SUPPLEMENTARY PROSPECTUS DATED 4 JULY 2023 TO THE PROSPECTUS DATED 16 SEPTEMBER 2022

TOYOTA MOTOR FINANCE (NETHERLANDS) B.V.

(a private company incorporated with limited liability under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands)

and

TOYOTA CREDIT CANADA INC.

(a company incorporated with limited liability under the Canada Business Corporations Act)

and

TOYOTA FINANCE AUSTRALIA LIMITED

(ABN 48 002 435 181, a company registered in New South Wales and incorporated with limited liability in Australia)

and

TOYOTA MOTOR CREDIT CORPORATION

(a company incorporated with limited liability in California, United States)

€60,000,000,000

Euro Medium Term Note Programme

This Supplementary Prospectus (the "**Supplementary Prospectus**"), to the Prospectus dated 16 September 2022 (the "**Prospectus**") which comprises a base prospectus for the purposes of (i) Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**") and (ii) Regulation (EU) 2017/1129 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Prospectus Regulation**") for each of Toyota Motor Finance (Netherlands) B.V. ("**TMF**" and the "**TMF Base Prospectus**", respectively), Toyota Credit Canada Inc. ("**TCCI**" and the "**TCCI Base Prospectus**", respectively), Toyota Finance Australia Limited ("**TFA**" and the "**TFA Base Prospectus**", respectively) and Toyota Motor Credit Corporation ("**TMCC**" and the "**TMCC Base Prospectus**", respectively, and TMF, TCCI, TFA and TMCC together, the "**Issuers**" and each an "**Issuer**"), constitutes a supplementary base prospectus for the purposes of Article 23 of the Prospectus Regulation and also Article 23 of the UK Prospectus Regulation in relation to TMF with respect to the TMF Base Prospectus, TCCI with respect to the TCCI Base Prospectus, TFA with respect to the TFA Base Prospectus and TMCC with respect to the TMCC Base Prospectus, and is prepared in connection with the €60,000,000,000 Euro Medium Term Note Programme (the "**Programme**") established by the Issuers.

The purpose of this Supplementary Prospectus is to: (a) incorporate by reference the (i) Annual Report for the financial year ended 31 March 2023 on Form 20-F of Toyota Motor Corporation ("**TMC**") in the TMF Base Prospectus, the TCCI Base Prospectus, the TFA Base Prospectus and the TMCC Base Prospectus, respectively; (ii) the Annual Financial Report of TFA for the financial year ended 31 March 2023 in the TFA Base Prospectus; (iii) Annual Report for the financial year ended 31 March 2023 on Form 10-K of TMCC in the TMCC Base Prospectus; and (b) amend and replace the risk factors with respect to the Issuers and Toyota in the "*Risk Factors*" section of the TMF Base Prospectus, the TCCI Base Prospectus, the TFA Base Prospectus and the TMCC Base Prospectus, respectively.

This Supplementary Prospectus is supplemental to, and should be read in conjunction with, the Prospectus and the Supplementary Prospectuses dated 8 November 2022, 28 November 2022, 2 December 2022, 10 February 2023, 2 March 2023 and 12 May 2023 issued by the Issuers. Each of the TMF Base Prospectus, the TCCI Base Prospectus, the TFA Base Prospectus and the TMCC Base Prospectus has been supplemented by the Supplementary Prospectuses dated 8 November 2022, 28 November 2022, 2 December 2022, 10 February 2023, 2 March 2023 and 12 May 2023. Any statement contained in the Prospectus or in a document which is incorporated by reference in the Prospectus shall be deemed to be modified or superseded for the purpose of the Prospectus to the extent that a statement contained in any document which is subsequently incorporated by reference in the Prospectus by way of a supplement (including this Supplementary Prospectus) prepared in accordance with Article 23 of the Prospectus Regulation and Article 23 of the UK Prospectus Regulation modifies or supersedes such earlier statement (whether expressly, by implication or otherwise) and any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of the Prospectus. Terms defined in the Prospectus have the same meaning when used in this Supplementary Prospectus.

This Supplementary Prospectus has been approved by the Central Bank of Ireland, as competent authority under the Prospectus Regulation. The Central Bank of Ireland only approves this Supplementary Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of any Issuer, TMC or Toyota Financial Services Corporation ("**TFS**") or of the quality of the Notes that are the subject of the Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

This Supplementary Prospectus has also been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), as competent authority under the UK Prospectus Regulation. The FCA only approves this Supplementary Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of any Issuer, TMC or TFS or of the quality of the Notes that are the subject of the Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

This Supplementary Prospectus (i) in respect of TMF and the TMF Base Prospectus includes all information contained within this Supplementary Prospectus, together with all documents which are deemed to be incorporated by reference herein, except for any information relating to TCCI, TFA and TFA's Annual Financial Report for the financial year ended 31 March 2023 (including TFA's statements of no significant change and no material adverse change), TMCC and TMCC's Annual Report on Form 10-K for the financial year ended 31 March 2023 (including TMCC's statements of no significant change and no material adverse change), (ii) in respect of TCCI and the TCCI Base Prospectus includes all information contained within this Supplementary Prospectus, together with all documents which are deemed to be incorporated by reference herein, except for any information relating to TMF, TFA and TFA's Annual Financial Report for the financial year ended 31 March 2023 (including TFA's statements of no significant change and no material adverse change), TMCC and TMCC's Annual Report on Form 10-K for the financial year ended 31 March 2023 (including TMCC's statements of no significant change and no material adverse change), (iii) in respect of TFA and the TFA Base Prospectus includes all information contained within this Supplementary Prospectus, together with all documents which are deemed to be incorporated by reference herein, except for any information relating to TMF, TCCI, TMCC and TMCC's Annual Report on Form 10-K for the financial year ended 31 March 2023 (including TMCC's statements of no significant change and no material adverse change), and (iv) in respect of TMCC and the TMCC Base Prospectus includes all information contained within this Supplementary Prospectus, together with all documents which are deemed to be incorporated by reference herein, except for any information relating to TMF, TCCI, TFA and TFA's Annual Financial Report for the financial year ended 31 March 2023 (including TFA's statements of no significant change and no material adverse change).

Each Issuer accepts responsibility for the information contained in its Supplementary Prospectus as described above. Each Issuer confirms that the information contained in its Supplementary Prospectus is, to the best of its knowledge, in accordance with the facts and makes no omission likely to affect its import.

Each of TFS and TMC accepts responsibility for the information contained in this Supplementary Prospectus insofar as such information relates to itself. Each of TFS and TMC confirms that the information about itself contained in this Supplementary Prospectus is, to the best of its knowledge, in accordance with the facts and makes no omission likely to affect its import.

To the extent that there is any inconsistency between (a) any statement in this Supplementary Prospectus or any statement incorporated by reference in the Prospectus by this Supplementary Prospectus; and (b) any other statement in or incorporated by reference in the Prospectus (as previously supplemented from time to time), the statements in (a) above will prevail.

Except as disclosed in this Supplementary Prospectus and the Supplementary Prospectuses dated 8 November 2022, 28 November 2022, 2 December 2022, 10 February 2023, 2 March 2023 and 12 May 2023 there has been no significant new factor, material mistake or material inaccuracy relating to the information included in the Prospectus which may affect the assessment of Notes issued under the Programme since the publication of the Prospectus.

