related to macroeconomic outlooks. Loss given default is established based on the nature and market value of the collateral, loan-to-value ratios and other credit quality indicators. Exposure at default represents the expected outstanding principal balance. The lifetime of the loan or lending commitment is regarded by management as the reasonable and supportable period. On an ongoing basis, we review our models, including macroeconomic outlooks, to ensure they reflect the risk of the portfolio.

If management does not believe the models reflect lifetime expected credit losses, a qualitative adjustment is made to reflect management judgment regarding observable changes in recent or expected economic trends and conditions, portfolio composition, and other relevant factors. While management uses the best information available to make such evaluations, future adjustments to the allowance for credit losses may be necessary if conditions differ substantially from the assumptions used in making the evaluations.

Accounting for the Allowance for Credit Losses

Increases to the allowance for credit losses are accompanied by corresponding charges to the Provision for credit losses in our Consolidated Statements of Income. The uncollectible portion of finance receivables is charged to the allowance for credit losses at the earlier of when an account is deemed to be uncollectible or when an account is greater than 120 days past due. In the event we repossess the collateral, the receivable is charged-off and we record the collateral at its estimated fair value less costs to sell and report it in Other assets on our Consolidated Balance Sheets. Recoveries of finance receivables previously charged off as uncollectible are credited to the allowance for credit losses.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 4 – Allowance for Credit Losses (Continued)

The following tables provide information related to our allowance for credit losses for finance receivables and certain off-balance sheet lending commitments by portfolio segment:

	Year ended March 31, 2024		
	Retail loan	Dealer products	Total
Beginning balance, April 1, 2023	\$ 1,430	\$ 83	\$ 1,513
Charge-offs	(776)	-	(776)
Recoveries	108	-	108
Provision for credit losses	787	52	839
Ending balance, March 31, 2024 ¹	<u>\$ 1,549</u>	<u>\$ 135</u>	<u>\$ 1,684</u>

¹ Ending balance includes \$47 million of allowance for credit losses recorded in Other liabilities on the Consolidated Balance Sheet which is related to off-balance sheet lending commitments in the dealer products portfolio.

	Year ended March 31, 2023		
	Retail loan	Dealer products	Total
Beginning balance, April 1, 2022	\$ 1,195	\$ 77	\$ 1,272
Charge-offs	(535)	-	(535)
Recoveries	63	-	63
Provision for credit losses	707	6	713
Ending balance, March 31, 2023 ¹	<u>\$ 1,430</u>	<u>\$ 83</u>	<u>\$ 1,513</u>

¹ Ending balance includes \$24 million of allowance for credit losses recorded in Other liabilities on the Consolidated Balance Sheet which is related to off-balance sheet lending commitments in the dealer products portfolio.

Our allowance for credit losses increased from \$1.5 billion at March 31, 2023 to \$1.7 billion at March 31, 2024, primarily due to the increase in the size of our retail loan portfolio.

We have elected to exclude accrued interest from the measurement of expected credit losses as we apply policies and procedures that result in the timely write-offs of accrued interest. Accrued interest is written off within allowance for credit losses at the earlier of when an account is deemed to be uncollectible or when an account is greater than 120 days past due.

Finance receivables for the dealer products portfolio segment as of March 31, 2024 includes \$1.3 billion in finance receivables that are guaranteed by Toyota Motor North America, Inc. (“TMNA”), and \$231 million in finance receivables that are guaranteed by third-party private Toyota distributors. Finance receivables for the dealer products portfolio segment as of March 31, 2023 includes \$1.0 billion in finance receivables that are guaranteed by TMNA, and \$199 million in finance receivables that are guaranteed by third-party private Toyota distributors. These finance receivables are related to certain Toyota and Lexus dealers and other third parties to whom we provided financing at the request of TMNA and third-party private Toyota distributors.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 5 – Investments in Operating Leases, Net

Investments in operating leases, net consists of vehicle lease contracts acquired from dealers, and includes deferred origination fees and costs, deferred income, investment tax credits, and accumulated depreciation. Non-cash investing activities related to investment tax credits on investments in operating leases amounted to \$250 million in fiscal 2024. Generally, lessees have the ability to extend their lease term in six month increments up to a total of 12 months from the original lease maturity date. A lease can be terminated at any time by satisfying the obligations under the lease contract. Early termination programs may be occasionally offered to eligible lessees. At the end of the lease, the customer has the option to buy the leased vehicle or return the vehicle to the dealer.

Securitized investments in operating leases represent beneficial interests in a pool of certain vehicle leases that have been sold for legal purposes to securitization trusts but continue to be included in our consolidated financial statements as discussed further in [Note 8 - Variable Interest Entities](#). Cash flows from these securitized investments in operating leases are available only for the repayment of debt issued by these trusts and other obligations arising from the securitization transactions. They are not available for payment of our other obligations or to satisfy claims of our other creditors.

Operating lease revenues are recognized on a straight-line basis over the term of the lease. We have made an accounting policy election to exclude from the consideration in the contract, and from variable payments not included in the consideration in the contract, sales and other taxes assessed by a governmental authority that are both imposed on and concurrent with a specific lease revenue-producing transaction and collected from customers. Deferred fees and costs include incentive payments made to dealers, acquisition fees collected from customers, and investment tax credits. Deferred income includes payments received on affiliate and non-affiliated third-party sponsored subvention and other incentive programs. Both deferred fees and costs and deferred income are capitalized or deferred and amortized on a straight-line basis over the contract term. The accrual of revenue on investments in operating leases is discontinued at the time an account is determined to be uncollectible and subsequent revenue is recognized only to the extent a payment is received. Operating leases may be restored to accrual status when future payments are reasonably assured.

Vehicle Lease Residual Values

Contractual residual values of vehicle lease contracts are estimated at lease inception by examining external industry data, the anticipated Toyota, Lexus, and private label product pipeline and our own experience. Factors considered in this evaluation include macroeconomic forecasts, new vehicle pricing, new vehicle incentive programs, new vehicle sales, vehicle features and specifications, the mix and level of used vehicle supply, the level of current used vehicle values, and fuel prices. We are exposed to a risk of loss to the extent the customer returns the vehicle and the value of the vehicle is lower than the residual value estimated at inception of the lease or if the number of returned vehicles is higher than anticipated.

Depreciation on operating leases is recognized using the straight-line method over the lease term. The depreciable basis is the original acquisition cost of the vehicle less the estimated residual value of the vehicle at the end of the lease term. On a quarterly basis, we review the estimated end-of-term market values and return rates of leased vehicles to assess the appropriateness of the carrying values at lease-end. Factors affecting the estimated end-of-term market value are similar to those considered in the evaluation of residual values at lease inception discussed above. Adjustments to depreciation expense to reflect revised estimates of expected market values at lease termination and revised return rates are recorded prospectively on a straight-line basis over the remaining lease term.

We use various channels to sell vehicles returned at lease-end. Upon disposition, the difference between the net book value of the lease and the proceeds received from the disposition of the asset, including any insurance proceeds is recorded as an adjustment to depreciation on operating leases.

We evaluate our investment in operating leases portfolio for potential impairment when we determine a triggering event has occurred. When a triggering event has occurred, we perform a test of recoverability by comparing the expected undiscounted future cash flows (including expected residual values) over the remaining lease terms to the carrying value of the asset group. If the test of recoverability identifies a possible impairment, the asset group's fair value is measured in accordance with the fair value measurement framework. An impairment charge would be recognized for the amount by which the carrying value of the asset group exceeds its estimated fair value and would be recorded in our Consolidated Statements of Income. As of March 31, 2024 and 2023, there was no impairment in our investment in operating leases portfolio.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 5 – Investments in Operating Leases, Net (Continued)

Our depreciation policy for operating leases incorporates our historical experience on early terminations due to customer defaults into the useful life of the vehicles. We consider the effects of operating lease early terminations when determining depreciation estimates, which are included as part of accumulated depreciation within Investments in operating leases, net on the Consolidated Balance Sheets and Depreciation on operating leases in the Consolidated Statements of Income.

Investments in operating leases, net consisted of the following:

	March 31, 2024	March 31, 2023
Investments in operating leases ¹	\$ 35,383	\$ 38,811
Deferred income	(609)	(694)
Accumulated depreciation	(6,761)	(8,248)
Investments in operating leases, net	<u>\$ 28,013</u>	<u>\$ 29,869</u>

¹. Includes gross securitized investments in operating leases of \$13.8 billion and \$15.3 billion as of March 31, 2024 and 2023, respectively.

The following table presents future minimum lease payments due to us as lessor under investments in operating leases after March 31, 2024:

Years ending March 31,	Future minimum lease payments on operating leases
2025	\$ 4,410
2026	2,950
2027	1,122
2028	44
2029	5
Thereafter	-
Total	<u>\$ 8,531</u>

A portion of our operating lease contracts has historically terminated prior to maturity. Future minimum lease payments shown above should not be considered indicative of future cash collections.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 6 – Derivatives, Hedging Activities and Interest Expense

Derivative Instruments

Our liabilities consist mainly of fixed and variable rate debt, denominated in U.S. dollars and various other currencies, which we issue in the global capital markets, while our assets consist primarily of U.S. dollar denominated, fixed rate receivables. We enter into interest rate swaps and foreign currency swaps to economically hedge the interest rate and foreign currency risks that result from the different characteristics of our assets and liabilities. Our use of derivative transactions is intended to reduce long-term fluctuations in the fair value of assets and liabilities caused by market movements. All of our derivatives are categorized as not designated for hedge accounting, and all of our derivative activities are authorized and monitored by our management and our Asset-Liability Committee which provides a framework for financial controls and governance to manage market risk.

All derivative instruments are recorded on the balance sheet at fair value, taking into consideration the effects of legally enforceable master netting agreements that allow us to net settle asset and liability positions and offset cash collateral with the same counterparty on a net basis. Changes in the fair value of our derivative instruments are recorded in Interest expense in our Consolidated Statements of Income. The derivative instruments are included as a component of Other assets or Other liabilities on our Consolidated Balance Sheets.

Offsetting of Derivatives

Accounting guidance permits the net presentation on our Consolidated Balance Sheets of derivative receivables and derivative payables with the same counterparty and the related cash collateral when a legally enforceable master netting agreement exists, or when the derivative receivables and derivative payables meet all the conditions for the right of setoff to exist. When we meet this condition, we elect to present such balances on a net basis.

Over-the-Counter (“OTC”) Derivatives

Our International Swaps and Derivatives Association Master Agreements are our master netting agreements which permit multiple transactions to be cancelled and settled with a single net balance paid to either party for our OTC derivatives. The master netting agreements also contain reciprocal collateral agreements which require the transfer of cash collateral to the party in a net asset position across all transactions. Our collateral agreements with substantially all our counterparties include a zero threshold, full collateralization arrangement. Although we have daily valuation and collateral exchange arrangements with all of our counterparties, due to the time required to move collateral, there may be a delay of up to one day between the exchange of collateral and the valuation of our derivatives. We would not be required to post additional collateral to the counterparties with whom we were in a net liability position at March 31, 2024, if our credit ratings were to decline, since we fully collateralize without regard to credit ratings with these counterparties. In addition, as our collateral agreements include legal right of offset provisions, collateral amounts are netted against derivative assets or derivative liabilities, and the net amount is included in Other assets or Other liabilities on our Consolidated Balance Sheets.

Centrally Cleared Derivatives

For our centrally cleared derivatives, variation margin payments are legally characterized as settlement payments and accounted for with corresponding derivative positions as one unit of account as opposed to collateral. Initial margin payments are separately recorded in Other assets on our Consolidated Balance Sheets. We perform valuation and margin exchange on a daily basis. Similar to the OTC swaps, there may be a delay of up to one day between the exchange of margin payments and the valuation of our derivatives.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 6 – Derivatives, Hedging Activities and Interest Expense (Continued)

Derivative Activity Impact on Consolidated Financial Statements

The following tables show the financial statement line item and amount of our derivative assets and liabilities that are reported on our Consolidated Balance Sheets:

	March 31, 2024		March 31, 2023	
	Notional	Fair value	Notional	Fair value
Other assets:				
Interest rate swaps	\$ 71,830	\$ 1,149	\$ 56,799	\$ 1,888
Foreign currency swaps	1,759	89	1,237	49
Total	\$ 73,589	\$ 1,238	\$ 58,036	\$ 1,937
Counterparty netting		(346)		(659)
Collateral held		(851)		(1,227)
Carrying value of derivative contracts – Other assets		<u>\$ 41</u>		<u>\$ 51</u>
Other liabilities:				
Interest rate swaps	\$ 38,920	\$ 52	\$ 46,082	\$ 468
Foreign currency swaps	7,433	918	6,447	1,002
Total	\$ 46,353	\$ 970	\$ 52,529	\$ 1,470
Counterparty netting		(346)		(659)
Collateral posted		(601)		(794)
Carrying value of derivative contracts – Other liabilities		<u>\$ 23</u>		<u>\$ 17</u>

As of March 31, 2024 and 2023, we held excess collateral and variation margin of \$5 million and \$23 million, respectively, which we did not use to offset derivative assets and was recorded in Other liabilities on our Consolidated Balance Sheets. As of March 31, 2024 and 2023, we posted initial margin, excess collateral, and variation margin of \$311 million and \$265 million, respectively, which we did not use to offset derivative liabilities and was recorded in Other assets on our Consolidated Balance Sheets.

The following table summarizes the components of interest expense, including the location and amount of gains and losses on derivative instruments and related hedged items, as reported in our Consolidated Statements of Income:

	Years Ended March 31,		
	2024	2023	2022
Interest expense on debt	\$ 4,936	\$ 2,919	\$ 1,498
Interest (income) expense on derivatives	(661)	(569)	107
Interest expense on debt and derivatives	4,275	2,350	1,605
Gains on debt denominated in foreign currencies	(80)	(614)	(438)
(Gains) losses on foreign currency swaps	(90)	805	818
Losses (gains) on U.S. dollar interest rate swaps	600	513	(584)
Total interest expense	<u>\$ 4,705</u>	<u>\$ 3,054</u>	<u>\$ 1,401</u>

Interest expense on debt and derivatives represents net interest settlements and changes in accruals. Gains and losses on derivatives and debt denominated in foreign currencies exclude net interest settlements and changes in accruals. Cash flows associated with derivatives are reported in Net cash provided by operating activities in our Consolidated Statements of Cash Flows.

