29 November 2024

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

Half-Yearly Financial Report for the six months ended 30 September 2024

TCCI was incorporated as a corporation under the Canada Business Corporations Act on 19 February 1990. TCCI's Corporation Number is 257476-4. The registered office of TCCI is located at 80 Micro Court, Suite 200, Markham, Ontario L3R 9Z5, Canada. TCCI is a wholly-owned subsidiary of Toyota Financial Services Corporation ("***TFS***"), which is a wholly-owned subsidiary of Toyota Motor Corporation ("***TMC***").

In fiscal year 2022, TCCI Limited Partnership and TCCI Securitization GP Corp. were created for the purpose of facilitating the securitization of finance receivables. TCCI Securitization GP Corp. is wholly owned by TCCI, whereas TCCI Limited Partnership is owned 99.99% by TCCI and 0.01% by TCCI Securitization GP Corp.

TCCI presents its half-yearly financial report for the six months ended 30 September 2024. References herein to "TCCI" denote Toyota Credit Canada Inc. and, where the context requires, its consolidated subsidiaries.

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

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

On 19 September 2024, TCCI entered into a financial services agreement with Mazda Canada Inc. (the "***Mazda Canada Agreement***") for TCCI to provide finance products to authorised Mazda dealers and their customers in Canada with effect from 1 October 2024.

As a result of the Mazda Canada Agreement, in addition to TCCI's principal business of providing finance products to authorised Toyota and Lexus dealers and their customers in Canada, TCCI also provides finance products to authorised Mazda dealers and their customers in Canada pursuant to an agreement that TCCI has entered into with Mazda Canada Inc., in addition to providing finance products to authorised Subaru dealers and their customers in Canada pursuant to an arrangement TCCI has entered into with Subaru Canada, Inc.

1. Management Report

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

TCCI's net income was C$134.0 million for the six months ended 30 September 2024, compared to C$193.1 million for the six months ended 30 September 2023. Financing revenues for the six months ended 30 September 2024 were higher than the comparative period last year due to higher average finance receivables and increased yield on new contracts as a result of higher market interest rates. Interest expense for the six months ended 30 September 2024 was higher than the comparative period last year due to higher average debt payable balances and higher borrowing costs. There were 546,693 total contracts outstanding as at 30 September 2024, compared to 548,262 as at 30 September 2023. Operating expenses for the six months ended 30 September 2024 were higher than the comparative period last year due primarily to higher employee salaries and benefits, and higher provision for finance receivables. The provision for finance receivables in the six months ended 30 September 2024 was C$29.4 million, compared to a recovery of C$(7.6) million in the comparative period last year. TCCI increased its allowance for retail finance lease residual value losses by C$23.9 million in the current period (compared to a decrease of C$11.5 million in the comparative period last year) due to downward adjustments on the forecasted value of used vehicles. TCCI's allowance for credit losses as at 30 September 2024 of C$39.3 was comparable to 31 March 2024 levels as management's estimate and assumptions regarding the impact of the current macroeconomic environment on expected credit losses were largely unchanged. Write-offs of uncollectable customer accounts in the six months ended 30 September 2024 were C$4.7 million higher than the comparative period last year. Results for the six months ended 30 September 2024 were negatively affected by unrealised losses of C$(46.4) million on derivatives used to manage interest rate risk, compared to unrealised gains of C$11.5 million in the comparative period last year. Overall, TCCI's capital position decreased by C$(191.3) million, bringing total equity to C$1,493.9 million as at 30 September 2024.

For the six months ended 30 September 2024 TCCI entered into C$750 million private retail loan securitization transactions, compared to C$600 million for the six months ended 30 September 2023.

Medium Term Notes

TCCI maintains its Euro Medium Term Note Programme (the "***EMTN Programme***") together with its affiliates Toyota Motor Finance (Netherlands) B.V., Toyota Finance Australia Limited and Toyota Motor Credit Corporation (TCCI and such affiliates, the "***EMTN Issuers***"), providing for the issuance of debt securities in the international capital markets. In September 2024, the EMTN Issuers renewed the EMTN Programme for a one year period. The maximum aggregate principal amount of debt securities that may be issued by the EMTN Issuers and outstanding under the EMTN Programme at any time is €60 billion, or the equivalent in other currencies.