In accordance with Article 23(2) of the Prospectus Regulation, investors in any Public Offer Jurisdiction (other than the United Kingdom) who have agreed to purchase or subscribe for Notes before this Supplementary Prospectus is published have the right, exercisable before the end of the period of two working days beginning with the working day after the date on which this Supplementary Prospectus was published, to withdraw their acceptances. This right to withdraw will expire by close of business on 6 July 2023. Investors wishing to exercise such right of withdrawal should contact the person with whom they have agreed to purchase or subscribe for the relevant Notes.

In accordance with Article 23(2) of the UK Prospectus Regulation, investors in the United Kingdom who have agreed to purchase or subscribe for Notes before this Supplementary Prospectus is published have the right, exercisable before the end of the period of two working days beginning with the working day after the date on which this Supplementary Prospectus was published, to withdraw their acceptances. This right to withdraw will expire by close of business on 6 July 2023. Investors wishing to exercise such right of withdrawal should contact the person with whom they have agreed to purchase or subscribe for the relevant Notes.

The Dealers have not separately verified the information contained in this Supplementary Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated by reference in the Prospectus by this Supplementary Prospectus.

The distribution of the Prospectus, this Supplementary Prospectus, any other supplements to the Prospectus and any Final Terms and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession the Prospectus, this Supplementary Prospectus, any other supplements to the Prospectus or any Final Terms come are required by the Issuers, the Dealers and the Arranger to inform themselves about and to observe any such restriction. In particular, there are restrictions on the distribution of the Prospectus, this Supplementary Prospectus, any other supplements to the Prospectus, any Final Terms and other information in relation to the Issuers and the Notes, and the offering or sale of Notes in the United States, the European Economic Area, Belgium, Ireland, Italy, the Netherlands, Spain, the United Kingdom, Japan, Canada, Australia, New Zealand, Hong Kong, the People's Republic of China (which for the purposes of Notes issued under the Programme, excludes the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan), Singapore and Switzerland. For a further description of restrictions on offers, sales and transfers of Notes and distribution of the Prospectus, this Supplementary Prospectus, any other supplements to the Prospectus and any Final Terms, see the "*Subscription and Sale*" section in the Prospectus. The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

None of the Prospectus, this Supplementary Prospectus or any other supplements to the Prospectus constitutes an offer of, or an invitation by or on behalf of the Issuers, the Arranger or the Dealers to subscribe for, or purchase, any Notes.

ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023 ON FORM 20-F: TOYOTA MOTOR CORPORATION

On 30 June 2023, TMC, the ultimate parent company of the Issuers, filed its Annual Report for the financial year ended 31 March 2023 on Form 20-F with the Securities and Exchange Commission (the "**Form 20-F**").

A copy of the Form 20-F has been published on TMC's website (https://global.toyota/pages/global_toyota/ir/library/sec/20-F_202303_final.pdf) and filed with the Central Bank of Ireland and the National Storage Mechanism.

By virtue of this Supplementary Prospectus, the Form 20-F to the extent such information concerns historical data and commentary thereon, for the financial year ended 31 March 2023, as is contained in the Form 20-F (excluding all information incorporated by reference therein either expressly or implicitly) is incorporated by reference in, and forms part of, the TMF Base Prospectus, the TCCI Base Prospectus, the TFA Base Prospectus and the TMCC Base Prospectus, respectively.

ANNUAL FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023: TOYOTA FINANCE AUSTRALIA LIMITED

On 29 June 2023, TFA published its Annual Financial Report for the financial year ended 31 March 2023 with the Australian Securities and Investments Commission (the "**TFA Annual Financial Report**").

A copy of the TFA Annual Financial Report has been published on the website of the London Stock Exchange (https://www.rns-pdf.londonstockexchange.com/rns/4139E_1-2023-6-29.pdf) and filed with the National Storage Mechanism.

A copy of the TFA Annual Financial Report has also been published on the website of Euronext Dublin (https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/202306/e03d8c60-799e-4d81-818c-2a9200e56db2.pdf) and filed with the CBI.

By virtue of this Supplementary Prospectus, the TFA Annual Financial Report, to the extent such information concerns historical data and commentary thereon for the financial year ended 31 March 2023, as is contained in the TFA Annual Financial Report (excluding all information incorporated by reference therein either expressly or implicitly) is incorporated by reference in, and forms part of, the TFA Base Prospectus.

ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023 ON FORM 10-K: TOYOTA MOTOR CREDIT CORPORATION

On 2 June 2023, TMCC filed its Annual Report for the financial year ended 31 March 2023 on Form 10-K with the Securities and Exchange Commission (the "**Form 10-K**").

A copy of the Form 10-K has been published on TMCC's website (https://www.toyotafinancial.com/content/dam/tmcc-webcommons/toyotafinancial/documents/investor-relations/sec-filings/2023/Annual%20Reports%20on%20Form%2010-K/june-2023/FY%202023%20ended%20March%2031,%202023.pdf) and filed with the Central Bank of Ireland.

A copy of the Form 10-K has also been published on the website of the London Stock Exchange (https://www.rns-pdf.londonstockexchange.com/rns/6540B_1-2023-6-5.pdf) and filed with the National Storage Mechanism.

By virtue of this Supplementary Prospectus, the Form 10-K to the extent such information concerns historical data and commentary thereon, for the financial year ended 31 March 2023, as is contained in the Form 10-K (excluding all information incorporated by reference therein either expressly or implicitly) is incorporated by reference in, and forms part of, the TMCC Base Prospectus.

AMENDMENTS TO THE RISK FACTORS SECTION OF THE PROSPECTUS

Unless otherwise specified in this section:

"Toyota" means TMC and its consolidated subsidiaries; and

in respect of TMCC, "voluntary protection operations" – means the marketing, underwriting, and claims administration for voluntary vehicle and payment protection products sold by dealers in the U.S. through Toyota Motor Insurance Services, Inc. (a wholly-owned subsidiary of TMCC) and its insurance company subsidiaries (collectively called "TMIS"). TMCC's voluntary vehicle and payment protection products include vehicle service, guaranteed auto protection, prepaid maintenance, excess wear and use, tyre 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 TMCC's affiliates in the U.S.

The risk factors under the "*Risk Factors*" section in the Prospectus, starting from the section entitled "***Industry and Business Risks***" on page 21 to, and including, the section entitled "***Toyota may be adversely affected by natural calamities, epidemics, political and economic instability, fuel shortages or interruptions in social infrastructure, wars, terrorism and labour strikes***" ending on page 41, are to be deleted and replaced with the risk factors below:

"**Industry and Business Risks**

General business, economic and geopolitical conditions, as well as other market events, may adversely affect each Issuer's business, results of operations and financial condition

Each Issuer'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 Toyota's (including TCCI's, TFA's and TMCC's) markets, the rate of growth in the number and average balance of customer accounts, the finance industry's regulatory environment in the countries in which Toyota (including TCCI, TFA and TMCC) conducts business, competition from other financiers, rate of default by its customers, changes in the funding markets, its credit ratings, the success of efforts to expand Toyota's (including TCCI's, TFA's and TMCC's) product lines, levels of an Issuer's operating and administrative expenses (including, but not limited to, labour costs, technology costs and premises costs (including costs associated with reorganisation or relocation, in the case of TMCC)), general economic conditions, inflation, consequences from changes in tax laws, fiscal and monetary policies in the country in which each of the Issuers conducts its business as well as in the United States, Europe and other countries in which they each 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 motor vehicle retail, lease and wholesale financing. In turn, lower used vehicle values could affect return rates, amounts written off and, in the case of TFA and TMCC, depreciation on operating leases and, in the case of TCCI and TFA, lease residual value provisions.