TOYOTA MOTOR CREDIT CORPORATION
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Note 7 – Debt and Credit Facilities

Debt and the related weighted average contractual interest rates are summarized as follows:

	March 31, 2024			March 31, 2023		
	Face value	Carrying value	Weighted average contractual interest rates	Face value	Carrying value	Weighted average contractual interest rates
Unsecured notes and loans payable	\$ 88,576	\$ 88,083	4.19%	\$ 79,393	\$ 78,949	3.48%
Secured notes and loans payable	34,387	34,337	4.64%	32,777	32,736	3.76%
Total debt	<u>\$ 122,963</u>	<u>\$ 122,420</u>	4.32%	<u>\$ 112,170</u>	<u>\$ 111,685</u>	3.56%

The carrying value of our debt includes unamortized premiums, discounts, debt issuance costs and the effects of foreign currency translation adjustments. Debt issuance costs are deferred and amortized to interest expense on an effective yield basis over the contractual term of the debt.

Weighted average contractual interest rates are calculated based on original notional or par value before consideration of premium or discount and approximate the effective interest rates. Debt is callable at par value.

Scheduled maturities of our debt portfolio are summarized below. Actual repayment of secured debt will vary based on the repayment activity on the related pledged assets.

Years ending March 31,	Future debt maturities
2025	\$ 56,556
2026	24,222
2027	15,949
2028	10,296
2029	5,603
Thereafter ¹	10,337
Unamortized premiums, discounts and debt issuance costs	(543)
Total debt	<u>\$ 122,420</u>

¹. Unsecured and secured notes and loans payable mature on various dates through fiscal 2049.

Unsecured Notes and Loans Payable

Our unsecured notes and loans payable consist of commercial paper and fixed and variable rate debt. Short-term funding needs are met through the issuance of commercial paper in the U.S. Amounts outstanding under our commercial paper programs were \$17.2 billion and \$16.7 billion as of March 31, 2024 and 2023, respectively.

Upon issuance of fixed rate debt, we generally elect to enter into pay-float swaps to convert fixed rate payments on debt to floating rate payments. Certain unsecured notes and loans payable are denominated in various foreign currencies. The debt is translated into U.S. dollars using the applicable exchange rate at the transaction date and retranslated at each balance sheet date using the exchange rate in effect at that date. Concurrent with the issuance of these foreign currency unsecured notes and loans payable, we enter into currency swaps in the same notional amount to convert non-U.S. currency payments to U.S. dollar denominated payments. Gains and losses related to foreign currency transactions are included in Interest expense in our Consolidated Statements of Income.

Certain of our unsecured notes and loans payable contain covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross-default provisions and limitations on certain consolidations, mergers and sales of assets. We are currently in compliance with these covenants and conditions.

TOYOTA MOTOR CREDIT CORPORATION
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Note 7 – Debt and Credit Facilities (Continued)

Secured Notes and Loans Payable

Our secured notes and loans payable are denominated in U.S. dollars and consist of both fixed and variable rate debt. Secured notes and loans payable are issued using on-balance sheet securitization trusts, as further discussed in Note 8 – Variable Interest Entities. These notes are repayable only from collections on the underlying securitized retail finance receivables and the beneficial interests in investments in operating leases and from related credit enhancements. Some of our secured notes are backed by a revolving pool of finance receivables and cash collateral, with the ability to repay the notes in full after the revolving period ends, after which an amortization period begins.

Credit Facilities and Letters of Credit

For additional liquidity purposes, we maintain credit facilities, which may be used for general corporate purposes, as described below:

364-Day Credit Agreement, Three-Year Credit Agreement and Five-Year Credit Agreement

TMCC, Toyota Credit de Puerto Rico Corp. (“TCPR”), a wholly-owned subsidiary, and other Toyota affiliates are party to a \$5.0 billion 364-day syndicated bank credit facility, a \$5.0 billion three-year syndicated bank credit facility, and a \$5.0 billion five-year syndicated bank credit facility, expiring in fiscal years ending March 31, 2025, 2027, and 2029, respectively.

The ability to make draws is subject to covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross-default provisions and limitations on certain consolidations, mergers and sales of assets. These agreements were not drawn upon and had no outstanding balances as of March 31, 2024 and 2023. We are currently in compliance with the covenants and conditions of the credit agreements described above.

Committed Revolving Asset-backed Facility

We are party to a 364-day revolving securitization facility with certain bank-sponsored asset-backed conduits and other financial institutions expiring in fiscal year ending March 31, 2025. Under the terms and subject to the conditions of this facility, the committed lenders under the facility have committed to make advances up to a facility limit of \$8.0 billion backed by eligible retail finance receivables transferred by us to a special-purpose entity acting as borrower. We utilized \$3.4 billion and \$5.5 billion of this facility as of March 31, 2024 and 2023, respectively.

Other Unsecured Credit Agreements

TMCC is party to additional unsecured credit facilities with various banks. As of March 31, 2024, TMCC had committed bank credit facilities totaling \$4.4 billion, of which \$2.4 billion, \$75 million, and \$1.9 billion mature in fiscal years ending March 31, 2025, 2026, and 2027, respectively.

These credit agreements contain covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross-default provisions and limitations on certain consolidations, mergers and sales of assets. These credit facilities were not drawn upon and had no outstanding balances as of March 31, 2024 and 2023. We are currently in compliance with the covenants and conditions of the credit agreements described above.

TMCC is party to a \$5.0 billion three-year revolving credit facility with Toyota Motor Sales, U.S.A., Inc. (“TMS”), expiring in fiscal year ending March 31, 2027. This credit facility was not drawn upon and had no outstanding balance as of March 31, 2024 and 2023.

From time to time, we may borrow from affiliates based upon a number of business factors such as funds availability, cash flow timing, relative cost of funds, and market access capabilities. Amounts borrowed from affiliates are recorded in Other liabilities on our Consolidated Balance Sheets.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 8 – Variable Interest Entities

A VIE is an entity that either (i) has insufficient equity to permit the entity to finance its activities without additional subordinated financial support or (ii) has equity investors who lack the characteristics of a controlling financial interest. The primary beneficiary of a VIE is the party with both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb the losses or the right to receive benefits that could potentially be significant to the VIE.

To assess whether we have the power to direct the activities of a VIE that most significantly impact its economic performance, we consider all the facts and circumstances including our role in establishing the VIE and our ongoing rights and responsibilities. This assessment includes identifying the activities that most significantly impact the VIE's economic performance and identifying which party, if any, has power over those activities. In general, the party that makes the most significant decisions affecting the VIE is determined to have the power to direct the activities of the VIE. To assess whether we have the obligation to absorb the losses or the right to receive benefits that could potentially be significant to the VIE, we consider all of our economic interests, including debt and equity interests, servicing rights and fee arrangements, and any other variable interests in the VIE. If we determine that we are the party with the power to make the most significant decisions affecting the VIE, and we have an obligation to absorb the losses or the right to receive benefits that could potentially be significant to the VIE, then we consolidate the VIE.

We perform ongoing reassessments, usually quarterly, of whether we are the primary beneficiary of a VIE. The reassessment process considers whether we have acquired or divested the power to direct the most significant activities of the VIE through changes in governing documents or other circumstances. We also reconsider whether entities previously determined not to be VIEs have become VIEs, based on new events, and therefore could be subject to the VIE consolidation framework.

Consolidated Variable Interest Entities

We use one or more special purpose entities that are considered VIEs to issue asset-backed securities to third-party bank-sponsored asset-backed securitization vehicles and to investors in securitization transactions. The securities issued by these VIEs are backed by the cash flows related to retail finance receivables and beneficial interests in investments in operating leases ("Securitized Assets"). We hold variable interests in the VIEs that could potentially be significant to the VIEs. We determined that we are the primary beneficiary of the securitization trusts because (i) our servicing responsibilities for the Securitized Assets give us the power to direct the activities that most significantly impact the performance of the VIEs, and (ii) our variable interests in the VIEs give us the obligation to absorb losses and the right to receive residual returns that could potentially be significant.

The following tables show the assets and liabilities related to our VIE securitization transactions that are included on our Consolidated Balance Sheets:

	March 31, 2024				
	VIE Assets			VIE Liabilities	
	Restricted cash	Net securitized assets	Other assets	Debt	Other liabilities
Retail finance receivables	\$ 1,559	\$ 31,130	\$ 125	\$ 27,351	\$ 54
Investments in operating leases	692	10,274	17	6,986	12
Total	<u>\$ 2,251</u>	<u>\$ 41,404</u>	<u>\$ 142</u>	<u>\$ 34,337</u>	<u>\$ 66</u>

	March 31, 2023				
	VIE Assets			VIE Liabilities	
	Restricted cash	Net securitized assets	Other assets	Debt	Other liabilities
Retail finance receivables	\$ 1,434	\$ 28,764	\$ 85	\$ 25,155	\$ 41
Investments in operating leases	656	11,063	23	7,581	10
Total	<u>\$ 2,090</u>	<u>\$ 39,827</u>	<u>\$ 108</u>	<u>\$ 32,736</u>	<u>\$ 51</u>

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 8 – Variable Interest Entities (Continued)

Restricted cash, including restricted cash equivalents, shown in the previous tables represent collections from the underlying Net securitized assets and certain reserve deposits held by TMCC for the VIEs and is included as part of Restricted cash and cash equivalents on our Consolidated Balance Sheets. Net securitized assets shown in the previous tables are presented net of deferred fees and costs, deferred income, accumulated depreciation, and allowance for credit losses. Other assets represent accrued interests related to securitized retail finance receivables and used vehicles held-for-sale that were repossessed by or returned to TMCC for the benefit of the VIEs. The related debt of these consolidated VIEs is presented net of \$1.6 billion and \$1.5 billion of securities retained by TMCC at March 31, 2024 and 2023, respectively. Other liabilities represent accrued interest on the debt of the consolidated VIEs.

The assets of the VIEs and the Restricted cash and cash equivalents held by TMCC serve as the sole source of repayment for the asset-backed securities issued by these entities. Investors in the notes issued by the VIEs do not have recourse to us or our other assets, with the exception of customary representation and warranty repurchase provisions and indemnities.

As the primary beneficiary of these entities, we are exposed to credit, residual value, interest rate, and prepayment risk from the Securitized Assets in the VIEs. However, our exposure to these risks did not change as a result of the transfer of the assets to the VIEs. We may also be exposed to interest rate risk arising from the secured notes issued by the VIEs.

In addition, we entered into interest rate swaps with certain special purpose entities that issue variable rate debt. Under the terms of these swaps, the special purpose entities are obligated to pay TMCC a fixed rate of interest on certain payment dates in exchange for receiving a floating rate of interest on notional amounts equal to the outstanding balance of the secured debt. This arrangement enables the special purpose entities to mitigate the interest rate risk inherent in issuing variable rate debt that is secured by fixed rate Securitized Assets.

The transfers of the Securitized Assets to the special purpose entities in our securitizations are considered to be sales for legal purposes. However, the Securitized Assets and the related debt remain on our Consolidated Balance Sheets. We recognize financing revenue on the Securitized Assets and interest expense on the secured debt issued by the special purpose entities. We also maintain an allowance for credit losses on the securitized retail finance receivables using a methodology consistent with that used for our non-securitized asset portfolio. The interest rate swaps between TMCC and the special purpose entities are considered intercompany transactions and therefore are eliminated in our consolidated financial statements.

Amounts due from non-consolidated variable interest entities at March 31, 2024 and 2023, and revenues earned from non-consolidated variable interest entities during fiscal 2024, 2023, and 2022 were not significant.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 9 – Commitments and Contingencies

Commitments and Guarantees

We have entered into certain commitments and guarantees for which the maximum unfunded amounts are summarized in the table below:

	March 31, 2024	March 31, 2023
Commitments:		
Credit facilities commitments with dealers	\$ 3,244	\$ 3,153
Commitments under operating lease agreements	106	106
Total commitments	3,350	3,259
Guarantees of affiliate pollution control and solid waste disposal bonds	100	100
Total commitments and guarantees	<u>\$ 3,450</u>	<u>\$ 3,359</u>

Wholesale financing is not considered to be a contractual commitment as the arrangements are not binding arrangements under which TMCC is required to perform.

Commitments

We provide fixed and variable rate working capital loans, revolving lines of credit, and real estate financing to dealers and various multi-franchise organizations referred to as dealer groups for facilities construction and refurbishment, working capital requirements, real estate purchases, business acquisitions and other general business purposes. These loans are typically secured with liens on real estate, vehicle inventory, and/or other dealership assets, as appropriate, and may be guaranteed by individual or corporate guarantees of affiliated dealers, dealer groups, or dealer principals. Although the loans are typically collateralized or guaranteed, the value of the underlying collateral or guarantees may not be sufficient to cover our exposure under such agreements. Our pricing reflects market conditions, the competitive environment, the level of support dealers provide our retail, lease and voluntary protection business and the creditworthiness of each dealer. Amounts drawn under these facilities are reviewed for collectability on a quarterly basis, in conjunction with our evaluation of the allowance for credit losses. In addition to the total commitments and guarantees in the previous table, we have also extended credit facilities to affiliates as described in [Note 12 – Related Party Transactions](#).

Lease Commitments

Our operating lease portfolio consists of real estate leases. Total operating lease expense, including payments to affiliates, was \$26 million for fiscal 2024, \$32 million for fiscal 2023, and \$32 million for fiscal 2022. We have a lease agreement through August 2032 with TMNA for our headquarters facility in Plano, Texas. Commitments under operating lease agreements in the previous table include \$62 million and \$76 million for facilities leases with affiliates at March 31, 2024 and 2023, respectively.

Lease terms may contain renewal and extension options or early termination features. Generally, these options do not impact the lease term because TMCC is not reasonably certain that it will exercise the options. These lease agreements do not impose restrictions on our ability to pay dividends, engage in debt or equity financing transactions or enter into further lease agreements, nor do they have residual value guarantees. We exclude from our Consolidated Balance Sheets leases with a term equal to one year or less and do not separate non-lease components from our real estate leases.