Back Up Liquidity

On 15 November 2024, TCCI and other Toyota affiliates entered into a U.S.$ 5.0 billion 364 day syndicated bank credit facility pursuant to a 364 Day Credit Agreement, a U.S.$ 5.0 billion three year syndicated bank credit facility pursuant to a Three Year Credit Agreement and a U.S.$ 5.0 billion five year syndicated bank credit facility pursuant to a Five Year Credit Agreement. The ability to make drawdowns under the 364 Day Credit Agreement, the Three Year Credit Agreement and the Five Year Credit Agreement is subject to covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross default provisions and limitations on consolidations, mergers and sales of assets. The 364 Day Credit Agreement, the Three Year Credit Agreement and the Five Year Credit Agreement may be used for general corporate purposes and were not drawn upon as of 29 November 2024. The 364 Day Credit Agreement, the Three Year Credit Agreement and the Five Year Credit Agreement, each dated as of 17 November 2023, terminated (in the case of the 364 Day Credit Agreement) or were terminated (in the case of the Three Year Credit Agreement and the Five Year Credit Agreement) on 15 November 2024.

Letters of Credit Facilities

In addition, TCCI has uncommitted letters of credit facilities totalling C$61 million as at 30 September 2024 and as at 30 September 2023, which were not drawn upon as of these dates.

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

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

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

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

In turn, lower used vehicle values could affect return rates, amounts written off and lease residual value provisions.

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

Geopolitical conditions and other market events may also impact TCCI's results of operations and financial condition. Restrictive exchange or import controls or other disruptive trade policies, disruption of operations as a result of systemic political or economic instability, 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 risks, 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 TCCI's results of operations and financial condition.

Benchmark interest rates and credit spreads are subject to change. When interest rates are high or increasing, TCCI generally expects to earn higher financing revenue from its new originations. However, elevated interest rates have and in the future could continue to have an adverse effect on TCCI's business, financial condition and results of operations by increasing its cost of capital and the rates TCCI charges its customers and dealers, which could, in turn, decrease TCCI's 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 TCCI's competitive position. On the other hand, a low or negative interest rate environment may increase TCCI's financing volumes and market share, however it could also have an adverse effect on TCCI's business, financial condition and results of operations by reducing returns on TCCI's investments in marketable securities and compressing TCCI's net interest margin. When credit spreads widen, it becomes more expensive for TCCI to borrow. TCCI's credit spreads may widen or narrow not only in response to events and circumstances that are specific to TCCI 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 TCCI's derivatives, which could result in volatility in its results of operations, financial condition, and cash flows.

Factors which could affect the volume of sales of Toyota, Lexus and private label vehicles by distributors, include changes in consumer demand, new vehicle incentive programmes, recalls, the actual or perceived quality, safety or reliability of Toyota, Lexus and private label vehicles, changes in economic conditions, inflation, increased competition, increases in the price of vehicles due to increased raw material costs, governmental action or changes in or increased governmental regulation, 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, and 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.

The provision of private label financial services to Mazda and Subaru dealers and their customers may result in additional credit risk and residual risk exposure, which, if TCCI is unable to appropriately monitor and mitigate, may result in an adverse effect on its results of operations and financial condition. The provision of retail and wholesale financing to private label dealers and their customers may also expose TCCI to additional operating risks related to consumer demand for private label vehicles, the profitability and financial condition of private label companies, the level of the private label incentivised retail financing, recalls announced by the private label companies and the perceived quality, safety or reliability of the private label vehicles, 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 TCCI's business, results of operations and financial condition.

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

Further, inadequate or failed processes or systems, human error, employee misconduct, catastrophic events, security breaches, acts of vandalism, computer viruses, malware, ransomware, misplaced or lost data, or other events could disrupt TCCI's normal operating procedures, damage its reputation and have an adverse effect on its business, results of operations and financial condition. Security breaches or cyber-attacks involving TCCI's systems or facilities, including those shared with its affiliates, or the systems or facilities of third-party providers, could expose TCCI 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 TCCI's future business with current and potential customers, results of operations and financial condition.

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

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

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. 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. Such regulations and government incentives may require TCCI to alter its proposed business plans, lead to increased compliance costs and changes to its 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 its business, results of operations and financial condition.

TCCI's principal risks and uncertainties for the remaining six months of the financial year have not changed since the issuance of TCCI's 2024 Annual Financial Report. The detailed discussion of these risks and uncertainties and TCCI's objectives, policies and processes for managing these risks and uncertainties were disclosed in the Management Report, as well as Note 15 in the Notes to the Financial Statements, in the Annual Financial Report of TCCI for the financial year ended 31 March 2024.