Adverse economic conditions in the country in which each of TCCI, TFA and TMCC conducts its business 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 TCCI's, TFA's and TMCC's financing products, as well as increase defaults and credit losses. In addition, as credit exposures of TCCI, TFA or TMCC are generally collateralised by vehicles, the severity of losses can be particularly affected by the decline in used vehicle values. Dealers are also affected by an economic slowdown and recession which increases the risk of default of certain dealers within TCCI's, TFA's and TMCC's dealer portfolios.

Elevated levels of market disruption and volatility globally could increase each Issuer's cost of capital and adversely affect its ability to access the international capital markets and fund its business in a similar manner, and at a similar cost, to the funding raised in the past. These market conditions could also have an adverse effect on the results of operations and financial condition of each of the Issuers by diminishing the value of TMCC's and TFA's investment portfolios and increasing each of the Issuers cost of funding. If, as a result, the Issuers increase the rates they charge their customers and, in the case of TCCI, TFA and TMCC, dealers, the competitive position of each of the Issuers could be negatively affected.

Challenging market conditions may result in less liquidity, greater volatility, widening of credit spreads and lack of price transparency in credit markets. Changes in investment markets, including changes in interest rates, exchange rates and returns from equity, property and other investments, will affect (directly or indirectly) the financial performance of each of the Issuers.

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

- there can be no assurance that each of the Issuers will continue to have access to the capital markets in a similar manner and at a similar cost as it has had in the past;
- issues of debt securities by each of the Issuers may be undertaken at spreads above benchmark rates that are greater than those on similar issuances undertaken during prior periods;
- each of the Issuers 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 an Issuer's short-term debt outstanding to total debt outstanding may increase if negative conditions in the debt markets lead such Issuer 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 an Issuer's results of operations and financial condition.

Geopolitical conditions and other market events may also impact an Issuer'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 (including, in particular for TMCC, 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 conflict in Ukraine), 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, delays or cancellations of payments due to TMF in respect of loans made by TMF to its affiliates due to regulatory restrictions, 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 the relevant Issuer's results of operations and financial condition.

Changes in interest rates and credit spreads may adversely affect each Issuer's business, results of operations and financial condition

Benchmark interest rates and credit spreads have both increased during the financial year ended 31 March 2023. When interest rates are high or increasing, each Issuer generally expects to earn higher financing revenue from their new originations. However, during the financial year ended 31 March 2023, increasing rates have and in the future could continue to have an adverse effect on each Issuer's business, financial condition and results of operations by increasing their cost of capital and the rates charged to customers and dealers or, in the case of TMF to Toyota companies, which could, in turn, decrease an Issuer's financing volumes and market share, as a result of customers and dealers, or such Toyota companies, seeking alternative solutions or increasing the amount of cash purchases, thereby resulting in a decline in their competitive positions. On the other hand, a low or negative interest rate environment may increase the Issuers' financing volumes and market share, however it could also have an adverse effect on its business, financial condition and results of operations by reducing returns on their investments in marketable securities and compressing their net interest margin. When credit spreads widen, it becomes more expensive for the Issuers to borrow. Each Issuer's credit spreads may widen or narrow not only in response to events and circumstances that are specific to each Issuer 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 each of Issuer's derivatives, which could result in volatility in their results of operations, financial condition, and cash flows.

Each Issuer's results of operations and financial condition are substantially dependent upon the sale of Toyota, Lexus and private label vehicles as well as their ability to offer competitive financing products, for TFA, insurance products and, for TMCC, voluntary protection products

Each of TCCI, TFA and TMCC provide a variety of finance and, in the case of TFA, insurance products and, in the case of TMCC, voluntary protection products, to authorised Toyota, Lexus and private label dealers and their customers in Canada, Australia and the United States, respectively. Accordingly, each of TCCI's, TFA's and TMCC's business is substantially dependent upon the sale of Toyota, Lexus and private label vehicles in Canada, Australia and the United States, respectively. TMF's business is also dependent upon the performance of Toyota companies to which TMF grants loans and/or in respect of which it provides guarantees and, thereby, sales of Toyota, Lexus and private label vehicles by Toyota companies.

TCCI's, TFA's and TMCC's business depends on its relationships with various vehicle distributors (each, a "*Distributor*") including Toyota Canada Inc., Toyota Motor Corporation Australia Limited and Toyota Motor Sales, U.S.A., Inc., a subsidiary of Toyota Motor North America, Inc., which are the primary distributors of Toyota and Lexus vehicles in Canada, Australia and the United States, respectively.

Changes in the volume of Distributor sales or the volume of distributor sales by other Toyota distributors may result from governmental action, changes in governmental regulation or trade policies, changes in consumer demand, new vehicle incentive programmes, recalls, the actual or perceived quality, safety or reliability of Toyota, Lexus and private label vehicles, changes in economic conditions, inflation, increased competition, increases in the price of vehicles due to increased raw material costs, changes in import fees or tariffs on raw materials or imported vehicles, changes to, or withdrawals from, trade agreements, currency fluctuations, fluctuations in interest rates, 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. For example, TMCC's affiliate, Toyota Motor North America, Inc., TCCI and TFA and the Issuers' ultimate parent, TMC, have continued to experience a decrease in new inventory resulting from production constraints due to supply shortages affecting the automotive industry and continued steady demand for new vehicles. Any negative impact on the volume of Toyota, Lexus and private label vehicle sales could have a material adverse effect on an Issuer's business, results of operations and financial condition.

While Distributors conduct extensive market research before launching new or refreshed vehicles and introducing new services, many factors both within and outside the control of Distributors affect the success of new or existing products and services in the market-place. 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 the reputation of Distributors or market acceptance of its products or services, even where such allegations prove to be inaccurate or unfounded. Any negative impact to the reputation of Distributors or market acceptance of its products or services could have an adverse impact on vehicle sales, which could have an adverse effect on each of TCCI's, TFA's and TMCC's business, results of operations and financial condition.

The volume of Distributor sales may also be affected by Toyota's ability to successfully grow through investments in the area of emerging opportunities such as mobility and connected services, vehicle electrification, fuel cell technology and autonomy, which depends on many factors, including advancements in technology, regulatory changes and other factors that are difficult to predict.

Each of TCCI, TFA and TMCC operates in a highly competitive environment and competes with other financial institutions and, to a lesser extent, other motor vehicle manufacturers' affiliated finance companies primarily through service, quality, TCCI's, TFA's and TMCC's relationship with Distributors and financing rates.