Operating lease liabilities and right-of-use (“ROU”) assets are recognized at the lease commencement date based on the present value of the future minimum lease payments over the lease term. As the interest rate implicit in the lease contract is typically not readily determinable, we utilize our incremental borrowing rate at the lease commencement date for the duration of the lease term. As of March 31, 2024 and 2023, operating lease liabilities and ROU assets related to our operating lease agreements for which we are the lessee were not significant.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 9 – Commitments and Contingencies (Continued)

Guarantees and Other Contingencies

TMCC has guaranteed bond obligations totaling \$100 million in principal that were issued by Putnam County, West Virginia and Gibson County, Indiana to finance the construction of pollution control facilities at manufacturing plants of certain TMCC affiliates. The bonds mature in the following fiscal years ending March 31: 2028- \$20 million; 2029 - \$50 million; 2030 - \$10 million; 2031 - \$10 million; and 2032 - \$10 million. TMCC would be required to perform under the guarantees in the event of non-payment on the bonds and other related obligations. TMCC is entitled to reimbursement by the applicable affiliates for any amounts paid. TMCC receives a nominal annual fee for guaranteeing such payments. TMCC has not been required to perform under any of these affiliate bond guarantees as of March 31, 2024 and 2023.

Indemnification

In the ordinary course of business, we enter into agreements containing indemnification provisions standard in the industry related to several types of transactions, including, but not limited to, debt funding, derivatives, securitization transactions, and our vendor, supplier and service agreements. Performance under these indemnities would generally occur upon a breach of the representations, warranties, covenants or other commitments made or given in the agreement, or as a result of a third-party claim. In addition, we have agreed in certain debt and derivative issuances, and subject to certain exceptions, to gross-up payments due to third parties in the event that withholding tax is imposed on such payments. In addition, certain of our funding arrangements may require us to pay lenders for increased costs due to certain changes in laws or regulations. Due to the difficulty in predicting events which could cause a breach of the indemnification provisions or trigger a gross-up or other payment obligation, we are not able to estimate our maximum exposure to future payments that could result from claims made under such provisions. We have not made any material payments in the past as a result of these provisions, and as of March 31, 2024, we determined that it is not probable that we will be required to make any material payments in the future. As of March 31, 2024 and 2023, no amounts have been recorded under these indemnification provisions.

Litigation and Governmental Proceedings

Various legal actions, governmental proceedings and other claims are pending or may be instituted or asserted in the future against us with respect to matters arising in the ordinary course of business. Certain of these actions are or purport to be class action suits, seeking sizeable damages and/or changes in our business operations, policies and practices. Certain of these actions are similar to suits that have been filed against other financial institutions and captive finance companies. In addition, we are subject to governmental and regulatory examinations, information-gathering requests, and investigations from time to time at the state and federal levels. It is inherently difficult to predict the course of such legal actions and governmental inquiries.

We perform periodic reviews of pending claims and actions to determine the probability of adverse verdicts and resulting amounts of liability. We establish accruals for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. When we are able, we also determine estimates of reasonable possibility of loss or range of loss, whether in excess of any related accrued liability or where there is no accrued liability. Given the inherent uncertainty associated with legal matters, the actual costs of resolving legal claims and associated costs of defense may be substantially higher or lower than the amounts for which accruals have been established. Based on available information and established accruals, we do not believe it is reasonably probable that the results of these proceedings, either individually or in the aggregate, will have a material adverse effect on our consolidated financial condition or results of operations.

On November 24, 2020, the Consumer Financial Protection Bureau (“CFPB”) issued a civil investigative demand to the Company seeking, among other things, certain information relating to the Company’s vehicle and payment protection products and credit reporting policies and procedures and reporting records. On November 20, 2023, the Company reached a voluntary agreement with the CFPB that addresses voluntary protection products and the furnishing of information to consumer reporting agencies at lease end. The Company entered into a consent order (the “Consent Order”) with the CFPB to reflect this settlement.

Pursuant to the Consent Order, without admitting or denying any of the allegations, findings of fact, or conclusions of law (except to establish jurisdiction), we agreed to modify certain practices to better serve our customers and will pay \$60 million in customer restitution and penalties.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 10 – Pension and Other Benefit Plans

We are a participating employer in certain retirement and post-retirement medical care, life insurance, and other benefits sponsored by TMNA, an affiliate. Costs of each plan are generally allocated to TMCC based on relative benefit costs associated with participating or eligible employees at TMCC as compared to the plan as a whole.

Defined Benefit Plan

Prior to January 1, 2015, our employees were generally eligible to participate in the Toyota Motor Sales, U.S.A., Inc. Pension Plan (the “Pension Plan”) commencing on the first day of the month following hire and were vested after 5 years of continuous employment. Effective January 1, 2015, the Pension Plan was closed to employees first employed or reemployed on or after such date.

Benefits payable under this non-contributory defined benefit pension plan are based, generally, upon the employees' years of credited service (up to a maximum of 25 years), the highest average annual compensation (as defined in the plan) for any 60 consecutive month period out of the last 120 months of employment (the “Applicable Years”), and one-half of eligible bonus/gift payments for the Applicable Years (recalculated to determine the annual average of such amount), reduced by a percentage of the estimated amount of social security benefits.

Costs allocated to TMCC for our employees in the Pension Plan and certain other non-qualified plans were not significant for fiscal 2024, 2023, and 2022.

Defined Contribution Plan

Employees meeting certain eligibility requirements, as defined in the plan documents, may participate in the Toyota Motor North America, Inc. Retirement Savings Plan. Under this plan, eligible employees may elect to contribute between 1 percent and 30 percent of their eligible pre-tax compensation, subject to federal tax regulation limits. We match 66.67 percent of the first 6 percent that a participant contributes, up to 4 percent of eligible compensation. Participants are always 100% vested in their contributions to the Retirement Savings Plan. Employer contributions vest on a 4-year graded schedule at 25 percent per year. Generally, contributions are funded through bi-weekly payments to the plan's administrator. Certain employees hired on or after January 1, 2015, may be eligible to receive an additional Company contribution to the plan calculated based on their age and compensation.

TMCC employer contributions to the savings plan were not significant for fiscal 2024, 2023, and 2022.

Other Post-Retirement Benefit Plans

Employees are generally eligible to participate in other post-retirement benefits sponsored by TMNA which provide certain medical care and life insurance benefits to eligible retired employees. Generally, in order to be eligible for these benefits, the employee must be age 55 or older with 10 or more years of service.

Other post-retirement benefit costs allocated to TMCC were not significant for fiscal 2024, 2023, and 2022.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 11 – Income Taxes

We use the liability method of accounting for income taxes under which deferred tax assets and liabilities are adjusted to reflect changes in tax rates and laws in the period such changes are enacted resulting in adjustments to the current fiscal year's provision for income taxes.

TMCC files a consolidated federal income tax return with TFSIC and its subsidiaries. Current and deferred federal income taxes are allocated to TMCC as if it were a separate taxpayer. TMCC's net operating losses and tax credits are utilized when those losses and credits are used by TFSIC and its subsidiaries including TMCC in the consolidated federal income tax return. TMCC files either separate or consolidated/combined state income tax returns with TMNA, TFSIC, or subsidiaries of TMCC. State income tax expense is generally recognized as if TMCC and its subsidiaries filed their tax returns on a stand-alone basis. In those states where TMCC and its subsidiaries join in the filing of consolidated or combined income tax returns, TMCC and its subsidiaries are allocated their share of the total income tax expense based on combined allocation/apportionment factors and separate company income or loss. Based on the federal and state tax sharing agreements, TFSIC and TMCC and its subsidiaries pay for their share of the income tax expense and are reimbursed for the benefit of any of their tax losses and credits utilized in the federal and state income tax returns.

The provision for income taxes consisted of the following:

	Years ended March 31,		
	2024	2023	2022
Current			
Federal	\$ 769	\$ (1,859)	\$ 1,774
State	114	(1)	281
Foreign	12	16	22
Total	895	(1,844)	2,077
Deferred			
Federal	(376)	2,100	(1,166)
State	(72)	78	(123)
Foreign	(5)	(5)	1
Total	(453)	2,173	(1,288)
Provision for income taxes	<u>\$ 442</u>	<u>\$ 329</u>	<u>\$ 789</u>

A reconciliation between the U.S. federal statutory tax rate and the effective tax rate is as follows:

	Years ended March 31,		
	2024	2023	2022
Provision for income taxes at U.S. federal statutory tax rate	21.0%	21.0%	21.0%
State and local taxes (net of federal tax benefit)	3.4%	4.2%	3.7%
Changes in unrecognized tax benefits	0.5%	1.3%	-
Federal tax credits ¹	-	(1.0)%	(1.0)%
Effect of state tax law changes	(1.2)%	(0.3)%	0.3%
Other, net	(0.5)%	-	(0.3)%
Effective tax rate	<u>23.2%</u>	<u>25.2%</u>	<u>23.7%</u>

¹. The amounts in Federal tax credits include tax benefits from foreign tax credits and research and development credits for fiscal 2024, 2023, and 2022, and tax benefits from plug-in vehicle credits for fiscal 2023 and 2022. The amounts in Federal tax credits also include tax benefits from qualified commercial clean vehicle credits for fiscal 2023 and alternative fuel vehicle credits for fiscal 2022.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 11 – Income Taxes (Continued)

Our net deferred income tax liability consisted of the following deferred tax liabilities and assets:

	March 31,	
	2024	2023
Liabilities:		
Lease transactions	\$ 3,493	\$ 4,786
Voluntary protection dealer commissions	439	403
State taxes, net of federal tax benefit	271	356
Other	73	72
Deferred tax liabilities	\$ 4,276	\$ 5,617
Assets:		
Provision for credit and residual value losses	517	478
Deferred costs and fees	210	197
Mark-to-market of investments in marketable securities and derivatives	186	150
Accrued expenses	40	23
Lease obligations	19	20
Net operating loss and tax credit carryforwards	14	1,007
Other	19	17
Deferred tax assets	1,005	1,892
Valuation allowance	(1)	(2)
Net deferred tax assets	\$ 1,004	\$ 1,890
Net deferred income tax liability ¹	\$ 3,272	\$ 3,727

¹. Balance includes deferred tax assets of \$18 million and \$16 million at March 31, 2024 and 2023, respectively, attributable to unrealized losses included in accumulated other comprehensive loss. The change in this balance is not included in the total deferred tax expense.

We have no deferred tax assets related to cumulative federal net operating loss carry forwards at March 31, 2024. At March 31, 2023, we had \$955 million deferred tax assets related to cumulative federal net operating loss carry forwards. We have deferred tax assets related to cumulative state net operating loss carry forwards of \$13 million and \$37 million at March 31, 2024 and 2023, respectively. State net operating loss carryforwards will expire beginning in fiscal 2027.

We have no deferred tax assets related to federal tax credits for vehicles or research and development at March 31, 2024. We had deferred tax assets related to federal tax credits for plug-in vehicles and qualified commercial clean vehicles of \$11 million and federal tax credit for research and development of \$4 million at March 31, 2023. The deferred tax assets related to federal tax credit for foreign tax were not significant as of March 31, 2024 and 2023, respectively.

The valuation allowance on deferred tax assets was not significant as of March 31, 2024 and 2023, respectively. The determination of the valuation allowance is based on management's estimate of future taxable income during the respective carryforward periods. Apart from the valuation allowance, we believe that the remaining deferred tax assets will be realized in full. The amount of the deferred tax assets considered realizable could be reduced if management's estimates change.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 11 – Income Taxes (Continued)

We have made an assertion of permanent reinvestment of earnings from our foreign subsidiary; as a result, other than the deemed repatriation tax that is provided pursuant to the Tax Cuts and Jobs Act of 2017, state and local taxes have not been provided for unremitted earnings of our foreign subsidiary. At March 31, 2024 and 2023, these unremitted earnings totaled \$320 million and \$307 million, respectively. Determination of the amount of the deferred state and local tax liability is not practicable, and accordingly no estimate of the unrecorded deferred state and local tax liability is provided.

Although we do not foresee any events causing repatriation of earnings, possible examples may include but are not limited to parent company capital needs or exiting the business in the foreign country.

We had an income tax receivable of \$26 million and \$28 million for our share of the income tax in those states where we filed consolidated or combined returns with TMNA and its subsidiaries at March 31, 2024 and 2023, respectively. Additionally, our federal and state income tax payable or receivable from TMCC affiliated companies, including TFSIC, TFSB, and Toyota Financial Services Securities USA Corporation, was not significant for both March 31, 2024 and 2023.

The guidance for the accounting and reporting for income taxes requires us to assess tax positions in cases where the interpretation of the tax law may be uncertain. The change in unrecognized tax benefits are as follows:

	March 31,		
	2024	2023	2022
Balance at beginning of the year	\$ 43	\$ 22	\$ 15
Increases related to positions taken during the current year	3	2	1
Increases recorded in current year related to positions taken during prior years	11	19	6
Settlements	(3)	-	-
Expirations due to lapse of statute	(2)	-	-
Balance at end of the year	<u>\$ 52</u>	<u>\$ 43</u>	<u>\$ 22</u>

At March 31, 2024, 2023 and 2022 approximately \$52 million, \$43 million and \$22 million of the respective unrecognized tax benefits would, if recognized, have an effect on the effective tax rate. During fiscal 2024, \$12 million of the net increase in unrecognized tax benefits had an effect on the effective tax rate. We do not have any positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months.

We accrue interest, if applicable, related to uncertain income tax positions in interest expense. Statutory penalties, if applicable, accrued with respect to uncertain income tax positions are recognized as an addition to the income tax liability. For each of fiscal 2024, 2023, and 2022, accrued interest was not significant and no penalties were accrued.