2. Condensed Consolidated Interim Financial Statements as at and for the six-month period ended 30 September 2024

Toyota Credit Canada Inc.

Condensed Consolidated Interim Financial Statements

As at and for the six-month period ended September 30, 2024

(Unaudited)

(in thousands of Canadian dollars)

Toyota Credit Canada Inc.

Condensed Consolidated Interim Statement of Financial Position
(Unaudited)

(in thousands of Canadian dollars)

	September 30, 2024 $	March 31, 2024 $
Assets		
Cash and cash equivalents	933,950	864,440
Restricted cash (Note 9)	93,750	70,717
Finance receivables – net (note 4)	15,028,213	14,483,471
Derivative assets (note 7)	98,147	116,643
Other assets (note 4)	26,319	16,924
Collateral assets (note 7)	153,210	70,150
	16,333,589	15,622,345
Liabilities		
Cheques and other items in transit	1,065	763
Accounts payable and accrued liabilities	16,821	18,116
Due to affiliated companies	139,998	216,119
Income and other taxes payable	17,060	17,779
Interest payable – net	98,404	88,749
Debt payable (note 5)	11,231,698	10,652,886
Derivative liabilities (note 7)	202,083	161,493
Securitization liabilities (notes 7 and 9)	1,852,255	1,529,963
Collateral liabilities (note 7)	20,410	9,170
Deferred income taxes	1,259,886	1,242,092
	14,839,680	13,937,130
Shareholder’s Equity		
Share capital	60,000	60,000
Retained earnings	1,433,909	1,625,215
	1,493,909	1,685,215
	16,333,589	15,622,345

Approved by the Management

Darren Cooper President Fernando Belfiglio Vice-President, Finance

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

Toyota Credit Canada Inc.

Condensed Consolidated Interim Statement of Income and Comprehensive Income
(Unaudited)

(in thousands of Canadian dollars)

	Six-month period ended September 30, 2024 $	Six-month period ended September 30, 2023 $
Financing revenue	551,383	454,068
Interest income on cash and cash equivalents and others	28,319	29,760
	579,702	483,828
Other (losses) gains – net	(46,356)	11,542
Expenses		
Interest on debt payable (note 8)	241,957	181,882
Interest on securitization liabilities	44,191	28,503
Employee salaries and benefits	17,324	12,875
Provision (Recovery) of finance receivables	29,442	(7,633)
Registration and search costs	213	385
IT and communications	11,329	10,599
Occupancy	592	409
Depreciation and amortization	2,143	1,954
Other	3,933	2,944
	351,124	231,918
Income before income taxes	182,222	263,452
Income taxes		
Current	30,640	25,122
Deferred	17,579	45,208
	48,219	70,330
Net income for the period	134,003	193,122
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Actuarial gains on defined benefit pension plans – net of income tax expense of ($215) (2023-$448)	595	1,233
Comprehensive income for the period – attributable to the owner of the parent	134,598	194,355

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

Toyota Credit Canada Inc.

Condensed Consolidated Interim Statement of Changes in Equity

(Unaudited)

(in thousands of Canadian dollars)

For the six-month period ended September 30, 2023

	Share capital $	Retained earnings $	Total shareholder's equity $
Balance – April 1, 2023	60,000	1,623,864	1,683,864
Net income for the period	-	193,122	193,122
Actuarial gains on defined benefit plans – net of tax	-	1,233	1,233
Comprehensive income for the period	-	194,355	194,355
Dividends paid	-	(324,553)	(324,553)
Balance – September 30, 2023	60,000	1,493,666	1,553,666

For the six-month period ended September 30, 2024

	Share capital $	Retained earnings $	Total shareholder's equity $
Balance – April 1, 2024	60,000	1,625,215	1,685,215
Net income for the period	-	134,003	134,003
Actuarial gains on defined benefit plans – net of tax	-	595	595
Comprehensive income for the period	-	134,598	134,598
Dividends paid	-	(325,904)	(325,904)
Balance – September 30, 2024	60,000	1,433,909	1,493,909

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

(in thousands of Canadian dollars)