Certain financing products offered by each of TCCI, TFA and TMCC may be subsidised by Distributors. The Distributors sponsor special subsidies and incentives on certain new and used Toyota and Lexus vehicles that result in reduced monthly payments by qualified customers for finance products. Support amounts received from Distributors in connection with these programmes approximate the amounts required by each of TCCI, TFA and TMCC to maintain yields and product profitability at levels consistent with standard products.

Each of TCCI's, TFA's and TMCC's ability to offer competitive financing and, in the case of TFA, insurance products and, in the case of TMCC, voluntary protection products, in Canada, Australia and the United States, respectively, depend in part on the level of Distributor sponsored subsidies, cash, and contractual residual value support incentive programme activity, which varies based on a Distributor's marketing strategies, economic conditions, and the volume of vehicle sales, among other factors. Any negative impact on the level of Distributor sponsored subsidy, cash, and contractual residual value support incentive programmes could in turn have a material adverse effect on each of TCCI's, TFA's and TMCC's business, results of operations and financial condition.

Changes in consumer behaviour could affect the automotive industry, Toyota including each of the Issuers, and as a result, their business, results of operations and financial condition

A number of trends are affecting the automotive industry. These include a market shift from cars to sport utility vehicles ("*SUVs*") and trucks, high demand for incentives, the rise of mobility services such as vehicle sharing and ride hailing, the development of autonomous and alternative-energy vehicles, the impact of demographic shifts in attitudes and behaviours towards 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, a Distributor and Toyota, and could in turn have an adverse impact on an Issuer's business, results of operations and financial condition.

Recalls and other related announcements by Toyota or private label companies could decrease the sales of Toyota, Lexus and private label vehicles, which could affect the business, results of operations and financial condition of an Issuer

Toyota, or other manufacturers of the vehicles TCCI, TFA or TMCC finance, including Distributors, periodically conducts vehicle recalls, which could include temporary suspensions of sales and production of certain Toyota, Lexus and private label vehicle models. Because each of TCCI's, TFA's and TMCC's businesses are substantially dependent upon the sale of Toyota and Lexus vehicles, and as TMF's business is also dependent upon the performance of Toyota companies to which TMF grants loans and/or in respect of which it provides guarantees, such events could adversely affect the business, results of operations and financial condition of each of the Issuers.

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 each Issuer's financing volume, TFA's insurance products volume, TMCC's voluntary protection products volume and each of TCCI's, TFA's and TMCC's earning assets and net financing revenues and, in the case of TFA, insurance revenues and, in the case of TMCC, voluntary protection contract revenues and insurance earned premiums. The credit performance of each of TCCI's, TFA's and TMCC's 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 each of TFA's and TMCC's depreciation expenses, TCCI's lease residual value provisions and each of TFA's, TCCI's and TMCC's credit losses. Further, certain Toyota affiliated entities, including certain of TMCC's affiliated entities and Toyota Canada Inc., 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 each Issuer's business, results of operations and financial condition.

If an Issuer is unable to compete successfully or if competition increases in the businesses in which it operates, an Issuer's results of operations could be negatively affected

Each of the Issuers operates in a highly competitive environment. None of the Issuers has control over how Toyota dealers source financing for their customers. Competitors of the Issuers include commercial banks, credit unions and other financial institutions. To a lesser extent, the Issuers compete with other motor vehicle manufacturers' affiliated finance companies. In addition, online financing options provide consumers with alternative financing sources. Increases in competitive pressures could have an adverse impact on contract volume, market share, net financing revenues, margins and, in the case of TFA, insurance revenues and margins and, in the case of TMCC, voluntary protection contract revenues and insurance earned premiums. Further, the financial condition and viability of competitors and peers of the Issuers may have an adverse impact on the financial services industry in which each of the Issuers operates, resulting in a decrease in demand for its products and services. This could have an adverse impact on the volume of each Issuer's business and its results of operations.

A failure or interruption in the operations of an Issuer could adversely affect its 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, theft, fraud, extreme weather conditions, natural disasters (such as wildfires or bushfires, 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, health epidemics and other outbreaks) that could affect each of the Issuers.

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 an Issuer's insurance risk management programme or voluntary protection product operations risk management programme, inappropriate behaviour or misconduct by employees of, or those contracted to perform services for, an Issuer and vendors that do not perform in accordance with their contractual agreements. These events can potentially result in financial losses or other damages to an Issuer, including damage to reputation.

Each of the Issuers has established business recovery plans to address interruptions in its operations but can give no assurance that these plans will be adequate to remedy all events that an Issuer may face. A catastrophic event that results in the destruction or disruption of any of the critical business or information technology systems of an Issuer could harm its ability to conduct normal business operations.

Each of the Issuers relies on a framework of internal controls designed to provide a sound and well-controlled operating environment. Due to the complex nature of each Issuer's business and the challenges inherent in implementing control structures across large organisations, control issues may be identified in the future that could have an adverse effect on each Issuer's operations.

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

TMCC's private label financial services for third-party automotive and mobility companies may expose it to additional risks that could adversely affect its business, results of operations and financial condition

In the financial year 2021, TMCC 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 America*"). Pursuant to TMCC's agreement with Mazda America, TMCC currently offers 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 America customers and dealers in the United States. TMCC's agreement with Mazda America is for an initial term of approximately five years.

In the financial year 2022, TMCC announced, in furtherance of its private label financial services initiative for third party automotive and mobility companies, that it entered into a nonbinding letter of intent with Great American Outdoors Group LLC, the parent company of Bass Pro Shops, Cabela's and the White River Marine Group ("*Bass Pro Shops*") to provide private label financial services for Bass Pro Shop's boats, all-terrain vehicle products, and other mobility products. TMCC began to provide inventory financing for Bass Pro Shops, its affiliates and authorised independent dealers in financial year 2023, with additional private label services, including consumer financing and voluntary protection products and services, to be added over time.

TMCC is currently leveraging its existing processes and personnel to originate and service the new assets and expects to make certain technology investments to support the Bass Pro Shops programme; however, TMCC will continue to evaluate the private label financial services business, which may include partnering with, or transitioning the business to, its affiliates, some of which are not consolidated with TMCC.

Although TMCC intends to leverage its strengths and capabilities to serve and retain new private label customers, it may encounter additional costs and may fail to realise the anticipated benefits of its private label financial services programme. 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 TMCC is unable to appropriately monitor and mitigate, may result in an adverse effect on its results of operations and financial condition. TMCC's private label finance services may also expose it 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 incentivised retail financing, recalls announced by the private label companies 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 TMCC's business, results of operations and financial condition.

Sales of Subaru Vehicles - TCCI

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

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

TFA's provision of private label financial services to Mazda and Suzuki dealers and customers

TFA and Australian Alliance Automotive Finance Pty Limited ("*AAAF*"), a wholly owned subsidiary of TFA, entered into arrangements with Mazda Australia Pty Limited ("*Mazda Australia*") and with Suzuki Australia Pty Ltd ("*Suzuki Australia*") and AAAF provides retail and dealer financial products and services to Mazda Australia and Suzuki Australia dealers and customers in Australia.