In August 2022, the Inflation Reduction Act (“the Act”) was signed into law. The Act modifies climate and clean energy corporate tax provisions, including amendments to the federal tax credit for plug-in vehicles available under the previous tax law as well as enactment of the qualified commercial clean vehicles credit. We consider the qualified commercial clean vehicles credit to constitute an investment tax credit under Accounting Standards Codification 740 *Income Taxes*. As described in [Note 1 – Basis of Presentation and Significant Accounting Policies](#), in the fourth quarter of fiscal 2024, we changed our accounting policy for investment tax credits from the flow-through method to the deferral method. The Act also includes a 15 percent corporate alternative minimum tax based on modified financial statement net income, applying to tax years beginning after December 31, 2022, which was applicable in fiscal 2024. We do not expect to pay corporate alternative minimum tax in addition to our regular federal income tax in fiscal 2024.

Tax-related Contingencies

As of March 31, 2024, we remained under IRS examination for fiscal 2018 through fiscal 2024.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 12 – Related Party Transactions

The tables below show the financial statement line items and amounts included in our Consolidated Statements of Income and on our Consolidated Balance Sheets under various related party agreements or relationships:

	Years ended March 31,		
	2024	2023	2022
Net financing revenues:			
Manufacturer's subvention and other revenues	\$ 985	\$ 1,243	\$ 1,746
Depreciation on operating leases	\$ (68)	\$ 106	\$ (75)
Interest expense:			
Credit support fees, interest and other expenses	\$ 103	\$ 96	\$ 99
Voluntary protection contract revenues and insurance earned premiums:			
Voluntary protection contract revenues and insurance earned premiums	\$ 152	\$ 156	\$ 168
Investment and other income, net:			
Interest and other income	\$ 62	\$ 35	\$ 3
Expenses:			
Operating and administrative	\$ 94	\$ 107	\$ 82
	March 31,	March 31,	
	2024	2023	
Assets:			
Cash and cash equivalents			
Commercial paper	\$ -	\$ 35	
Finance receivables, net			
Accounts receivable	\$ 49	\$ 47	
Deferred retail subvention income	\$ (953)	\$ (922)	
Investments in operating leases, net			
Investments in operating leases, net	\$ (80)	\$ (250)	
Deferred lease subvention income	\$ (323)	\$ (410)	
Other assets			
Notes receivable	\$ 1,724	\$ 1,237	
Other receivables, net	\$ 86	\$ 89	
Liabilities:			
Other liabilities			
Unearned voluntary protection contract revenues and insurance earned premiums	\$ 433	\$ 399	
Other payables, net	\$ 771	\$ 432	
Notes payable	\$ 8	\$ 8	

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 12 – Related Party Transactions (Continued)

TMCC receives subvention payments from TMNA which result in a gross monthly subvention receivable. As of March 31, 2024 and 2023, the subvention receivable from TMNA was \$111 million and \$79 million, respectively. We have a master netting agreement with TMNA which allows us to net settle payments for shared services and subvention transactions. Under this agreement, as of March 31, 2024 and 2023, respectively, we had a net amount payable to TMNA which is recorded in Other payables, net in Other liabilities.

Our Board of Directors declared and paid cash dividends of approximately \$979 million and \$2.5 billion payable to TFSIC during fiscal 2024 and 2023.

Financing Support Arrangements with Affiliates

TMCC is party to a credit support agreement with TFSC (the “TMCC Credit Support Agreement”). The TMCC Credit Support Agreement requires TFSC to maintain certain ownership, net worth maintenance, and debt service provisions with respect to TMCC, but is not a guarantee by TFSC of any securities or obligations of TMCC. In conjunction with this credit support agreement, TMCC has agreed to pay TFSC a semi-annual fee based on a fixed rate applied to the weighted average outstanding amount of securities entitled to credit support.

TCPR is the beneficiary of a credit support agreement with TFSC containing provisions similar to the TMCC Credit Support Agreement described above.

In addition, TMCC receives support from and provides financing support to TFSC and other affiliates in the form of promissory notes and various loan and credit facility agreements. As of March 31, 2024 and 2023, total financing support available from affiliates totaled approximately \$8.4 billion for each of the respective periods. These amounts include a \$5.0 billion three-year revolving credit facility with TMS which expires in 2027. As of March 31, 2024 and 2023, total financing support available to affiliates totaled approximately \$10.2 billion and \$7.8 billion, respectively. These amounts include financing support available to Toyota Finance Corporation, which was increased to ¥300 billion (approximately \$2.0 billion as of March 31, 2024) in December 2023. The amounts outstanding under these agreements are recorded in Other assets and Other liabilities on our Consolidated Balance Sheets at March 31, 2024 and 2023.

Other Financing Support Provided to Affiliates

TMCC provides wholesale financing, real estate and working capital loans to certain dealerships that were consolidated by another affiliate under the accounting guidance for variable interest entities. TMCC also pays these dealers origination fees. These costs represent direct costs incurred in connection with the acquisition of retail and lease contracts, including subvention and other cash incentive programs.

TMCC has guaranteed the payments of principal and interest with respect to the bonds of manufacturing facilities of certain affiliates. The nature, business purpose, and amounts of these guarantees are described in [Note 9 – Commitments and Contingencies](#).

TMCC and TFSB are parties to a master participation agreement pursuant to which TMCC agreed to purchase no more than \$60 million per year of residential mortgage loans originated by TFSB that meet specified credit underwriting guidelines. At March 31, 2024 and 2023, we had \$7 million and \$8 million, respectively, in loan participations outstanding that had been purchased by TMCC under this agreement.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 12 – Related Party Transactions (Continued)

Shared Service Arrangements with Affiliates

TMCC is subject to the following shared service agreements:

- TMCC incurs costs under various shared service agreements with TMNA and other affiliates. Services provided by affiliates under the shared service agreements include certain technological and administrative services, such as information systems support, facilities, insurance coverage, human resources and other corporate services. TMCC may also participate and incur costs in shared marketing efforts with TMNA.
- TMCC provides various services to its subsidiaries and affiliates, including certain administrative and corporate services, operational support, information systems support, facilities, treasury, and vendor management services.
- TMCC provides various services to TFSB, including marketing, administrative, systems, and operational support in exchange for TFSB making available certain financial products and services to TMCC's customers and dealers meeting TFSB's credit standards. TMCC is party to a master netting agreement with TFSB, which allows TMCC to net settle payments for shared services between TMCC and TFSB.
- TMCC is a party to expense reimbursement agreements with TFSB and TFSC related to costs incurred by TMCC or these affiliates on behalf of the other party in connection with TMCC's provision of services to these affiliates or the provision by these affiliates of certain financial products and services to our customers and dealers in support of TMCC's customer loyalty strategy and programs, and other brand and sales support.
- TMCC receives support from and provides support to TFSC and other affiliates in the form of promissory notes and various loan and credit facility agreements, including a revolving credit facility with TMS, which may be used for general corporate purposes.
- TMCC and TFSB are parties to a services agreement wherein TMCC will subservice loans on behalf of TFSB.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 12 – Related Party Transactions (Continued)

Operational Support Arrangements with Affiliates

- TMCC and TCPR provide various wholesale financing to dealers, which result in us having payables to TMNA and Toyota de Puerto Rico Corp.
- TMCC is party to a lease agreement with TMNA for our headquarters facility in Plano, Texas, expiring in 2032, and our Dallas Data Center expiring in 2026. The lease commitments are described in [Note 9 – Commitments and Contingencies](#).
- Subvention receivable represents amounts due from TMNA and other affiliates in support of retail and lease subvention and other cash incentive programs offered by TMCC. Deferred subvention income represents the unearned portion of amounts received from these transactions, and manufacturers' subvention and other revenues primarily represent the earned portion of such amounts.
- Investment in operating leases includes contractual residual value support received from affiliates which are recognized as an offset to depreciation expense over the life of the contract.
- TMCC is a participating employer in certain retirement, post-retirement medical care and life insurance benefits sponsored by TMNA. Refer to [Note 10 – Pension and Other Benefit Plans](#) for additional information.
- TMCC is party to agreements with TMNA and other affiliates relating to the team member vehicle benefit program, which allows team members to lease Toyota and Lexus vehicles on terms exclusive to the benefit program. TMNA serves as the chief administrator of the program. TMCC acquires and services team member leases after origination. A portion of the vehicles used for the team member vehicle benefit program are acquired from TMNA. TMCC receives a per vehicle contribution from participating affiliates to assist with the costs of its contribution to the benefit program, and TMCC pays a per vehicle participation fee to TMNA to participate in the benefit program.
- Affiliate voluntary protection contract revenues and insurance earned premiums primarily represent revenues from TMIS for coverage and related administrative services provided to TMNA and other affiliates. This includes contractual indemnity coverage for limited warranties on certified Toyota and Lexus pre-owned vehicles and related administrative services for TMNA's certified pre-owned vehicle program. TMIS also provides umbrella liability insurance to TMNA and other affiliates covering certain dollar value layers of risk above various primary or self-insured retentions. On all layers in which TMIS has provided coverage, 99 percent of the risk has been ceded to a reinsurer.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 13 – Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to determine the fair value of our assets and liabilities, we use quoted prices for identical or similar instruments, otherwise we utilize valuation models with observable or calculated inputs. The use of observable quotes for identical or similar instruments and the use of unobservable inputs is reflected in the fair value hierarchy assessment disclosed in the tables within this Note as Level 1, 2 and 3 defined below. The availability of observable inputs can vary based upon the financial instrument and other factors, such as instrument type, market liquidity and other specific characteristics particular to the financial instrument. To the extent that a valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires additional judgment by management. We use prices and inputs that are current as of the measurement date, including during periods of market disruption. In periods of market disruption, the availability of prices and inputs may be reduced for certain financial instruments. This condition could result in a financial instrument being reclassified from Level 1 to Level 2 or from Level 2 to Level 3.

Level 1: Quoted (unadjusted) prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in active markets for similar assets and liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Unobservable inputs that are supported by little or no market activity and may require significant judgment in order to determine the fair value of the assets and liabilities.

Valuation Adjustments

We may make valuation adjustments to ensure that financial instruments are recorded at fair value. These adjustments include amounts to reflect counterparty credit quality, our own creditworthiness, as well as constraints due to market illiquidity or unobservable parameters.

Recurring Fair Value Measurements

Cash and cash equivalents and Restricted cash and cash equivalents

The fair value of cash equivalents and restricted cash equivalents approximates the carrying value and these instruments are classified as Level 1 within the fair value hierarchy.

Investments in marketable securities

We estimate the value of our AFS debt securities, including those for which the fair value option was elected, using observed transaction prices, independent third-party pricing valuation vendors, and internal valuation models.

We may hold investments in actively traded open-end and private placement equity investments. Where the equity investments produce a daily net asset value that is quoted in an active market, we use this value to determine the fair value of the equity investment and classify the investment as Level 1 within the fair value hierarchy. The fair value of equity investments that produce a daily net asset value that is not quoted in an active market is estimated using the net asset value per share (or its equivalent) as a practical expedient and are excluded from leveling within the fair value hierarchy.

In addition, we may hold individual securities where valuation methodologies and inputs to valuation models depend on the security type, thus they may be classified differently within the leveling hierarchy. Where possible, quoted prices in active markets for identical or similar securities are used to determine the fair value of the investment securities; those securities are classified as Level 1 or 2, respectively. Where quoted prices in active markets are not available, we use various valuation models for each asset class that are consistent with what market participants use. The inputs and assumptions to the models are derived from market observable sources including: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and other market-related data. These investments are generally classified as Level 2 within the fair value hierarchy, however, depending on the significance of the unobservable inputs they may also be classified as Level 3.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 13 – Fair Value Measurements (Continued)

Derivatives

We estimate the fair value of our derivatives using industry standard valuation models that require observable market inputs, including market prices, interest rates, foreign exchange rates, volatilities, counterparty credit risk, our own non-performance risk and the contractual terms of the derivative instruments. We consider counterparty credit risk and our own non-performance risk through credit valuation adjustments.

For derivatives that trade in liquid markets, model inputs can generally be verified and do not require significant management judgment. These derivative instruments are classified as Level 2 within the fair value hierarchy.

Certain other derivative transactions trade in less liquid markets with limited pricing information. For such derivatives, key inputs to the valuation process include quotes from counterparties and other market data used to corroborate and adjust values where appropriate. Other market data includes values obtained from a market participant that serves as a third-party valuation vendor. These derivative instruments are classified as Level 3 within the fair value hierarchy.

Nonrecurring Fair Value Measurements

Nonrecurring fair value measurements include Level 3 net finance receivables that are not measured at fair value on a recurring basis but are subject to fair value adjustments utilizing the fair value of the underlying collateral when there is evidence of impairment. Nonrecurring fair value items as of March 31, 2024 and 2023 were not significant. Retail finance receivables greater than 120 days past due are measured at fair value based on the fair value of the underlying collateral less costs to sell. The fair value of collateral is based on the current average selling prices for like vehicles at wholesale used vehicle auctions.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 13 – Fair Value Measurements (Continued)

Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following tables summarize our financial assets and financial liabilities measured at fair value on a recurring basis by level within the fair value hierarchy except for certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient and are excluded from the leveling information provided in the tables below. Fair value amounts presented below are intended to permit reconciliation of the fair value hierarchy to the amounts presented on our Consolidated Balance Sheets.