	Six-month period ended September 30, 2024 $	Six-month period ended September 30, 2023 $
Cash provided by (used in)		
Operating activities		
Net income for the period	134,003	193,122
Items not requiring cash		
Provision (Recovery) of finance receivables	29,442	(7,633)
Amortization of other assets	2,143	3,039
Amortization of bond issue costs	2,786	1,952
Amortization of securitization issue costs	338	460
Amortization of debt issuance costs	2,627	2,909
Amortization of debt premiums/discounts	135	103
Foreign exchange change in unrealized (losses) on debt payable	(9,005)	(30,276)
Deferred income taxes	17,794	45,656
	180,263	209,332
Changes in operating accounts		
Increase (Decrease) in cheques and other items in transit	302	(1,771)
(Increase) in restricted cash	(23,033)	(14,025)
(Decrease) in income and other taxes payable	(719)	(4,410)
(Increase) Decrease in other assets and collateral assets	(97,386)	11,677
Increase in interest payable – net	9,655	5,572
Increase (Decrease) in accounts payable, accrued liabilities and collateral liabilities and other	10,541	(29,036)
(Decrease) Increase in due to affiliated company	(76,121)	10,434
Decrease (Increase) in derivative assets	18,496	(26,913)
Decrease in derivative liabilities	40,590	44,226
Acquisitions of finance receivables	(7,081,054)	(6,008,410)
Collections and liquidations of finance receivables	6,506,870	5,782,478
	(511,596)	(20,846)
Financing activities		
Issuance of bonds and loans payable	1,205,377	1,596,267
Repayment of bonds and loans payable	(815,065)	(1,693,519)
Increase in commercial paper – net	194,744	6,171
Payment of dividends	(325,904)	(324,553)
Issuance of securitization loans	749,602	599,528
Repayment of securitization loans	(427,648)	(257,991)
	581,106	(74,097)
Change in cash and cash equivalents during the period	69,510	(94,943)
Cash and cash equivalents – Beginning of period	864,440	1,058,537
Cash and cash equivalents – End of period	933,950	963,594
Supplementary cash flow information related to operating activities		
Income taxes paid	30,139	21,754
Interest paid	276,492	204,813

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

(in thousands of Canadian dollars)

1 Nature of operations and Principles of Consolidation

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

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

In fiscal year 2022, TCCI Limited Partnership and TCCI Securitization GP Corp. were created for the purpose of facilitating the securitization of finance receivables. TCCI Securitization GP Corp. is wholly owned by TCCI, whereas TCCI Limited Partnership is owned 99.99% by TCCI and 0.01% by TCCI Securitization GP Corp. The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries TCCI Limited Partnership and TCCI Securitization GP Corp. collectively referred to herein as the Company in accordance with IFRS 10 Consolidated Financial statements. Notwithstanding the presentation of these accounts of the entities collectively referred to as Toyota Credit Canada Inc. on a consolidated basis, each entity is the beneficial owner of, and responsible for only, its own separate assets and liabilities (including any guaranteed liability), which have not been separately itemized in these consolidated financial statements. The Company has one reportable business segment.

2 Basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with IFRS Accounting Standards applicable to the preparation of interim financial statements, under International Accounting Standard 34, Interim Financial Reporting, using accounting policies consistent with the accounting policies in the March 31, 2024 annual consolidated financial statements. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements, as the condensed consolidated interim financial statements do not include all the disclosures in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IFRS Accounting Standards). The condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Company.

Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Company, TCCI Limited Partnership, and TCCI Securitization GP Corp. as at the six months ended September 30, 2024. The financial results have been consolidated on a basis that is consistent with current reporting standards. The Company has control over TCCI Limited Partnership and TCCI Securitization GP Corp. as it is exposed to and has rights to variable returns from its involvement with TCCI Limited Partnership and TCCI Securitization GP Corp. and it has the ability to affect those returns through its power over their relevant activities.

(in thousands of Canadian dollars)

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

The accounting policies are consistent with those of the previous financial year and corresponding interim reporting period.

These condensed consolidated interim financial statements were approved by management for issue on November 29, 2024.

3 Critical accounting estimates and judgments

The preparation of condensed consolidated interim financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenue and expenses during the reporting periods. The following discusses the most significant accounting judgments and estimates the Company has made in the preparation of the condensed consolidated interim financial statements.