Although TFA intends to leverage its strengths and capabilities to serve and retain new private label customers, it may encounter additional costs and may fail to realise the anticipated benefits of its private label financial services programme. 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 TFA is unable to appropriately monitor and mitigate, may result in an adverse effect on TFA's results of operations and financial condition. The provision of wholesale and retail financing to private label dealers and customers may also expose TFA 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 TFA's business, results of operations and financial condition.

Various risks related to health epidemics and other outbreaks faced by each of the Issuers have had and may continue to have material adverse effects on its business, financial condition, results of operations and cash flows

Each Issuer faces various risks related to health epidemics and other outbreaks, such as the global outbreak of the coronavirus ("*COVID-19*"), which have led, and may in the future lead, to periodic disruption and volatility in the international capital markets and in the economies of many countries, including in the jurisdiction of each of the Issuers, and which in turn, could have a material impact on each Issuer's financial condition, liquidity and results of operations. Although global economies, including where each Issuer operates, have begun to recover from the COVID-19 pandemic, certain adverse consequences of the pandemic, including labour shortages, disruptions of global supply chains and inflationary pressures continue to impact the global economies, which have continued to impact certain financial results of TCCI, TFA and TMCC during the financial year ended 31 March 2023, including for TCCI a decrease in the percentage of distributor sales financed by TCCI due to lower dealer inventory levels, which has resulted in lower levels of subvention and incentives, for TFA including but not limited to a decrease in financing volume due to lower dealer inventory levels (global supply challenges), which has resulted in lower levels of subvention and incentives as well as increased competition from other financial institutions, and for TMCC including a decrease in financing volume due to lower dealer inventory levels, which has resulted in lower levels of subvention and incentives as well as increased competition from financial institutions. The long-term and ultimate impacts of the social, economic and financial disruptions caused by the COVID-19 pandemic, including negative impacts on the relevant Issuer's financial condition, liquidity and results of operations, will depend on future developments that remain uncertain, including, for example, future actions taken by governmental authorities, central banks and other parties in response to the pandemic and its adverse consequences, and the effects on each of TCCI's, TFA's and TMCC's customers, dealers and competitors and, in the case of TMF, other Toyota companies.

The likelihood of future health epidemics or other outbreaks, the ultimate duration of any pandemic, and the possibility of a resurgence of the COVID-19 pandemic or similar public health issues are uncertain. A new pandemic or the resurgence of the COVID-19 pandemic may subject Toyota, including each of TCCI, TFA and TMCC to, among several other things, increased delinquencies and defaults by its customers and dealers, the reinstatement of certain payment relief options, closures of manufacturing plants by Toyota, and disruption among the supply chain and with other third-party vendors.

Financial Market and Economic Risks

Each Issuer's borrowing costs and access to the unsecured debt capital markets depends significantly on the credit ratings of each Issuer and its parent companies and their credit support arrangements

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

Credit rating agencies which rate the credit of TMC and its affiliates, including TFS and the Issuers, may qualify or alter ratings at any time. Global economic conditions, including the ongoing impact of COVID-19 and other geopolitical factors may directly or indirectly affect such ratings. Any downgrade in the sovereign credit ratings of the United States or Japan may directly or indirectly have a negative effect on the ratings of TMC, TFS and each of the Issuers. Downgrades or placement on review for possible downgrades could result in an increase in borrowing costs for each of the Issuers as well as reduced access to the domestic and international capital markets. These factors would have a negative impact on an Issuer's competitive position, results of operations, liquidity and financial condition.

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

Liquidity risk is the risk arising from the inability to meet obligations in a timely manner when they become due. The liquidity strategy of each of the Issuers is to maintain the capacity to fund assets and repay liabilities in a timely and cost-effective manner even in adverse market conditions. Disruption in an Issuer's funding sources may adversely affect its ability to meet its obligations as they become due. An inability to meet obligations in a timely manner would have a negative impact on an Issuer'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.

TCCI, TFA and TMCC - allowances for credit losses may not be adequate to cover actual losses, which may adversely affect its results of operations and financial condition

TCCI, TFA and TMCC maintain an allowance for credit losses to cover expected credit losses as of the balance sheet date resulting from the non-performance of its customers and dealers under their contractual obligations. The determination of the allowance involves significant assumptions, complex analyses, and management judgment and requires TCCI, TFA and TMCC to make significant estimates of current credit risks using existing qualitative and quantitative information. Actual results may differ from estimates or assumptions. For example, TCCI, TFA and TMCC review and analyse 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, customer debt levels (in the case of TCCI and TMCC) and consumer behaviour, 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 expected credit losses. As a result, TCCI's, TFA's and TMCC's allowance for credit losses may not be adequate to cover TCCI's, TFA's and TMCC's actual losses. In addition, changes in accounting rules and related guidance, new information regarding existing portfolios, and other factors, both within and outside of TCCI's, TFA's and TMCC's control, may require changes to the allowance for credit losses. A material increase in TCCI's, TFA's or TMCC's allowance for credit losses may adversely affect TCCI's, TFA's or TMCC's results of operations and financial condition.

Use of models, estimates and assumptions –if the design, implementation or use of models is flawed or if actual results differ from estimates or assumptions, the results of operations and financial condition of an Issuer could be materially and adversely affected

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

An Issuer's assumptions and estimates often involve matters that require the exercise of its management's judgment, are inherently difficult to predict and are beyond the Issuer's 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, an Issuer's actual experience may differ materially from these estimates and assumptions. A material difference between the estimates and assumptions and the actual experience may adversely affect the relevant Issuer's results of operations and financial condition.

Fluctuations in the valuation of investment securities or investment market prices could negatively affect net financing revenues and results of operations – TFA and TMCC

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 TFA's or TMCC's net financing revenues and results of operations. Additionally, the amount realised in the subsequent sale of an investment may significantly differ from the reported market value and could negatively affect the net financing revenues and other revenues of TFA or TMCC.

TCCI, TFA and TMCC - a decrease in the residual values of off-lease vehicles and a higher number of returned lease assets could negatively affect its results of operations and financial condition

Residual value represents an estimate of the end of term market value of a leased asset. Residual value risk is the risk that the estimated residual value at lease origination will not be recoverable at the end of the lease term. Each of TCCI, TFA and TMCC is subject to residual value risk on lease products, where the customer may return the financed vehicle on termination of the lease agreement. The risk increases if the number of returned lease assets is higher than anticipated and/or the loss per unit is higher than anticipated. Fluctuations in the market value of leased assets subsequent to lease origination may introduce volatility in TCCI's, TFA's and TMCC's profitability, through residual value provisions, gains or losses on disposal of returned assets and/or, in the case of TFA and TMCC, increased depreciation expense.

Factors which can impact the market value of vehicle assets include local, regional and national economic conditions, inflation, new vehicle pricing, new vehicle incentive programmes, new vehicle sales, the actual or perceived quality, safety or reliability of Toyota and Lexus vehicles, future plans for new Toyota, Lexus and private label product introductions, competitive actions and behaviour, product attributes of popular vehicles, the mix of used vehicle supply, the level of current used vehicle values, 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 realised on leased vehicles and TCCI's, TFA's and TMCC's estimates of such values at lease origination could have a negative impact on such Issuer's results of operations and financial condition. 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 programmes and general economic conditions. The return of a higher number of leased vehicles could also adversely affect TCCI's, TFA's and TMCC's results of operations and financial condition.