	March 31, 2024				
	Level 1	Level 2	Level 3	Counterparty netting & collateral	Fair value
Investments in marketable securities:					
Available-for-sale debt securities:					
U.S. government and agency obligations	\$ 693	\$ 4	\$ -	\$ -	\$ 697
Foreign government and agency obligations	-	12	-	-	12
Municipal debt securities	-	7	-	-	7
Corporate debt securities	-	430	-	-	430
Mortgage-backed securities:					
U.S. government agency	-	118	-	-	118
Non-agency residential	-	7	4	-	11
Non-agency commercial	-	46	9	-	55
Asset-backed securities	-	82	56	-	138
Available-for-sale debt securities total	693	706	69	-	1,468
Equity investments:					
Fixed income mutual funds:					
Fixed income mutual funds measured at net asset value					1,134
Total return bond funds	830	-	-	-	830
Equity mutual funds	1,073	-	-	-	1,073
Equity investments total	1,903	-	-	-	3,037
Investments in marketable securities total	2,596	706	69	-	4,505
Derivative assets:					
Interest rate swaps	-	1,149	-	-	1,149
Foreign currency swaps	-	89	-	-	89
Counterparty netting and collateral	-	-	-	(1,197)	(1,197)
Derivative assets total	-	1,238	-	(1,197)	41
Assets at fair value	2,596	1,944	69	(1,197)	4,546
Derivative liabilities:					
Interest rate swaps	-	(52)	-	-	(52)
Foreign currency swaps	-	(918)	-	-	(918)
Counterparty netting and collateral	-	-	-	947	947
Liabilities at fair value	-	(970)	-	947	(23)
Net assets at fair value	\$ 2,596	\$ 974	\$ 69	\$ (250)	\$ 4,523

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 13 – Fair Value Measurements (Continued)

	March 31, 2023				
	Level 1	Level 2	Level 3	Counterparty netting & collateral	Fair value
Investments in marketable securities:					
Available-for-sale debt securities:					
U.S. government and agency obligations	\$ 740	\$ 4	\$ -	\$ -	\$ 744
Foreign government and agency obligations	-	12	-	-	12
Municipal debt securities	-	8	-	-	8
Corporate debt securities	-	430	-	-	430
Mortgage-backed securities:					
U.S. government agency	-	73	-	-	73
Non-agency residential	-	6	3	-	9
Non-agency commercial	-	53	5	-	58
Asset-backed securities	-	80	40	-	120
Available-for-sale debt securities total	740	666	48	-	1,454
Equity investments:					
Fixed income mutual funds:					
Fixed income mutual funds measured at net asset value					1,081
Total return bond funds	1,631	-	-	-	1,631
Equity mutual funds	871	-	-	-	871
Equity investments total	2,502	-	-	-	3,583
Investments in marketable securities total	3,242	666	48	-	5,037
Derivative assets:					
Interest rate swaps	-	1,888	-	-	1,888
Foreign currency swaps	-	49	-	-	49
Counterparty netting and collateral	-	-	-	(1,886)	(1,886)
Derivative assets total	-	1,937	-	(1,886)	51
Assets at fair value	3,242	2,603	48	(1,886)	5,088
Derivative liabilities:					
Interest rate swaps	-	(468)	-	-	(468)
Foreign currency swaps	-	(1,002)	-	-	(1,002)
Counterparty netting and collateral	-	-	-	1,453	1,453
Liabilities at fair value	-	(1,470)	-	1,453	(17)
Net assets at fair value	\$ 3,242	\$ 1,133	\$ 48	\$ (433)	\$ 5,071

Level 3 Fair Value Measurements

The Level 3 financial assets and liabilities recorded at fair value which are subject to recurring and nonrecurring fair value measurement, and the corresponding activity and change in the fair value measurements of these assets and liabilities, were not significant to our Consolidated Balance Sheets as of March 31, 2024 and 2023, or Consolidated Statements of Income for the years ended March 31, 2024 and 2023.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 13 – Fair Value Measurements (Continued)

Financial Instruments Not Carried at Fair Value

Finance receivables

Our finance receivables consist of retail loans and dealer financing loans, which are comprised of wholesale, real estate and working capital financing. Retail finance receivables are primarily valued using a securitization model that incorporates expected cash flows. Cash flows expected to be collected are estimated using contractual principal and interest payments adjusted for specific factors, such as prepayments, extensions, default rates, loss severity, credit scores, and collateral type. The securitization model utilizes quoted secondary market rates if available, or estimated market rates that incorporate management's best estimate of investor assumptions about the portfolio. The dealer financing portfolio is valued using a discounted cash flow model. Discount rates are derived based on market rates for equivalent portfolio bond ratings. As these valuations utilize unobservable inputs, our finance receivables are classified as Level 3 within the fair value hierarchy.

Unsecured notes and loans payable

The fair value of commercial paper is assumed to approximate the carrying value due to its short duration and generally negligible credit risk. We validate this assumption by recalculating the fair value of our commercial paper using quoted market rates. Commercial paper is classified as Level 2 within the fair value hierarchy.

Other unsecured notes and loans payable are primarily valued using current market rates and credit spreads for debt with similar maturities. Our valuation models utilize observable inputs such as standard industry curves; therefore, we classify these unsecured notes and loans payables as Level 2 within the fair value hierarchy. When observable inputs are not available for all assumptions, we estimate the fair value using internal assumptions such as volatility and expected credit losses. As these valuations utilize unobservable inputs, we classify these unsecured notes and loans payable as Level 3 within the fair value hierarchy.

Secured notes and loans payable

Fair value is estimated based on current market rates and credit spreads for debt with similar maturities. We also use internal assumptions, including prepayment speeds and expected credit losses on the underlying securitized assets, to estimate the timing of cash flows to be paid on these instruments. As these valuations utilize unobservable inputs, our secured notes and loans payables are classified as Level 3 within the fair value hierarchy.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 13 – Fair Value Measurements (Continued)

The following tables provide information about assets and liabilities not carried at fair value on a recurring basis on our Consolidated Balance Sheets:

	March 31, 2024				Total Fair value
	Carrying value	Level 1	Level 2	Level 3	
Financial assets					
Finance receivables					
Retail loan	\$ 85,886	\$ -	\$ -	\$ 86,575	\$ 86,575
Wholesale	6,690	-	-	6,710	6,710
Real estate	4,900	-	-	4,890	4,890
Working capital	4,531	-	-	4,494	4,494

Financial liabilities					
Unsecured notes and loans payable	\$ 88,083	\$ -	\$ 86,133	\$ -	\$ 86,133
Secured notes and loans payable	34,337	-	-	34,003	34,003

	March 31, 2023				Total Fair value
	Carrying value	Level 1	Level 2	Level 3	
Financial assets					
Finance receivables					
Retail loan	\$ 78,445	\$ -	\$ -	\$ 77,649	\$ 77,649
Wholesale	3,972	-	-	3,968	3,968
Real estate	4,981	-	-	4,990	4,990
Working capital	3,113	-	-	3,058	3,058

Financial liabilities					
Unsecured notes and loans payable	\$ 78,949	\$ -	\$ 76,401	\$ -	\$ 76,401
Secured notes and loans payable	32,736	-	-	32,173	32,173

Accrued interest related to finance receivables is in Other assets on the Consolidated Balance Sheets; however, TMCC measures the fair value of each class of finance receivables using scheduled principal and interest payments.

Therefore, accrued interest has been included in the carrying value of each class of finance receivables in the previous tables, along with the finance receivables, deferred origination costs, deferred income, and allowance for credit losses.

Finance receivables in the previous tables exclude related party transactions which are classified as Level 3 within the fair value hierarchy. The previous tables also exclude related party notes receivables and notes payables recorded in Other assets and Other liabilities on the Consolidated Balance Sheets which are classified as Level 3 within the fair value hierarchy. Refer to [Note 12 - Related Party Transactions](#) for additional information.

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 14 – Segment Information

Our reportable segments are Finance operations and Voluntary protection operations. Finance operations include retail, leasing, and dealer financing provided to authorized dealers and their customers in the U.S. and Puerto Rico. Voluntary protection operations are performed by TMIS and its subsidiaries.

Financial information for our reportable operating segments, which includes allocated corporate expenses, is summarized as follows:

	Year ended March 31, 2024			
	Finance operations	Voluntary protection operations	Intercompany eliminations	Total
Total financing revenues	\$ 12,144	\$ -	\$ -	\$ 12,144
Depreciation on operating leases	4,179	-	-	4,179
Interest expense	4,705	-	-	4,705
Net financing revenues	3,260	-	-	3,260
Voluntary protection contract revenues and insurance earned premiums	-	1,120	-	1,120
Investment and other income, net	515	358	-	873
Net financing and other revenues	3,775	1,478	-	5,253
Expenses:				
Provision for credit losses	839	-	-	839
Operating and administrative	1,466	454	-	1,920
Voluntary protection contract expenses and insurance losses	-	592	-	592
Total expenses	2,305	1,046	-	3,351
Income before income taxes	1,470	432	-	1,902
Provision for income taxes	344	98	-	442
Net income	\$ 1,126	\$ 334	\$ -	\$ 1,460
Total assets	\$ 141,993	\$ 7,466	\$ (78)	\$ 149,381

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 14 – Segment Information (Continued)

	Year ended March 31, 2023			
	Finance operations	Voluntary protection operations	Intercompany eliminations	Total
Total financing revenues	\$ 11,293	\$ -	\$ -	\$ 11,293
Depreciation on operating leases	5,122	-	-	5,122
Interest expense	3,054	-	-	3,054
Net financing revenues	3,117	-	-	3,117
Voluntary protection contract revenues and insurance earned premiums	-	1,053	-	1,053
Investment and other income (loss), net	314	(217)	-	97
Net financing and other revenues	3,431	836	-	4,267
Expenses:				
Provision for credit losses	713	-	-	713
Operating and administrative	1,331	445	-	1,776
Voluntary protection contract expenses and insurance losses	-	470	-	470
Total expenses	2,044	915	-	2,959
Income (loss) before income taxes	1,387	(79)	-	1,308
Provision (benefit) for income taxes	346	(17)	-	329
Net income (loss)	\$ 1,041	\$ (62)	\$ -	\$ 979
Total assets	\$ 131,093	\$ 6,638	\$ (136)	\$ 137,595
	Year ended March 31, 2022			
	Finance operations	Voluntary protection operations	Intercompany eliminations	Total
Total financing revenues	\$ 11,920	\$ -	\$ -	\$ 11,920
Depreciation on operating leases	5,846	-	-	5,846
Interest expense	1,401	-	-	1,401
Net financing revenues	4,673	-	-	4,673
Voluntary protection contract revenues and insurance earned premiums	-	1,015	-	1,015
Investment and other income, net	45	(71)	-	(26)
Net financing and other revenues	4,718	944	-	5,662
Expenses:				
Provision for credit losses	236	-	-	236
Operating and administrative	1,311	386	-	1,697
Voluntary protection contract expenses and insurance losses	-	405	-	405
Total expenses	1,547	791	-	2,338
Income before income taxes	3,171	153	-	3,324
Provision for income taxes	755	34	-	789
Net income	\$ 2,416	\$ 119	\$ -	\$ 2,535
Total assets	\$ 128,684	\$ 6,510	\$ (153)	\$ 135,041

TOYOTA MOTOR CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note 14 – Segment Information (Continued)

Voluntary protection operations

The Voluntary protection operations segment offers vehicle and payment protection products on Toyota, Lexus and other domestic and import vehicles that are primarily sold by dealers along with the sale of a vehicle.

Voluntary protection contract revenues

We receive the contractually determined dealer cost at the inception of the contract. Revenue is then deferred and recognized over the term of the contract according to earnings factors established by management that are based upon historical loss experience. Contracts sold range in term from 3 to 120 months and are typically cancellable at any time. The effect of subsequent cancellations is recorded as an offset to unearned voluntary protection contract revenues in Other liabilities on our Consolidated Balance Sheets.

For the years ended March 31, 2024 and 2023, respectively, approximately 84 percent and 83 percent of voluntary protection contract revenues in the Voluntary protection operations segment were accounted for under the guidance for revenue from contracts with customers.

The Voluntary protection operations segment defers contractually determined incentives paid to dealers as contract costs for selling voluntary protection products. These costs are recorded in Other assets on our Consolidated Balance Sheets and are amortized to Operating and administrative expenses in the Consolidated Statements of Income using a methodology consistent with the recognition of revenue. The amount of capitalized dealer incentives and the related amortization was not significant to our consolidated financial statements as of and for the years ended March 31, 2024 and 2023.

We had \$2.9 billion and \$2.7 billion of unearned voluntary protection contract revenues from contracts with customers included in Other liabilities on our Consolidated Balance Sheets as of March 31, 2023 and March 31, 2022, respectively. We recognized \$869 million of the unearned amounts in voluntary protection contract revenues in our Consolidated Statements of Income during fiscal 2024, compared to \$800 million during fiscal 2023. As of March 31, 2024, we had unearned voluntary protection contract revenues of \$3.1 billion included in Other liabilities on our Consolidated Balance Sheet, and with respect to this balance, we expect to recognize revenue of approximately \$902 million in fiscal 2025 and \$2.2 billion thereafter.

Insurance earned premiums

Revenues from providing coverage under various insurance contracts are recognized over the term of the coverage in relation to the timing and level of anticipated claims. Revenues from insurance policies, net of premiums ceded to reinsurers, are earned over the terms of the respective policies in proportion to the estimated loss development. Management relies on historical loss experience as a basis for establishing earnings factors used to recognize revenue over the term of the contract or policy.

Voluntary protection contract expenses and insurance losses

Voluntary protection contract expenses and insurance losses include amounts paid and accrued for loss events that are known and have been recorded as claims, estimates of losses incurred but not reported based on actuarial estimates and historical loss development patterns, and loss adjustment expenses that are expected to be incurred in connection with settling and paying these claims.

Accruals for unpaid losses, losses incurred but not reported, and loss adjustment expenses are included in Other liabilities on our Consolidated Balance Sheets. These accruals arising from contracts entered into by TMIS are not significant as of March 31, 2024 and 2023. Estimated liabilities are reviewed regularly, and we recognize any adjustments in the periods in which they are determined. If anticipated losses, loss adjustment expenses, and unamortized acquisition and maintenance costs exceed the recorded unearned premium, a premium deficiency is recognized by first charging any unamortized acquisition costs to expense and then by recording a liability for any excess deficiency.

Risk Transfer

Our voluntary protection operations transfer certain risks to protect us against the impact of unpredictable high severity losses. The amounts recoverable from reinsurers and other companies that assume liabilities relating to our Voluntary protection operations are determined in a manner consistent with the related reinsurance or risk transfer contract. Amounts recoverable from reinsurers and other companies on unpaid losses are recorded as receivables but are not collectible until the losses are paid. Revenues related to risks transferred are recognized on the same basis as the related revenues from the underlying contracts. Covered losses are recorded as a reduction to Voluntary protection contract expenses and insurance losses.