Allowance for credit losses

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

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

The macroeconomic factor that exhibited a relationship for retail loans was national unemployment, and this factor was used for the calculation of the PD. The macroeconomic factors that exhibited a relationship for retail leases are national unemployment and consumer credit and these factors were used for the calculation of the PD. The forecasts used by the Company are based on an average of the largest five Canadian banks.

The current macroeconomic environment, categorized by modest economic growth, rising unemployment and the ongoing effects of the previous higher interest rate environment, have increased the estimation uncertainty in preparing the condensed consolidated interim financial statements, in particular the significant accounting estimates related to the allowance for credit losses.

The Company has applied accounting estimates in the condensed consolidated interim financial statements based on economic conditions that reflect expectations and assumptions as at September 30, 2024 about events that management believes are reasonable in the circumstances. There is a considerable degree of judgment involved in preparing the forecasts. The underlying assumptions are also subject to uncertainties that are often

(in thousands of Canadian dollars)

outside the control of the Company. Accordingly, actual economic conditions are likely to be different from those forecasts since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates in the condensed consolidated interim financial statements.

As at September 30, 2024, the Company’s allowance for credit losses was largely unchanged compared to March 31, 2024.

Critical estimate for the allowance for retail finance lease residual losses

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

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

The vehicle lease return rate represents the number of end of term leased vehicles returned to the Company for sale as a percentage of lease contracts that were originally scheduled to mature in the same period less certain qualified early terminations. As at September 30, 2024, holding other estimates constant, if the return rate for the Company’s existing portfolio of leased vehicles were to increase by 1% from the Company’s present estimates, the effect would be to decrease the operating income by approximately $1,871 (March 31. 2024 – $1,099) and an increase of $1,526 (March 31, 2024 – $921 to the operating income were the return rate to decrease by 1%.

End of term fair values determine the amount of loss severity at lease maturity. Loss severity is the extent to which the end of term fair value of a leased vehicle is less than the lease end value at inception. The Company incurs losses to the extent the residual value of a leased vehicle is less than the lease end value at inception and the vehicle is returned to the Company. As at September 30, 2024, holding other estimates constant, if end of term fair values for returned units of leased vehicles were to decrease by 1% from the Company’s present estimates, the effect would be to decrease the operating income by approximately $7,828 (March 31, 2024 – $4,067) and an increase of $6,978 (March 31, 2024 – $4,473) to the operating income were the fair values for returned units to increase by 1%.

(in thousands of Canadian dollars)

During the six-month period ended September 30, 2024, the Company increased its allowance for retail finance lease residual value losses by $23,892, primarily as a result of decreased forecasted used vehicle values. This resulted in a corresponding decrease in net income.

Accounting and Reporting Changes

IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB issued IFRS 18 which sets out requirements for the presentation and disclosure of information in the financial statements. IFRS 18 will replace IAS 1 Presentation of Financial Statements and accompanies limited amendments to other standards which will be effective upon the adoption of the new standard. The standard introduces new defined subtotals to be presented in the Consolidated Statements of Income, disclosure of management-defined performance measures and requirements for grouping of information. This standard will be effective for us on April 1, 2027. TCCI is currently assessing the impact of adopting this standard on our Consolidated Financial Statements

Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments which amends IFRS 9 financial Instruments and IFRS 7 Financial Instruments: Disclosures. The amendments address classification guidance for financial assets with environmental, social and governance linked and contingent features. Furthermore, the amendments clarify the derecognition of a financial liability settled through electronic transfer. The amendments will also introduce disclosure requirements for equity instruments along with financial instruments with contingent features classified through other comprehensive income (FVOCI). The amendments will be effective for us on April 1, 2026, with early adoption permitted. TCCI is currently assessing the impact of adopting these amendments.

CDOR Reform

Consistent with a cessation notice dated May 16, 2022, Refinitiv Benchmark Services (UK) Limited, the administrator of Canadian Dollar Offered Rate (CDOR), permanently ceased the calculation and publication of all tenors of CDOR on June 28, 2024 following a final publication of the CDOR rate. Following the discontinuance of CDOR, the rate of interest on floating rate debt or derivatives is now determined for the relevant period by the fallback provisions applicable to such instruments. As of September 30, 2024, the Company had no financial instruments with exposure to CDOR as all financial instruments with previous reference to CDOR had been transitioned to the alternative reference rate. All associated interest payments were repriced based on the Canadian Overnight Repo Rate Average (CORRA), the new benchmark rate as determined by the fallback provisions of each instrument.