TFA offers Guaranteed Future Value ("*GFV*") loan products which give customers a choice to retain their vehicle at the end of the term of the finance contract subject to payment of all money payable at the end of the term or to sell their vehicle back to TFA or its nominee for the agreed GFV. There is the risk that the vehicle value at the end of the agreed loan term is less than the GFV. Fluctuations in the market value of these assets (vehicles) subsequent to loan origination may introduce volatility in TFA's profitability, through impairment provisions and/or losses on disposal of returned assets.

Exposure to credit risk could negatively affect each of the Issuers results of operations and financial condition

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

The level of credit risk on TCCI's consumer portfolio and each of TFA's and TMCC's retail loan portfolio is influenced primarily by two factors: the total number of contracts that default and the amount of loss per occurrence, 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 programmes, the manufacturer's actual or perceived reputation for quality, safety and reliability and the general economic outlook.

The level of credit risk on each of TCCI's, TFA's and TMCC's dealer portfolio is influenced primarily by the financial strength of dealers within that portfolio, dealer concentration, collateral quality and other economic factors. The financial strength of dealers within each of TCCI's, TFA's and TMCC's dealer portfolio is influenced by general macroeconomic conditions, the overall demand for new and used vehicles and the financial condition of motor vehicle manufacturers, among other factors.

Economic slowdown and recession in the jurisdiction of the relevant Issuer, extreme weather conditions, natural disasters, health epidemics, such as the COVID-19 pandemic, and other factors increase the risk that a customer or dealer may not meet the terms of a retail, lease or dealer financing or other contract with an Issuer 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 the ability of some customers of an Issuer and dealers to make their scheduled payments.

An Issuer's 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 an Issuer's results of operations, financial condition and cash flows.

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

Changes in interest rates or foreign currency exchange rates (due to inflationary pressure or other factors) could affect an Issuer's interest expense and the value of its derivative financial instruments, which could result in volatility in its results of operations, financial condition and cash flows.

The transition away from the London Interbank Offered Rate ("LIBOR") and the adoption of alternative reference rates ("ARRs") could adversely impact each Issuer's business and results of operations

Each Issuer is, or may become, exposed to LIBOR-based financial instruments, including through certain of each Issuer's financing activities (and in the case of TMCC dealer financing activities), derivative contracts, unsecured debt, and in the case of TMCC, secured debt and investment securities. The transition away from the use of LIBOR to alternative rates and other potential interest rate benchmark reforms is continuing. These reforms have caused and may in the future cause such rates to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted.

The publication of non-U.S. dollar LIBOR rates on a representative basis, as well as the publication of the lesser used 1-week and 2-month U.S. dollar LIBOR tenors, ceased as of the end of December 2021. The most commonly used U.S. dollar LIBOR tenors are expected to continue to be published until 30 June 2023.

In June 2017, the New York Federal Reserve's Alternative Reference Rates Committee recommended SOFR as an alternative to U.S. dollar LIBOR. On 16 December 2022, the Federal Reserve Board adopted the final rule that implemented the Adjustable Interest Rate (LIBOR) Act passed by Congress in March 2022 ("*LIBOR Act*"). The LIBOR Act identified benchmark replacement rates based on SOFR for covered derivative transactions and cash transactions where a practicable interest rate fallback method has not been established by 30 June 2023.

The composition and characteristics of SOFR are not the same as those of LIBOR. As a result, there can be no assurance that SOFR or any ARR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, regulatory, judicial or other events. With limited operating history, it remains unknown whether SOFR will continue to evolve and what the effects of its implementation may be on the markets for financial instruments. Although the LIBOR Act and its implementing regulations include safe harbours if the Federal Reserve Board's SOFR-based replacement rates are used, these safe harbours are untested, and each of the Issuers could still be exposed to risks associated with disputes and litigation with counterparties and other market participants in connection with implementing replacement rates for LIBOR.

On 29 November 2017, the Bank of England and the FCA announced that, as of January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to SONIA over the next four years across sterling bond, loan and derivative markets, so that SONIA was established as the primary sterling interest rate benchmark by the end of 2021.

SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors and in relation to Notes is determined by reference to a compounded daily rate or a compounded index rate. In each case such rate will differ from sterling LIBOR in a number of material respects, including (without limitation) that compounded daily rate is a risk-free overnight non-term rate, whereas sterling LIBOR is expressed on the basis of a forward-looking term and includes a credit risk-element based on inter-bank lending. Sterling LIBOR and SONIA may behave materially differently as interest reference rates. The use of SONIA as a reference rate is nascent, and is subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for financial instruments referencing SONIA.

To facilitate an orderly transition from LIBOR to ARRs, each Issuer established an initiative led by senior management, with board and committee oversight. As a result of this initiative, each Issuer has committed to using SOFR linked rates in connection with various borrowing arrangements and the prime rate in connection with various lending arrangements. Nevertheless, the Issuers may continue to be subject to risk on outstanding instruments which rely on LIBOR. Those risks arise in connection with transitioning such instruments to a new reference rate, the taking of discretionary actions (for example, under fallback provisions) or the negotiation of fallback provisions and final amendments to existing LIBOR based agreements. If a contract or instrument is not transitioned to a new reference rate and LIBOR ceases to exist, an Issuer may experience increased interest rate risk. In addition, an Issuer may be dependent on third parties to upgrade their systems, software, and other critical functions to assist in its orderly transition from LIBOR, including for new agreements. A failure to properly transition away from LIBOR could expose each Issuer to various financial, operational, and regulatory risks, which could have a significant impact on each Issuer's financial condition and results of operations.

Refinitiv Benchmark Services (UK) Limited, the administrator of CDOR, published a cessation notice on 16 May 2022 announcing that the calculation and publication of all tenors of CDOR will permanently cease immediately following a final publication on 28 June 2024 (the "*CDOR Cessation Date*"). Investors should be aware that, when CDOR is discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes and/or loans that reference CDOR will be determined for the relevant period by the fallback provisions applicable to such Notes and/or loans. If, during the term of any Floating Rate Notes and/or loans that reference CDOR, CDOR is no longer quoted on the designated CDOR page, CDOR will be determined using alternative methods. Any of these alternative methods may result in interest payments on the Floating Rate Notes and/or loans that reference CDOR that are different from or do not otherwise correlate over time with the interest payments that would have been made on the Floating Rate Notes and/or loans if the designated CDOR page had remained available.

The additional alternative rates for any Floating Rate Notes and/or loans referencing CDOR are uncertain. There is no assurance that the characteristics of any of the alternative rates for CDOR will be similar to those prior to the CDOR Cessation Date, or that any such alternative rate will produce the economic equivalent of CDOR.