TOYOTA MOTOR CREDIT CORPORATION
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Note 15 – Selected Quarterly Financial Data (unaudited)

The effects of the change in accounting principle described in [Note 1 – Basis of Presentation and Significant Accounting Policies](#) on the unaudited quarterly Consolidated Statements of Income for the year ended March 31, 2024 are summarized in the table below:

	Unaudited			
	First quarter	Second quarter	Third quarter	Fourth quarter
Year ended March 31, 2024:				
Total financing revenues	\$ 2,904	\$ 2,986	\$ 3,098	\$ 3,156
Depreciation on operating leases	1,155	918	1,044	1,062
Interest expense	899	1,272	1,230	1,304
Net financing revenues	850	796	824	790
Voluntary protection contract revenues and insurance earned premiums	271	278	282	289
Investment and other income, net	162	(18)	495	234
Net financing revenues and other revenues	1,283	1,056	1,601	1,313
Total expenses	759	815	866	911
Income before income taxes	524	241	735	402
Provision for income taxes	132	63	174	73
Net income	<u>\$ 392</u>	<u>\$ 178</u>	<u>\$ 561</u>	<u>\$ 329</u>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There is nothing to report with regard to this item.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain “disclosure controls and procedures” as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the rules and regulations of the SEC. Disclosure controls and procedures are designed to ensure that information required to be disclosed in our Exchange Act reports is accumulated and communicated to management, including our Chief Executive Officer (the principal executive officer) and Chief Financial Officer (the principal financial officer), as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our management including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of our “disclosure controls and procedures” as defined in Rule 13a-15(e) under the Exchange Act. Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of March 31, 2024.

Internal Control over Financial Reporting

Management’s annual report on internal control over financial reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with policies or procedures may deteriorate.

Management conducted, under the supervision of our CEO and CFO, an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the “COSO” criteria. Based on the assessment performed, management concluded that our internal control over financial reporting was effective as of March 31, 2024.

Attestation report of the registered public accounting firm. This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management’s report is not subject to attestation by our independent registered public accounting firm.

Changes in internal control over financial reporting. There have been no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

During the three months ended March 31, 2024, no director or officer of the Company adopted, modified, or terminated a “Rule 10b5-1 trading agreement; or a “non-Rule 10b5-1 trading agreement” as each term is defined in Item 408(a) of Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

TMCC has omitted certain information in this section pursuant to General Instruction I(2) of Form 10-K.

The following table sets forth certain information regarding the directors and executive officers of TMCC as of June 4, 2024.

Name	Age	Position
Mark S. Templin	63	Director, Chairman of the Board, TMCC; Director, President and Chief Operating Officer, TFSIC; Director and Group Chief Operating Officer, TFSC Director, TMNA Director and Chairman, TFSB
Scott Cooke	53	Director, President and Chief Executive Officer, TMCC Chief Financial Officer, TFSIC
James Schofield	47	Group Vice President and Chief Financial Officer, TMCC
Alec Hagey	58	Director, Senior Vice President and Chief Operating Officer, TMCC
Mao Saka	53	Director and Treasurer, TMCC Director, TFSIC
Ellen L. Farrell	59	Group Vice President, General Counsel, Chief Legal, Compliance and Administrative Officer and Secretary, TMCC; Secretary, TFSIC Director, TFSB
Anna Sampang	54	Group Vice President - Chief Information Officer, TMCC
Brittany Baird	37	Vice President and Chief Accounting Officer, TMCC
Hiroyoshi Korosue	62	Director, TMCC; Director, Chairman and Chief Executive Officer, TFSIC; Director, President and Chief Executive Officer, TFSC; Chief Officer, Sales Finance Business Group, TMC
Tetsuo Ogawa	64	Director, TMCC; Director, President and Chief Executive Officer, TMNA; Operating Officer, TMC
Jack Hollis	57	Director, TMCC; Director and President, TMS; Chief Operating Officer and Executive Vice President, TMNA;

All directors of TMCC are elected annually and hold office until their successors are elected and qualified. Officers are elected annually and serve at the discretion of the Board of Directors.

Mr. Templin was named Chairman of the Board of TMCC in December 2023. Mr. Templin previously served as President and Chief Executive Officer of TMCC from September 2018 to January 2024. He was named Director of TMCC in May 2016 and served as Chairman of the TMCC Board of Directors from May 2016 to August 2018. He was also named Director, President and Chief Operating Officer of TFSIC in April 2016, Director of TMNA in June 2020, and Director and Chairman of TFSB in October 2021. Mr. Templin has also served as a Director of TFSC since April 2016 and was named Group Chief Operating Officer of TFSC in September 2017. From April 2016 to September 2017, he served as Chief Marketing Officer of TFSC. From April 2013 to December 2017, Mr. Templin also served as Managing Officer of TMC, and from April 2016 to December 2017 he served as Deputy Chief Officer of TMC's Sales Financial Business Group. From April 2013 to April 2016, Mr. Templin served as Executive Vice President of TMC's Lexus International Company, and from April 2012 to March 2013, Mr. Templin also served as General Manager of TMC's Lexus Planning Division. From October 2007 to March 2013, he served as Group Vice President and General Manager of TMS's Lexus Division. Mr. Templin first joined TMS in January 1990.

Mr. Cooke was named President and Chief Executive Officer in January 2024 and was named Director of TMCC in June 2019. Mr. Cooke served as Senior Vice President of TMCC from January 2022 to January 2024, as Group Vice President of TMCC from December 2017 to January 2022, and as Chief Financial Officer of TMCC from April 2019 to January 2024. Mr. Cooke has served as Chief Financial Officer of TFSIC since June 2019. Prior to his appointment to Chief Financial Officer of TMCC, Mr. Cooke served as Group Vice President of Treasury, Business Intelligence, Analytics and Finance of TMCC from February 2019 to April 2019. From December 2017 to January 2019, he held the position of Group Vice President, Chief Risk Officer. Mr. Cooke served as Vice President, Chief Risk Officer from July 2015 to December 2017. Prior to that, he served as Corporate Manager, Product Planning for North American Products at TMS from July 2014 to July 2015. From August 2012 to July 2014, Mr. Cooke held the position of Corporate Manager, Dealer Credit. Mr. Cooke first joined TMCC in June 2003.

Mr. Schofield was named Group Vice President and Chief Financial Officer in January 2024. He previously served as Group Vice President of Finance, Treasury, Competitiveness, Mergers and Acquisitions from June 2022 to January 2024 and Vice President of Finance, Treasury, Competitiveness, Mergers and Acquisitions from August 2021 to June 2022. Prior to joining TMCC, Mr. Schofield most recently served as Managing Director at Lloyds Banking Group where he held various roles from July 2006 to June 2021.

Mr. Hagey was named Director of TMCC in June 2022. He was named Senior Vice President and Chief Operating Officer of TMCC in January 2022. He previously served as Group Vice President – Sales, Product and Marketing of TMCC from December 2018 to January 2022. Mr. Hagey served as Vice President and General Manager of the Los Angeles region at TMS from January 2015 to December 2018. Prior to this, he served as Vice President of Marketing of TMS from December 2013 to January 2015. Mr. Hagey first joined TMS in 1990.

Mr. Saka was named Director and Treasurer of TMCC in June 2019 and Director of TFSIC in January 2022. He previously served as Group Vice President of the Corporate Planning Group of TFSC from January 2016 to April 2019. From January 2013 to December 2015, Mr. Saka served as the Chief Financial Officer of Toyota Kirloskar Motor Pvt Ltd., a TMC affiliate in India. Prior to this, from January 2007 to December 2012, he served in the Accounting Division of TMC. Mr. Saka first joined the Finance Division of TMC in 1993.

Ms. Farrell was named Group Vice President, General Counsel, Chief Legal, Compliance and Administrative Officer and Secretary of TMCC in October 2022. She was named Director of TFSB in October 2021 and Secretary of TFSIC in May 2020. She previously served as Group Vice President, General Counsel, Chief Legal and Compliance Officer and Secretary of TMCC from January 2022 to October 2022 and Vice President, General Counsel and Secretary of TMCC from May 2020 to January 2022. Ms. Farrell also served as Vice President – Social Innovation and Executive Advisor – Legal of TMNA from November 2019 to May 2020. Prior to this, Ms. Farrell served as Vice President and Interim General Counsel of TMCC from May 2019 to November 2019, Secretary of TMCC from May 2019 to February 2020 and Secretary of TFSIC from June 2019 to February 2020. Ms. Farrell served as Vice President, Deputy General Counsel of TMNA from May 2017 to November 2019. Ms. Farrell first joined TMS in 1999.

Ms. Sampang was named Group Vice President and Chief Information Officer in March 2024. She previously served as Group Vice President – Service Operations from September 2019 to March 2024. Ms. Sampang also served as Vice President, Service Operations Strategy, Planning and Support of TMCC from April 2017 to September 2019, and Corporate Manager, Service Operations Strategy, Planning and Support for TMCC from September 2013 to March 2017. Prior to this, she served as Chief Operations Officer for TFSB from January 2012 to September 2013. Ms. Sampang first joined TMS in 1993.

Ms. Baird was named Vice President and Chief Accounting Officer in September 2023. Prior to her current position, Ms. Baird served as General Manager and Financial Controllershship from June 2022 to September 2023. She

previously served as Group Manager and Financial Controllership from March 2021 to June 2022. Ms. Baird also served as National Manager, Officer of the Chief Executive Officer from April 2019 to March 2021 and as National Manager, Accounting Transformation and Consulting at TMCC from October 2017 to April 2019. Ms. Baird first joined TMCC in 2012.

Mr. Korosue was named Director of TMCC in April 2021. He was also named Chief Officer, Sales Finance Business Group of TMC, Director, President and Chief Executive Officer of TFSC, and Director, Chairman and Chief Executive Officer of TFSIC in April 2021. Prior to joining TMC, Mr. Korosue held the position of Managing Executive Officer of Sumitomo Mitsui Banking Corporation (“SMBC”) from April 2018 to April 2021. Prior to this, he held the following positions at SMBC: Executive Officer, Regional Head of Greater Mekong Sub-Region Country Head of Thailand, General Manager of Bangkok Branch from April 2017 to April 2018, Director, Regional Head of Greater Mekong Sub-Region, Country Head of Thailand, General Manager of Bangkok Branch from April 2015 to April 2017, General Manager, Nihonbashi-Higashi Corporate Business Office, Tokyo from April 2014 to April 2015, and General Manager, Osaka Chuo Corporate Business Office, Osaka from July 2012 to April 2014. Mr. Korosue first joined SMBC in 1986.

Mr. Ogawa was named Director of TMCC and Director, President and Chief Executive Officer of TMNA in April 2020. He was named Operating Officer of TMC in April 2023. Mr. Ogawa previously served as Chief Executive Officer, North America Region of TMC from April 2020 to March 2023, Operating Officer of TMC from January 2019 to December 2020, Chief Operating Officer, North America Region of TMC from January 2019 to April 2020 and Deputy Chief Officer - External and Public Affairs Group of TMC from January 2019 to July 2019. He served as Executive Vice President of TMNA from April 2017 to March 2020 and Senior Managing Officer of TMC from January 2018 to January 2019. He also served as Chief Administrative Officer – North America Region of TMC from April 2017 to January 2019. Prior to this, Mr. Ogawa served as Managing Officer of TMC from April 2015 to January 2018 and Deputy Chief Executive Officer – China Region of TMC and President, Toyota Motor (China) Investment Co., Ltd. from April 2015 to April 2017. From January 2012 to April 2015, he served as General Manager - China Division of TMC. Mr. Ogawa first joined TMC in 1984.

Mr. Hollis was named Director of TMCC in June 2022, Chief Operating Officer of TMNA in April 2024, and Executive Vice President of TMNA and Director and President of TMS in June 2022. Prior to this, he held the following positions at TMNA and TMS: Senior Vice President Automotive Operations from September 2020 to June 2022, Group Vice President & General Manager – Toyota Division from February 2017 to September 2020, Group Vice President – Marketing from December 2014 to February 2017, Vice President – Marketing from July 2012 to November 2014 and Vice President – Scion from June 2007 to June 2012. Mr. Hollis joined TMS in 1992.

ITEM 11. EXECUTIVE COMPENSATION

TMCC has omitted this section pursuant to General Instruction I(2) of Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

TMCC has omitted this section pursuant to General Instruction I(2) of Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

TMCC has omitted this section pursuant to General Instruction I(2) of Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table represents aggregate fees billed to us by PricewaterhouseCoopers LLP, an independent registered public accounting firm.

(Dollars in thousands)	Years ended March 31,	
	2024	2023
Audit fees	\$ 14,333	\$ 12,275
Audit related fees	-	-
Tax fees	287	263
All other fees	48	247
Total fees	<u>\$ 14,668</u>	<u>\$ 12,785</u>

Audit fees include the audits of our consolidated financial statements included in our Annual Reports on Form 10-K, reviews of our consolidated financial statements included in our Quarterly Reports on Form 10-Q, and providing comfort letters, consents and other attestation reports in connection with our funding transactions.

Audit related fees primarily include procedures related to funding programs and consultation on the interpretation of accounting standards.

Tax fees primarily include tax reporting software license fees, tax planning services, assistance in connection with tax audits, and tax compliance system license fees.

Other fees include industry research, information technology risk and process assessment review, and translation services performed in connection with our funding transactions.

Auditor Fees Pre-approval Policy

The TMCC Audit and Non-Audit Services Pre-Approval Policy requires that all services provided to us by PricewaterhouseCoopers LLP, our independent registered public accounting firm, including audit services and permitted audit-related and non-audit services, be reviewed and pre-approved by the TMCC Audit Committee and TMCC Board of Directors. All the services provided in fiscal 2024 and 2023 were pre-approved in accordance with the policy's pre-approval requirements.

PART IV

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

Included in [Part II, “Item 8. Financial Statements and Supplementary Data”](#) of this Form 10-K on pages [62](#) through 108.

(a)(2) Financial Statement Schedules

Schedules have been omitted because they are not applicable, the information required to be contained in them is disclosed in [Part II, “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, Credit Risk”](#) and [“Item 8. Financial Statements and Supplementary Data”](#) of this Form 10-K or the amounts involved are not sufficient to require submission.