Upon transition, interest rates before and after replacement were substantially the same. Accordingly, there was no material impact to the Company’s financial position.

(in thousands of Canadian dollars)

4 Finance receivables – net

	Six-month period ended September 30, 2024 $	Year ended March 31, 2024 $
Retail financing leases	9,157,593	8,929,399
Unearned income	(1,215,908)	(1,118,777)
	7,941,685	7,810,622
Retail loans	6,780,735	6,167,855
Unearned income – net of accrued interest	(164,625)	(156,505)
	6,616,110	6,011,350
Dealer financing	567,370	735,667
Add: Accrued interest	2,046	2,568
	569,416	738,235
	15,127,211	14,560,207
Less: Allowances for		
Retail finance lease residual value losses	59,687	35,795
Credit losses and other	39,311	40,941
	98,998	76,736
	15,028,213	14,483,471

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

The contractual maturities of retail financing leases, retail loans and dealer financing as at September 30, 2024 are summarized as follows:

	Retail financing leases $	Retail loans $	Dealer financing $	Total $
For the 12-month period ending				
September 30, 2025	3,301,003	1,770,764	376,756	5,448,523
September 30, 2026	2,268,081	1,530,193	28,014	3,826,288
September 30, 2027	1,831,386	1,265,414	10,675	3,107,475
September 30, 2028	1,186,236	993,489	8,816	2,188,541
September 30, 2029	566,833	687,124	8,473	1,262,430
Thereafter	4,054	533,751	134,636	672,441
	9,157,593	6,780,735	567,370	16,505,698

Included in retail financing leases are unguaranteed residual values of $5,597,528 as at September 30, 2024.

(in thousands of Canadian dollars)

The contractual maturities of retail financing leases, retail loans and dealer financing as at March 31, 2024 are summarized as follows:

	Retail financing leases $	Retail loans $	Dealer financing $	Total $
Year ending				
2025	3,217,812	1,675,844	546,507	5,440,163
2026	2,283,236	1,410,696	28,282	3,722,214
2027	1,758,956	1,139,814	10,631	2,909,401
2028	1,067,792	878,685	8,937	1,955,414
2029	574,413	596,337	8,208	1,178,958
Thereafter	27,190	466,479	133,102	626,771
	8,929,399	6,167,855	735,667	15,832,921

Included in retail financing leases are unguaranteed residual values of $ 5,570,468 as at March 31, 2024.

5 Debt payable and Securitization Liabilities

	Six-month period ended September 30, 2024 $	Year ended March 31, 2024 $
Commercial paper (net of unamortized discount) – current	1,774,529	1,579,786
Intercompany payable – current	1,000,880	547,880
Intercompany payable – non-current	-	704,110
	1,000,880	1,251,990
Bonds payable		
Current	1,999,454	1,799,161
Non-current	3,492,232	3,192,919
	5,491,686	4,992,080
Loans payable	349,914	480,798
Current	2,614,689	2,348,232
Non-current		
	2,964,603	2,829,030
	11,231,698	10,652,886
Securitization loans payable		
Current	910,006	709,487
Non-current	942,249	820,476
	1,852,255	1,529,963

(in thousands of Canadian dollars)

6 Financial instruments

Fair value measurement levels of financial instruments

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

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

As at September 30, 2024 and March 31, 2024, the Company's derivative assets and derivative liabilities measured at fair value on a recurring basis are within Level 2 of the fair value hierarchy. Debt and interest payable, which are not measured at fair value but for which fair values are disclosed, are within Level 2 of the fair value hierarchy. Finance receivables, which are not measured at fair value but for which fair values are disclosed, are within Level 3 of the fair value hierarchy. Securitization financial assets and financial liability (i.e. securitization liabilities), which are not measured at fair value but for which fair values are disclosed, are within Level 3 of the fair value hierarchy.

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

(in thousands of Canadian dollars)

Carrying and fair values of selected financial instruments

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

		Six-month period ended September 30, 2024		Year ended March 31, 2024	
	Fair value hierarchy	Carrying value $	Estimated fair value $	Carrying value $	Estimated fair value $
FVTPL – recurring measurements					
Financial assets					
Cash equivalents	Level 2	973,761	973,761	875,216	875,216
Derivative assets	Level 2	98,147	98,147	116,643	116,643
Financial liabilities					
Derivative liabilities	Level 2	202,083	202,083	161,493	161,493
Amortized cost – fair values disclosed					
Financial assets					
Loans and receivables at amortized cost					
Finance receivables	Level 3	15,028,213	15,169,936	14,483,471	14,588,187
Financial liabilities					
Financial liabilities at amortized cost					
Debt and interest payable	Level 2	11,330,103	11,572,704	10,741,635	10,686,140
Securitization liabilities	Level 3	1,852,255	1,865,376	1,529,963	1,536,471

FVTPL refers to fair value through profit or loss.