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

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

TMCC – its voluntary protection operations could suffer losses if its reserves are insufficient to absorb actual losses

TMCC's voluntary protection operations are subject to the risk of loss if its 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 recognising revenue over the term of the contract or policy may result in the timing of revenue recognition varying materially from the actual loss development. TMCC's voluntary protection operations are also subject to the risk of loss if its reserves for reported losses, losses incurred but not reported and loss adjustment expenses are not sufficient. Because TMCC uses estimates in establishing reserves, actual losses may vary from amounts established in earlier periods as a result of changes in frequency and severity.

TMCC – it is exposed to risk transfer credit risk which could negatively impact its voluntary protection operations

Risk transfer credit risk is the risk that a reinsurer or other company assuming liabilities relating to TMCC's voluntary protection operations will be unable to meet its obligations under the terms of TMCC's agreement with them. Such failure of a reinsurer to meet its obligations could result in losses to TMCC's voluntary protection operations and any losses resulting from that failure, may adversely affect TMCC's results of operations and financial condition.

Regulatory, legal and other risks

Changes in accounting standards could adversely affect an Issuer's results of operations and financial condition

The audited financial statements of TMF in the Annual Financial Report for the financial year ended 31 March 2022 have been prepared in accordance with International Financial Reporting Standards ("*IFRS*"), as adopted by the EU and with Part 9 of Book 2 of the Dutch Civil Code. The audited financial statements of TCCI in the Annual Financial Report for the financial year ended 31 March 2022 have been prepared in accordance with IFRS. TFA's audited consolidated financial statements in the Annual Financial Report for the financial year ended 31 March 2023 have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("*AASB*") as well as the Australian Corporations Act 2001 and comply with IFRS as issued by the International Accounting Standards Board ("*IASB*").

The respective Accounting Standard regulators continue to develop new accounting standards where they perceive they are required and to rewrite existing standards where they perceive they can be improved. Any future change may have a beneficial or detrimental impact on the reported earnings of an Issuer, where they are adopted by the IASB in the case of TMF and TCCI or, in the case of TFA, by the AASB or, in the case of TMCC, by the Financial Accounting Standards Board in the United States ("*FASB*").

Accounting Standards are periodically revised and/or expanded. The application of accounting principles is also subject to varying interpretations over time. Accordingly, each Issuer is required to adopt new or revised accounting standards or comply with revised interpretations that are issued from time to time by various parties, including accounting standard setters and those who interpret the standards, such as the IASB, AASB and the FASB. Those changes could adversely affect an Issuer's results of operations and financial condition.

A failure or interruption of the information systems of an Issuer could adversely affect its business, results of operations and financial condition

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

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

A security breach or a cyber-attack could adversely affect an Issuer's business, results of operations and financial condition

Each Issuer collects and stores certain personal and financial information from customers, employees and other third parties. Security breaches or cyber-attacks involving an Issuer's systems or facilities, or the systems or facilities of third-party providers, could expose an Issuer 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 an Issuer's future business with current and potential customers, results of operations and financial condition.

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

Each Issuer could also be subjected to cyber-attacks that could result in slow performance and loss or temporary unavailability of its information systems. Information security risks have increased because of new technologies, the use of the internet and telecommunications technologies (including mobile devices) to conduct financial and other business transactions, and the increased sophistication and activities of state-sponsored actors, organised crime, perpetrators of fraud, terrorists, and others. In addition, an Issuer may face 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 its workforce. An Issuer 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 an Issuer's business, results of operations and financial condition.

Each of the Issuers enterprise data practices, including the collection, use, sharing, disposal and security of personal and financial information of its customers, employees and third-party individuals, are subject to increasingly complex, restrictive, and punitive laws and regulations which could adversely affect an Issuer's 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 each Issuer's business. In addition, increased consumer sensitivity to real or perceived failures in maintaining acceptable data practices could damage an Issuer's reputation and deter current and potential customers from using such Issuer's products and services. For example, well-publicised 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 jurisdiction of the relevant Issuer 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 which if applicable to an Issuer, could impact its business. For example, in the United States, 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 requires 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 TMCC for certain violations of these laws and regulations. These types of laws and regulations could prohibit or significantly restrict financial services providers such as an Issuer from sharing information among affiliates or with third parties such as vendors, and thereby increase compliance costs, or could restrict each Issuer's use of personal data when developing or offering products or services to its customers. These restrictions could inhibit an Issuer'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 in the United States 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 of an Issuer to comply with applicable privacy or data protection laws and regulations could for an Issuer result in requirements to modify or cease certain of its operations or practices, significant liabilities or fines, penalties or other sanctions.

The regulatory environment in which each of the Issuers operates could have a material adverse effect on its business and results of operations

Regulatory risk is the risk to each of the Issuers arising from the failure or alleged failure to comply with applicable regulatory requirements and the risk of liability and other costs imposed under various laws and regulations, including changes in applicable law, regulation and regulatory guidance. See below for further discussion of specific regulatory risks relating to TMCC.

TMCC

TMCC's finance and voluntary protection products are regulated under both federal and state laws, including those described below.

Federal Consumer Finance Regulation

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 TMCC's 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 TMCC, 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 TMCC to allow eligible servicemembers to terminate their lease agreements with TMCC early without penalty. The unfair, deceptive and abusive practices ("*UDAAP*") provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("*Dodd-Frank Act*") prohibit practices that are unfair, deceptive or abusive towards consumers.

Federal privacy and data security laws place restrictions on TMCC's 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 TMCC's retail and lease contracts also must comply with federal credit and trade practice statutes and regulations. Failure of the dealers to comply with these statutes and regulations could result in remedies that could have an adverse effect on TMCC.

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, repossessions, debt collection, the treatment of customers during the COVID-19 pandemic, credit reporting, and the marketing and sale of certain optional products, including voluntary protection products TMCC finances or sells 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 TMCC's 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 TMCC or the products, services and operations it offers, may require TMCC to cease or alter certain business practices, which could have a material adverse effect on its 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. TMCC must renew these licences 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 TMCC's 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 TMCC's operations in these states if TMCC were unable to pass on increased interest costs to its 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 TMCC 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 TMCC 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 TMCC 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 licences 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. TMCC's 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. TMCC actively monitors 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 products and services subject to their jurisdiction. In addition, TMCC is subject to governmental and regulatory examinations, information-gathering requests and investigations from time to time. TMCC expects 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 TMCC. 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 TMCC and potentially require TMCC to limit or change its activities or operations.

Changes to Laws, Regulations or Government Policies – all Issuers

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

Compliance with applicable laws and regulations is costly and such costs can adversely affect an Issuer's results of operations. Compliance requires forms, processes, procedures, controls and the infrastructure to support these requirements. Compliance may create operational constraints and place limits on pricing, as the laws and regulations in the financial services industry are designed primarily for the protection of consumers. Changes in laws and regulations could restrict an Issuer's ability to operate its business as currently operated, could impose substantial additional costs or require it to implement new processes, which could adversely affect its 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 an Issuer's ability to operate its business, possible revocation of licenses and damage to its reputation, brand and valued customer relationships. Any such costs, restrictions, revocations or damage could adversely affect an Issuer's business, prospects, results of operations or financial condition.