(a)(3) Exhibits

See Exhibit Index on page [115](#).

Exhibit Number	Description	Method of Filing
3.1	Restated Articles of Incorporation of Toyota Motor Credit Corporation filed with the California Secretary of State on April 1, 2010.	(1)
3.2	Bylaws of Toyota Motor Credit Corporation as amended through December 8, 2000.	(2)
4.1(a)	Indenture, dated as of August 1, 1991, between Toyota Motor Credit Corporation and The Chase Manhattan Bank, N.A.	(3)
4.1(b)	First Supplemental Indenture, dated as of October 1, 1991, among Toyota Motor Credit Corporation, Bankers Trust Company and The Chase Manhattan Bank, N.A.	(4)
4.1(c)	Second Supplemental Indenture, dated as of March 31, 2004, among Toyota Motor Credit Corporation, JPMorgan Chase Bank (as successor to The Chase Manhattan Bank, N.A.) and Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company).	(5)
4.1(d)	Third Supplemental Indenture, dated as of March 8, 2011, among Toyota Motor Credit Corporation, The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.) as successor to The Bank of New York Mellon, as trustee, and Deutsche Bank Trust Company Americas, as trustee.	(6)
4.1(e)	Agreement of Resignation, Appointment and Acceptance, dated as of April 26, 2010, among Toyota Motor Credit Corporation, The Bank of New York Mellon and The Bank of New York Mellon Trust Company, N.A.	(7)
4.2(a)	Amended and Restated Agency Agreement, dated September 15, 2023, among Toyota Motor Credit Corporation, Toyota Motor Finance (Netherlands) B.V., Toyota Credit Canada Inc., Toyota Finance Australia Limited, and The Bank of New York Mellon, acting through its London branch	(8)
4.2(b)	Amended and Restated Note Agency Agreement, dated as of September 17, 2021, among Toyota Motor Credit Corporation, The Bank of New York Mellon S.A. /NV, Luxembourg branch, and The Bank of New York Mellon, acting through its London branch.	(9)
4.3	Toyota Motor Credit Corporation has outstanding certain long-term debt as set forth in Note 7 - Debt and Credit Facilities of the Notes to Consolidated Financial Statements . Not filed herein as an exhibit, pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, is any instrument which defines the rights of holders of such long-term debt, where the total amount of securities authorized thereunder does not exceed 10 percent of the total assets of Toyota Motor Credit Corporation and its subsidiaries on a consolidated basis. Toyota Motor Credit Corporation agrees to furnish copies of all such instruments to the Securities and Exchange Commission upon request.	
(1)	Incorporated herein by reference to Exhibit 3.1, filed with our Annual Report on Form 10-K for the fiscal year ended March 31, 2010, Commission File Number 1-9961.	
(2)	Incorporated herein by reference to Exhibit 3.2, filed with our Quarterly Report on Form 10-Q for the three months ended December 31, 2000, Commission File Number 1-9961.	
(3)	Incorporated herein by reference to Exhibit 4.1(a), filed with our Registration Statement on Form S-3 filed January 24, 2018, Commission File Number 333-222676.	
(4)	Incorporated herein by reference to Exhibit 4.1(b), filed with our Registration Statement on Form S-3 filed January 24, 2018, Commission File Number 333-222676.	
(5)	Incorporated herein by reference to Exhibit 4.1(c), filed with our Registration Statement on Form S-3/A filed March 31, 2004, Commission File Number 333-113680.	
(6)	Incorporated herein by reference to Exhibit 4.2, filed with our Current Report on Form 8-K filed March 9, 2011, Commission File Number 1-9961.	
(7)	Incorporated herein by reference to Exhibit 4.1(d), filed with our Annual Report on Form 10-K for the fiscal year ended March 31, 2010, Commission File Number 1-9961.	
(8)	Incorporated herein by reference to Exhibit 4.1, filed with our Current Report on Form 8-K filed September 18, 2023, Commission File Number 1-9961.	
(9)	Incorporated herein by reference to Exhibit 4.2, filed with our Current Report on Form 8-K filed September 20, 2021, Commission File Number 1-9961.	

Exhibit Number	Description	Method of Filing
<u>4.4</u>	<u>Description of Medium-Term Notes, Series B due January 11, 2028 of Toyota Motor Credit Corporation.</u>	(10)
<u>10.1</u>	<u>364 Day Credit Agreement, dated as of November 17, 2023, among Toyota Motor Credit Corporation, Toyota Motor Finance (Netherlands) B.V., Toyota Financial Services (UK) PLC, Toyota Credit De Puerto Rico Corp., Toyota Credit Canada Inc., Toyota Kreditbank GmbH, and Toyota Finance Australia Limited, as Borrowers, the lenders party thereto, and BNP Paribas, as Administrative Agent, Swing Line Agent and Swing Line Lender, BNP Paribas Securities Corp., BofA Securities, Inc., Citibank, N.A., JPMorgan Chase Bank, N.A., and MUFG Bank, Ltd., as Joint Lead Arrangers and Joint Book Managers, Citibank, N.A., Bank of America, N.A. and JPMorgan Chase Bank, N.A., as Syndication Agents and Swing Line Lenders, and MUFG Bank, Ltd., as a Syndication Agent.</u>	(11)
<u>10.2</u>	<u>Three Year Credit Agreement, dated as of November 17, 2023, among Toyota Motor Credit Corporation, Toyota Motor Finance (Netherlands) B.V., Toyota Financial Services (UK) PLC, Toyota Credit De Puerto Rico Corp., Toyota Credit Canada Inc., Toyota Kreditbank GmbH, and Toyota Finance Australia Limited, as Borrowers, the lenders party thereto, and BNP Paribas, as Administrative Agent, Swing Line Agent and Swing Line Lender, BNP Paribas Securities Corp., BofA Securities, Inc., Citibank, N.A., JPMorgan Chase Bank, N.A., and MUFG Bank, Ltd., as Joint Lead Arrangers and Joint Book Managers, Citibank, N.A., Bank of America, N.A. and JPMorgan Chase Bank, N.A., as Syndication Agents and Swing Line Lenders, and MUFG Bank, Ltd., as a Syndication Agent.</u>	(12)
<u>10.3</u>	<u>Five Year Credit Agreement, dated as of November 17, 2023, among Toyota Motor Credit Corporation, Toyota Motor Finance (Netherlands) B.V., Toyota Financial Services (UK) PLC, Toyota Credit De Puerto Rico Corp., Toyota Credit Canada Inc., Toyota Kreditbank GmbH, and Toyota Finance Australia Limited, as Borrowers, the lenders party thereto, and BNP Paribas, as Administrative Agent, Swing Line Agent and Swing Line Lender, BNP Paribas Securities Corp., BofA Securities, Inc., Citibank, N.A., JPMorgan Chase Bank, N.A., and MUFG Bank, Ltd., as Joint Lead Arrangers and Joint Book Managers, Citibank, N.A., Bank of America, N.A. and JPMorgan Chase Bank, N.A., as Syndication Agents and Swing Line Lenders, and MUFG Bank, Ltd., as a Syndication Agent.</u>	(13)
<u>10.4</u>	<u>Credit Support Agreement, dated as of July 14, 2000, between Toyota Financial Services Corporation and Toyota Motor Corporation.</u>	(14)
<u>10.5</u>	<u>Credit Support Agreement, dated as of October 1, 2000, between Toyota Motor Credit Corporation and Toyota Financial Services Corporation.</u>	(15)

- (10) Incorporated herein by reference to Exhibit 4.5, filed with our Annual Report on Form 10-K for the fiscal year ended March 31, 2019, Commission File Number 1-9961.
- (11) Incorporated herein by reference to Exhibit 10.1, filed with our Current Report on Form 8-K filed November 20, 2023, Commission File Number 1-9961.
- (12) Incorporated herein by reference to Exhibit 10.2, filed with our Current Report on Form 8-K filed November 20, 2023, Commission File Number 1-9961.
- (13) Incorporated herein by reference to Exhibit 10.3, filed with our Current Report on Form 8-K filed November 20, 2023, Commission File Number 1-9961.
- (14) Incorporated herein by reference to Exhibit 10.9, filed with our Annual Report on Form 10-K for the fiscal year ended September 30, 2000, Commission File Number 1-9961.
- (15) Incorporated herein by reference to Exhibit 10.10, filed with our Annual Report on Form 10-K for the fiscal year ended September 30, 2000, Commission File Number 1-9961.

Exhibit Number	Description	Method of Filing
10.6	Amended and Restated Repurchase Agreement, dated as of October 1, 2000, between Toyota Motor Credit Corporation and Toyota Motor Sales, U.S.A., Inc.	(16)
10.7(a)	Credit Support Fee Agreement, dated as of March 30, 2001, between Toyota Motor Credit Corporation and Toyota Financial Services Corporation.	(17)
10.7(b)	Amendment Number 1 to Credit Support Fee Agreement, dated as of June 17, 2005, between Toyota Motor Credit Corporation and Toyota Financial Services Corporation.	(18)
10.7(c)	Amendment Number 2 to the Credit Support Fee Agreement, dated as of September 7, 2012, between Toyota Motor Credit Corporation and Toyota Financial Services Corporation.	(19)
10.8	Revolving Credit Agreement, dated as of April 1, 2024, between Toyota Motor Credit Corporation and Toyota Motor Sales, U.S.A., Inc.	(20)
10.9	Form of Indemnification Agreement between Toyota Motor Credit Corporation and its directors and officers.	(21)
18.1	Preferability Letter from PricewaterhouseCoopers LLP regarding change in accounting principle	Filed Herewith
23.1	Consent of Independent Registered Public Accounting Firm	Filed Herewith
31.1	Certification of Chief Executive Officer	Filed Herewith
31.2	Certification of Chief Financial Officer	Filed Herewith
32.1	Certification pursuant to 18 U.S.C. Section 1350	Furnished Herewith
32.2	Certification pursuant to 18 U.S.C. Section 1350	Furnished Herewith
97.1	Toyota Motor Credit Corporation Policy on Recovery of Erroneously Awarded Compensation	Filed Herewith
101.INS	Inline XBRL instance document	Filed Herewith
101.SCH	Inline XBRL taxonomy extension schema with embedded linkbases document	Filed Herewith
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	Filed Herewith

- (16) Incorporated herein by reference to Exhibit 10.11, filed with our Annual Report on Form 10-K for the fiscal year ended March 31, 2001, Commission File Number 1-9961.
- (17) Incorporated herein by reference to Exhibit 10.13, filed with our Annual Report on Form 10-K for the fiscal year ended March 31, 2001, Commission File Number 1-9961.
- (18) Incorporated herein by reference to Exhibit 10.13(b), filed with our Annual Report on Form 10-K for the fiscal year ended March 31, 2005, Commission File Number 1-9961.
- (19) Incorporated herein by reference to Exhibit 10.1, filed with our Current Report on Form 8-K filed September 7, 2012, Commission File Number 1-9961.
- (20) Incorporated herein by reference to Exhibit 10.1, filed with our Current Report on Form 8-K filed April 2, 2024, Commission File Number 1-9961.
- (21) Incorporated herein by reference to Exhibit 10.1, filed with our Quarterly Report on Form 10-Q for the three months ended September 30, 2021, Commission File Number 1-9961.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TOYOTA MOTOR CREDIT CORPORATION
(Registrant)

Date: June 4, 2024

By /s/ Scott Cooke

Scott Cooke

President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Mark S. Templin</u> Mark S. Templin	Director, Chairman of the Board of Directors	June 4, 2024
<u>/s/ Scott Cooke</u> Scott Cooke	Director, President and Chief Executive Officer (Principal Executive Officer)	June 4, 2024
<u>/s/ James Schofield</u> James Schofield	Group Vice President and Chief Financial Officer (Principal Financial Officer)	June 4, 2024
<u>/s/ Brittany Baird</u> Brittany Baird	Vice President and Chief Accounting Officer (Principal Accounting Officer)	June 4, 2024
<u>/s/ Alec Hagey</u> Alec Hagey	Director, Senior Vice President and Chief Operations Officer	June 4, 2024
<u>/s/ Mao Saka</u> Mao Saka	Director and Treasurer	June 4, 2024

Hiroyoshi Korosue

Tetsuo Ogawa

Jack Hollis

Director

EXHIBIT 18.1

PREFERABILITY LETTER FROM PRICEWATERHOUSECOOPERS LLP REGARDING CHANGE IN ACCOUNTING PRINCIPLE



June 4, 2024

Board of Directors
Toyota Motor Credit Corporation
6565 Headquarters Drive
Plano, TX 75024-5965

Dear Directors:

We are providing this letter to you for inclusion as an exhibit to Toyota Motor Credit Corporation's (the "Company") Annual Report on Form 10-K for the year ended March 31, 2024 (the "Form 10-K") pursuant to Item 601 of Regulation S-K.

We have audited the consolidated financial statements included in the Form 10-K and issued our report thereon dated June 4, 2024. Note 1 to the consolidated financial statements describes a change in accounting principle for investment tax credits from the flow-through method to the deferral method. In expressing our concurrence below we have relied on management's determination that this change in accounting principle is preferable. Based on our reading of management's stated reasons and justification for this change in accounting principle in the Form 10-K, and our discussions with management as to their judgment about the relevant business planning factors relating to the change, we concur with management that such change represents, in the Company's circumstances, a change to a preferable accounting principle in conformity with Accounting Standards Codification 250, *Accounting Changes and Error Corrections*.