The carrying value and fair value of cash and cash equivalents are identical.

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

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

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

(in thousands of Canadian dollars)

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

	Six-month period ended September 30, 2024			
Derivative contracts	**Maturity date**	**Interest rate terms**	**Notional value $**	**Estimated fair value $**
Paying fixed interest rates				
Interest rate swap agreements	2024 – 2029	0.73% – 4.85%	8,915,000	(139,162)
Paying variable interest rates				
Interest rate swap agreements	2024 – 2029	CORRA +0.41 CORRA +1.88	6,920,000	31,291
Cross-currency interest rate swap agreements	2024 – 2029	CORRA +0.58 CORRA +1.32	1,601,922	7,842
Foreign currency forward contracts	2024 – 2025	-	713,249	(3,906)

	Year ended March 31, 2024			
Derivative contracts	**Maturity date**	**Interest rate terms**	**Notional value $**	**Estimated fair value $**
Paying fixed interest rates				
Interest rate swap agreements	2024 – 2029	0.67% – 5.13%	8,555,000	82,624
Paying variable interest rates				
Interest rate swap agreements (CDOR)	2024 – 2028	CDOR +0.09 CDOR +1.56	4,020,000	(123,450)
Interest rate swap agreements (CORRA)	2026 – 2029	CORRA +0.79 CORRA +1.28	1,400,000	1,057
Cross-currency interest rate swap agreements (CDOR)	2024 – 2025	CDOR +0.26 CDOR +0.73	1,256,625	(3,396)
Cross-currency interest rate swap agreements (CORRA)	2029	CORRA +1.28	202,650	(1,362)
Foreign currency forward contracts	2024	-	534,291	(323)

CDOR refers to the Canadian dealer offered rate.

CORRA refers to the Canadian Overnight Repo Rate Average.

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

(in thousands of Canadian dollars)

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

7 Derivative assets and derivative liabilities

The Company's derivative arrangements with other financial institutions contain provisions that may require either the Company or the counterparty to post cash collateral in the event the fair value valuation of the derivative position with that counterparty exceeds certain predetermined thresholds. As at September 30, 2024, $20,410 (March 31, 2024 – $9,170) of cash collateral had been posted by the counterparties and $153,210 (March 31, 2024 – $70,150) of cash collateral had been posted by the Company.

The following table presents the recognized financial instruments that are offset in the statements of financial position, or subject to enforceable master netting agreements but are not offset in the statements of financial position, as at September 30, 2024 and March 31, 2024, and shows the net impact on the Company's financial position if all set-off rights were exercised.

	Six-month period ended September 30, 2024	
	Financial assets $	Financial liabilities $
Gross amounts subject to agreements	103,405	207,341
Net settled amounts on the condensed consolidated statement of financial position	(5,258)	(5,258)
Net amount presented in the condensed consolidated statement of financial position	98,147	202,083
Amounts subject to master netting agreements	(21,775)	(21,775)
Cash collateral	(20,410)	(153,210)
Net	55,962	27,098

(in thousands of Canadian dollars)

	Year ended March 31, 2024	
	Financial assets $	Financial liabilities $
Gross amounts subject to agreements	128,618	173,468
Net settled amounts on the condensed consolidated statement of financial position	(11,975)	(11,975)
Net amount presented in the condensed consolidated statement of financial position	116,643	161,493
Amounts subject to master netting agreements	(18,360)	(18,360)
Cash collateral	(9,170)	(70,150)
Net	89,113	72,983

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

	Six-month period ended September 30, 2024 $	Year ended March 31, 2024 $
Derivative assets		
Interest rate swap agreements	84,247	108,902
Cross-currency interest rate swap agreements	13,729	5,148
Foreign currency forward contracts	171	2,593
	98,147	116,643
Derivative liabilities		
Interest rate swap agreements	192,119	148,671
Cross currency interest rate swap agreements	5,888	9,906
Foreign currency forward contracts	4,076	2,916
	202,083	161,493

8 Related party transactions

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

(in thousands of Canadian dollars)

Due to affiliated companies

The due to affiliated companies balance totalling $139,998 (March 31, 2024 – $216,119) includes the balance owing to affiliates with respect to vehicles being financed by the Company under dealer wholesale loans (due 15 days after shipment to dealers) and certain administrative expenses (due 30 days after the invoice date).

Debt payable

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

Included in debt payable are total loans of $1,000,880 (March 31, 2024 – $1,251,990) owing to an affiliate. Interest on debt charged by a Toyota group company during the period ended September 30, 2024 amounts to $27,217 (September 30, 2023 – $30,844). Interest payable to a Toyota group company during the period ended September 30, 2024 amounts to $16,043 (March 31, 2024 - $18,525).

The Company pays a fee for credit support and guarantees from affiliates for purposes of debt and commercial paper issuance. The total payments made to these affiliates of $4,708 (September 30, 2023 – $4,191) have been included in interest expense in the condensed consolidated statement of income and comprehensive income. Debt and commercial paper guaranteed by affiliates amounts to $7,266,215 (March 31, 2024 – $6,571,866).

Subvention program

As part of its sales promotion arrangements with authorized Toyota and Lexus vehicle dealers and consumers, an affiliate funds various interest rate reduction programs on loans and leases. The affiliate reimburses the Company for the difference between the face amount and the fair value of the retail lease or loan to consumers. Finance receivables – net included in the condensed consolidated statement of financial position as at September 30, 2024 are net of $353,281 (March 31, 2024 – $324,654) related to these reimbursements received from an affiliate. Financing revenue includes $106,232 for the period ended September 30, 2024 (September 30, 2023 – $123,103) related to these reimbursements received from an affiliate.

9 Securitization activity

In the normal course of business, the Company enters into transactions that result in the transfer of financial assets. The Company transfers its financial assets through sale and repurchase agreements and its securitization activities.

In the period ended September 30, 2024, the Company entered into securitization transactions. TCCI securitizes finance receivables through an amortizing funding structure. TCCI's transactions do not meet the transfer or derecognition criteria. Accordingly, the assets continue to be reported on TCCI's consolidated statement of financial position as Finance receivables, net.

(in thousands of Canadian dollars)

The following table presents the outstanding balances associated with the principal amount of the Company's statements of financial position's receivables assigned as collateral for the $3,050,000 securitization transaction. The transferred retail loans are recorded as securitized receivables.

Transfers of securitized receivables	**Six-month period ended September 30, 2024 $**	**Year ended March 31, 2024 $**
Restricted cash	93,750	70,717
Securitized receivables	1,922,014	1,600,549
Allowance for credit losses	(2,957)	(2,966)
Finance receivables, net (a)	1,919,057	1,597,583
Related debt	1,852,255	1,529,963

Restricted cash represents amounts held as collateral in connection with the Company's securitization activities.

The Company estimates that the principal amount of securitization liabilities will be paid as follows:

	Liability
1 Year	910,006
2 Years	617,013
3 Years	242,699
Thereafter	82,537

The scheduled payment of securitization liabilities is estimated based on the anticipated timing of the optional purchase option in the contractual agreements, whereby the Company has the option to pay the outstanding loan balance when the principal amount is less than a predetermined amount of the initial note balance.

10 Contingencies

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

(in thousands of Canadian dollars)

11 Events occurring after the condensed consolidated statement of financial position date

On September 19, 2024, TCCI entered into a financial services agreement with Mazda Canada Inc. (the "Mazda Canada Agreement") for TCCI to provide financial products to authorized Mazda dealers and their customers in Canada with effect from October 1, 2024.

No other significant events have occurred since September 30, 2024 that would have an impact on the financial position of the Company disclosed in the condensed consolidated statement of financial position or on the results and cash flows of the Company for the interim period as at September 30, 2024.

3. Responsibility Statement

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

(a) the condensed consolidated interim financial statements as at and for the six month period ended 30 September 2024, which have been prepared in accordance with IAS 34 "Interim Financial Reporting" using accounting policies consistent with the accounting policies in the 2024 annual financial statements, give a true and fair view of the assets, liabilities, financial position and profit or loss of Toyota Credit Canada Inc. and the undertakings included in the consolidation taken as a whole as required by DTR 4.2.4; and

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