Very truly yours,

PricewaterhouseCoopers LLP

Dallas, Texas

EXHIBIT 23.1**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-276616) of Toyota Motor Credit Corporation of our report dated June 4, 2024 relating to the financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Dallas, Texas
June 4, 2024

EXHIBIT 31.1

CERTIFICATIONS

I, Scott Cooke, certify that:

1. I have reviewed this annual report on Form 10-K of Toyota Motor Credit Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 4, 2024

By /s/ Scott Cooke
Scott Cooke
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATIONS

I, James Schofield, certify that:

1. I have reviewed this annual report on Form 10-K of Toyota Motor Credit Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 4, 2024

By /s/ James Schofield
James Schofield
Group Vice President and
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Toyota Motor Credit Corporation (the "Company") on Form 10-K for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott Cooke, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By /s/ Scott Cooke
Scott Cooke
President and Chief Executive Officer
(Principal Executive Officer)
June 4, 2024

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Toyota Motor Credit Corporation (the "Company") on Form 10-K for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James Schofield, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By /s/ James Schofield
James Schofield
Group Vice President and
Chief Financial Officer
(Principal Financial Officer)
June 4, 2024

**TOYOTA MOTOR CREDIT CORPORATION
COMPENSATION RECOUPMENT POLICY**

This Toyota Motor Credit Corporation Compensation Recoupment Policy (“**Policy**”) has been adopted by the Board of Directors (the “**Board**”) of Toyota Motor Credit Corporation (the “**Company**”) as of July 25, 2023. This Policy provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under U.S. federal securities laws in accordance with the terms and conditions set forth herein. This Policy is intended to comply with the requirements of Section 10D of the Exchange Act (as defined below) and Section 303A.14 of the NYSE Listed Company Manual.

1. Definitions. For the purposes of this Policy, the following terms shall have the meanings set forth below.

(a) “**Administrator**” means the Board, or any committee designated by the Board (which may consist of one or more members of the Board and/or any directors or officers of a company wholly owned by the Company’s direct or indirect parent entity (other than any Covered Executive)); *provided* that to the extent that any member of the Board is a Covered Executive, such Board member will be recused from any discussions and decisions related to the Policy.

(b) “**Covered Compensation**” means any Incentive-based Compensation “received” by a Covered Executive during the applicable Recoupment Period; *provided* that:

(i) such Covered Compensation was received by such Covered Executive (A) after the Effective Date, (B) after he or she commenced service as an Executive Officer and (C) while the Company had a class of securities publicly listed on a national securities exchange; and

(ii) such Covered Executive served as an Executive Officer at any time during the performance period in respect of such Incentive-based Compensation.

For purposes of this Policy, Incentive-based Compensation is “**received**” by a Covered Executive during the fiscal period in which the Financial Reporting Measure applicable to such Incentive-based Compensation (or portion thereof) is attained, even if the payment or grant of such Incentive-based Compensation is made thereafter.

(c) “**Covered Executive**” means any current or former Executive Officer.

(d) “**Effective Date**” means the date on which Section 303A.14 of the NYSE Listed Company Manual becomes effective.

(e) “**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended.

(f) “**Executive Officer**” means, with respect to the Company, (i) its president, (ii) its principal financial officer, (iii) its principal accounting officer (or if there is no such accounting officer, its controller), (iv) any vice-president in charge of a principal business unit, division or function (such as sales, administration or finance), (v) any other officer who performs a policy-making function for the Company (including any officer of the Company’s parent(s) or subsidiaries if they perform policy-making functions for the Company), and (vi) any other person who performs similar policy-making functions for the Company. Policy-making function is not intended to include policy-making functions that are not significant, and an officer of the Company’s parent shall not automatically be deemed to perform a policy-making function for the Company solely as a result of such service. The determination as to an individual’s status as an Executive Officer shall be made by the Administrator and such determination shall be final, conclusive and binding on such individual and all other interested persons, provided that, in the event that a Recoupment Trigger Date occurs, the Administrator shall be authorized to determine that additional persons be designated as Executive Officers (within this definition of Executive Officer) in respect of the

Recoupment Period, and the Administrator's determination shall be final, conclusive and binding on all interested persons.

(g) **"Financial Reporting Measure"** means any (i) measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, (ii) stock price measure or (iii) total shareholder return measure (and any measures that are derived wholly or in part from any measure referenced in clause (i), (ii) or (iii) above). For the avoidance of doubt, any such measure does not need to be presented within the Company's financial statements or included in a filing with the U.S. Securities and Exchange Commission.

(h) **"Financial Restatement"** means a restatement of the Company's financial statements due to the Company's material noncompliance with any financial reporting requirement under U.S. federal securities laws that is required in order to correct:

- (i) an error in previously issued financial statements that is material to the previously issued financial statements; or
- (ii) an error that would result in a material misstatement if the error were (A) corrected in the current period or (B) left uncorrected in the current period.

For purposes of this Policy, a Financial Restatement shall not be deemed to occur in the event of a revision of the Company's financial statements due to an out-of-period adjustment (i.e., when the error is immaterial to the previously issued financial statements and the correction of the error is also immaterial to the current period) or a retrospective (1) application of a change in accounting principles; (2) revision to reportable segment information due to a change in the structure of the Company's internal organization; (3) reclassification due to a discontinued operation; (4) application of a change in reporting entity, such as from a reorganization of entities under common control; or (5) revision for stock (or other equity) splits, reverse stock (or other equity) splits, stock dividends, other equity distributions or other changes in capital structure.

(j) **"Incentive-based Compensation"** means any compensation (including, for the avoidance of doubt, any cash or equity or equity-based compensation, whether deferred or current) that is granted, earned and/or vested based wholly or in part upon the achievement of a Financial Reporting Measure. For purposes of this Policy, "Incentive-based Compensation" shall also be deemed to include any amounts which were determined based on (or were otherwise calculated by reference to) Incentive-based Compensation (including, without limitation, any amounts under any long-term disability, life insurance or supplemental retirement or severance plan or agreement or any notional account that is based on Incentive-based Compensation), as well as any earnings accrued thereon, without regard to whether such amounts were actually or constructively received.

(k) **"NYSE"** means the New York Stock Exchange, or any successor thereof.

(l) **"Recoupment Period"** means the three fiscal years completed immediately preceding the date of any applicable Recoupment Trigger Date. Notwithstanding the foregoing, the Recoupment Period additionally includes any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years, provided that a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine (9) to twelve (12) months would be deemed a completed fiscal year.

(m) **"Recoupment Trigger Date"** means the earlier of (i) the date that the Board (or a committee thereof, or the officer(s) of the Company authorized to take such action if Board action is not required) concludes, or reasonably should have concluded, that the Company is required to prepare a Financial Restatement, and (ii) the date on which a court, regulator or other legally authorized body directs the Company to prepare a Financial Restatement.

2. Recoupment of Erroneously Awarded Compensation.

(a) In the event of a Financial Restatement, if the amount of any Covered Compensation received by a Covered Executive (the “**Awarded Compensation**”) exceeds the amount of such Covered Compensation that would have otherwise been received by such Covered Executive if calculated based on the Financial Restatement (the “**Adjusted Compensation**”), the Company shall reasonably promptly recover from such Covered Executive an amount equal to the excess of the Awarded Compensation over the Adjusted Compensation (such excess amount, the “**Erroneously Awarded Compensation**”).

(b) If (i) the Financial Reporting Measure applicable to the relevant Covered Compensation is a stock price or total shareholder return measure (or any measure derived wholly or in part from either of such measures) and (ii) the amount of such Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the Financial Restatement, then the Administrator shall determine, and recommend to the Board for approval, the amount of the Erroneously Awarded Compensation (on a pre-tax basis) based on the Administrator’s reasonable estimate of the effect of the Financial Restatement on the Company’s stock price or total shareholder return (or the derivative measure thereof) upon which such Covered Compensation was received.

(c) For the avoidance of doubt, the Company’s obligation to recover Erroneously Awarded Compensation is not dependent on (i) if or when the restated financial statements are filed; or (ii) any fault of any Covered Executive for the accounting errors or other actions leading to a Financial Restatement. Further, the Company shall have the right to recoup Erroneously Awarded Compensation pursuant to this Policy regardless of whether any particular compensation plan or agreement references this Policy or otherwise provides for such recoupment.

(d) Notwithstanding anything to the contrary in Sections 2(a) through (c) hereof, the Company shall not be required to recover any Erroneously Awarded Compensation in the event that (x) the conditions set forth in either of clause (i) or (ii) are satisfied and (y) the Administrator (or a majority of the independent directors serving on the Board) has made a determination that recovery of the Erroneously Awarded Compensation would be impracticable:

(i) the direct expense paid to a third party to assist in enforcing the recovery of the Erroneously Awarded Compensation under this Policy would exceed the amount of such Erroneously Awarded Compensation to be recovered; *provided* that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation pursuant to this Section 2(d), the Company shall have first made a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to make such recovery and provide that documentation to the NYSE; or

(ii) recovery of the Erroneously Awarded Compensation would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Sections 401(a)(13) or 411(a) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”).

(e) The Company shall not indemnify any Covered Executive, directly or indirectly, for any losses that such Covered Executive may incur in connection with the recovery of Erroneously Awarded Compensation pursuant to this Policy, including through the payment of insurance premiums or gross-up payments.

(f) The Administrator shall determine, and recommend to the Board for approval, the manner and timing in which any Erroneously Awarded Compensation shall be recovered from a Covered Executive in accordance with applicable law, including, without limitation, by (i) requiring reimbursement of Covered Compensation previously paid in cash; (ii) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity or equity-based awards; (iii) offsetting the Erroneously Awarded Compensation amount from any compensation otherwise owed by the Company or any of its affiliates to the Covered Executive; (iv) cancelling outstanding vested or unvested equity or equity-based awards; and/or (v) taking any other remedial and recovery action permitted by applicable law. For the avoidance of doubt, except as set forth in Section 2(d), in no event may the Company accept an amount that is less than the amount of

Erroneously Awarded Compensation, *provided* that, to the extent necessary to avoid any adverse tax consequences to the Covered Executive pursuant to Section 409A of the Code, any offsets against amounts under any nonqualified deferred compensation plans (as defined under Section 409A of the Code) shall be made in compliance with Section 409A of the Code.

3. Administration. This Policy shall be administered by the Administrator. All decisions of the Administrator shall be final, conclusive and binding upon the Company and its affiliates and the Covered Executives, their beneficiaries, executors, administrators and any other legal representative. The Administrator shall have full power and authority to (i) administer and interpret this Policy, (ii) correct any defect, supply any omission and reconcile any inconsistency in this Policy and (iii) make any other determination and take any other action that the Administrator deems necessary or desirable for the administration of this Policy and to comply with applicable law (including Section 10D of the Exchange Act) and 303A.14 of the NYSE Listed Company Manual.

4. Amendment/Termination. Subject to Section 10D of the Exchange Act and Section 303A.14 of the NYSE Listed Company Manual, this Policy may be amended or terminated by the Administrator at any time. To the extent that any applicable law, or stock market or exchange rules or regulations require recovery of Erroneously Awarded Compensation in circumstances in addition to those specified herein, nothing in this Policy shall be deemed to limit or restrict the right or obligation of the Company to recover Erroneously Awarded Compensation to the fullest extent required by such applicable law, stock market or exchange rules and regulations. Unless otherwise required by applicable law, this Policy shall no longer be effective from and after the date that the Company no longer has a class of securities publicly listed on a United States national securities exchange.

5. Interpretation. Notwithstanding anything to the contrary herein, this Policy is intended to comply with the requirements of Section 10D of the Exchange Act and Section 303A.14 of the NYSE Listed Company Manual (and any applicable regulations, administrative interpretations, stock market or exchange rules and regulations adopted in connection therewith). The provisions of this Policy shall be interpreted in a manner that satisfies such requirements and this Policy shall be operated accordingly. If any provision of this Policy would otherwise frustrate or conflict with this intent, the provision shall be interpreted and deemed amended so as to avoid such conflict.

6. Other Compensation Clawback/Recoupment Rights. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies, rights or requirements with respect to the clawback or recoupment of any compensation that may be available to the Company pursuant to the terms of any other recoupment or clawback policy of the Company (or any of its affiliates) that may be in effect from time to time, any provisions policy in any employment agreement, offer letter, equity plan, equity award agreement or similar plan or agreement and any other legal remedies available to the Company, as well as applicable law, stock market or exchange rules, listing standards or regulations; *provided, however*, that any amounts recouped or clawed back under any other policy that would be recoupable under this Policy shall count toward any required clawback or recoupment under this Policy and vice versa.

7. Exempt Compensation. Notwithstanding anything to the contrary herein, the Company has no obligation to seek recoupment of amounts paid to a Covered Executive which are granted, vested or earned based solely upon the occurrence or non-occurrence of nonfinancial events. Such exempt compensation includes, without limitation, base salary, time-vesting awards, compensation awarded on the basis of the achievement of metrics that are not Financial Reporting Measures or compensation awarded solely at the discretion of the Company or any of its affiliates, *provided* that such amounts are in no way contingent on and were not in any way granted on the basis of the achievement of any Financial Reporting Measure.

8. Miscellaneous.

(a) Any applicable award agreement or other document setting forth the terms and conditions of any compensation covered by this Policy shall be deemed to include the restrictions

imposed herein and incorporate this Policy by reference and, in the event of any inconsistency, the terms of this Policy will govern. For the avoidance of doubt, this Policy applies to all compensation that is received on or after the Effective Date, regardless of the date on which the award agreement or other document setting forth the terms and conditions of the Covered Compensation became effective.

(b) This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

(c) Except with respect to matters preempted by federal law, all issues concerning the construction, validity, enforcement and interpretation of this Policy and all related documents, including, without limitation, any employment agreement, offer letter, equity award agreement or similar agreement, shall be governed by, and construed in accordance with, the laws of the State of Texas, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Texas or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Texas.

(d) The Covered Executives, their beneficiaries, executors, administrators, and any other legal representative and the Company shall initially attempt to resolve all claims, disputes or controversies arising under, out of or in connection with this Policy by conducting good faith negotiations amongst themselves. To ensure the timely and economical resolution of disputes that arise in connection with this Policy, any and all disputes, claims, or causes of action arising from or relating to the enforcement, performance or interpretation of this Policy shall be resolved to the fullest extent permitted by law by final and binding arbitration, in accordance with the Arbitration Agreement in place between the Company and the Covered Executives. The Covered Executives, their beneficiaries, executors, administrators, and any other legal representative, and the Company, shall waive the right to resolve any such dispute through a trial by jury.

(e) If any provision of this Policy is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

(f) Notwithstanding any award agreement or incentive plan provision to the contrary, Covered Executives do not earn, and are not eligible to receive, any Erroneously Awarded Compensation.