Changes to Laws, Regulations or Government Policies – TMCC

Consumer Finance Regulation

As a provider of finance and voluntary protection products, TMCC operates in a highly regulated environment in the United States. TMCC is subject to state licensing requirements and state and federal laws and regulations. In addition, TMCC is subject to governmental and regulatory examinations, information-gathering requests, and investigations from time to time at the state and federal levels.

TMCC's principal consumer finance regulator at the federal level is the CFPB, which has broad regulatory, supervisory and enforcement authority over TMCC. The CFPB's supervisory authority allows the CFPB, among other things, to conduct comprehensive and rigorous examinations to assess TMCC's compliance with consumer financial protection laws, which could result in enforcement actions, regulatory fines and mandated changes to TMCC's 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 TMCC, and rules regarding consumer credit reporting practices. The timing and impact of these rules on TMCC's 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 TMCC finances or sells through TMIS.

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, 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 TMCC or the products, services and operations TMCC offers, may require TMCC to cease or alter certain business practices, which could have a material adverse effect on TMCC's results of operations, financial condition and liquidity. Supervision and investigations by these agencies may result in monetary penalties, increase TMCC's compliance costs, require changes in TMCC's business practices, affect its competitiveness, impair its profitability, harm its reputation or otherwise adversely affect its business.

At the state level, state regulators are taking a more stringent approach to supervising and regulating financial 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. TMCC expects to continue to face greater supervisory scrutiny and enhanced supervisory requirements for the foreseeable future.

Other Federal Regulation

Under the Volcker Rule, which was enacted as part of the Dodd-Frank Act, companies affiliated with United States 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 TMCC. 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 TMCC and potentially require TMCC to limit or change its activities or operations.

A negative outcome in legal proceedings may adversely affect an Issuer's results of operations and financial condition

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

Environmental Related Regulation

Concern over climate change or other environmental matters may result in new or increased legal and regulatory requirements and new financial incentives regarding electrified vehicles intended to mitigate factors contributing to, or intended to address the potential impacts of, climate change or other environmental concerns. In August 2022, the Inflation Reduction Act was signed into U.S. law. The Inflation Reduction Act modifies climate and clean energy corporate tax provisions, including, among other things, amendments to the federal tax credit for plug-in vehicles available under current U.S. tax law. Such regulations (including laws related to greenhouse gas emitting products or services) and government incentives may require each of the Issuers and other Toyota companies to alter their proposed business plans, lead to increased compliance costs and changes to their operations and could have an adverse effect on each Issuer's business, results of operations and financial condition.

TMCC - Adverse Economic Conditions or Changes in State Laws

TMCC is exposed to geographic customer concentration risk on its retail, lease, dealer and voluntary protection products in certain states of the United States. Localised adverse economic conditions and changes in law in such states could have an adverse effect on TMCC's results of operations and financial condition.

Industry and Business Risks – Toyota

The worldwide automotive market is highly competitive

The worldwide automotive market is highly competitive. Toyota faces intense competition from automotive manufacturers in the markets in which it operates. In recent years, competition in the automotive industry has further intensified amidst difficult overall market conditions. In addition, competition is likely to further intensify as technological advances in areas such as Connected, Autonomous / Automated, Shared, and Electric ("*CASE*") technologies progress in the worldwide automotive industry, possibly resulting in industry reorganisations. Factors affecting competition include product quality and features, safety, reliability, fuel economy, the amount of time required for innovation and development, pricing, customer service, financing terms and tax credits or other government policies in various countries. Increased competition may lead to lower vehicle unit sales, which may result in further downward price pressure and adversely affect Toyota's financial condition and results of operations. Toyota's ability to adequately respond to the recent rapid changes in the automotive market, particularly shifts in consumer preferences to electrified vehicles, and to maintain its competitiveness will be fundamental to its future success in existing and new markets and to maintain its market share. There can be no assurances that Toyota will be able to compete successfully in the future.

The worldwide automotive industry is highly volatile

Each of the markets in which Toyota competes has been subject to considerable volatility in demand. Demand for vehicles depends to a large extent on economic, social and political conditions in a given market and the introduction of new vehicles and technologies. As Toyota's revenues are derived from sales in markets worldwide, economic conditions in such markets are particularly important to Toyota.

Reviewing the world economy for the financial year ended 31 March 2023, energy prices soared due to geopolitical tensions, and the rise in consumer prices accelerated in both advanced and emerging countries. From August onwards, demand declined because of concerns regarding a slowdown in the global economy due to the acceleration of monetary tightening by central banks around the world. Although the automotive market continued to be subjected to global production constraints due to the tightening of global supply of, and increasing demand for, semiconductors as well as components shortages, the production cuts eased towards the second half of the financial year ended 31 March 2023.

Changes in demand for automobiles are continuing, and it is unclear how this situation will transition in the future. Toyota's financial condition and results of operations may be adversely affected if the changes in demand for automobiles continue or progress further beyond Toyota's expectations. Demand may also be affected by factors directly impacting vehicle price or the cost of purchasing and operating vehicles such as sales and financing incentives, prices of raw materials and parts and components, cost of fuel and governmental regulations (including tariffs, import regulation and other taxes). Volatility in demand may lead to lower vehicle unit sales, which may result in downward price pressure and adversely affect Toyota's financial condition and results of operations.

Toyota's future success depends on its ability to offer new, innovative and competitively priced products that meet customer demand on a timely basis

Meeting customer demand by introducing attractive new vehicles and reducing the amount of time required for product development are critical to automotive manufacturers. In particular, it is critical to meet customer demand with respect to quality, safety, reliability and sustainability. The timely introduction of new vehicle models, at competitive prices, meeting rapidly changing customer preferences and demand is more fundamental to Toyota's success than ever, as the automotive market is rapidly transforming in light of the changing global economy and technological advances.

There is no assurance, however, that Toyota will adequately and appropriately respond to changing customer preferences and demand with respect to quality, safety, reliability, styling, sustainability and other features in a timely manner. Even if Toyota succeeds in perceiving customer preferences and demand, there is no assurance that Toyota will be capable of developing and manufacturing new, price competitive products in a timely manner with its available technology, intellectual property, sources of raw materials and parts and components, and production capacity, including cost reduction capacity. Further, there is no assurance that Toyota will be able to offer new products or implement capital expenditures at the level and times planned by management, including as described in targets or goals that Toyota has disclosed publicly. Toyota's inability to develop and offer products that meet customers' preferences and demand with respect to quality, safety, reliability, styling, sustainability and other features in a timely manner could result in a lower market share and reduced sales volumes and margins, and may adversely affect Toyota's financial condition and results of operations.

Toyota's ability to market and distribute effectively is an integral part of Toyota's successful sales

Toyota's success in the sale of vehicles depends on its ability to market and distribute effectively based on distribution networks and sales techniques tailored to the needs of its customers. There is no assurance that Toyota will be able to develop sales techniques and distribution networks that effectively adapt to changing customer preferences or changes in the geopolitical and regulatory environment in the major markets in which it operates. Toyota's inability to maintain well-developed sales techniques and distribution networks may result in decreased sales and market share and may adversely affect its financial condition and results of operations.

Toyota's success is significantly impacted by its ability to maintain and develop its brand image and reputation

In the highly competitive automotive industry, it is critical to maintain and develop a brand image and reputation. In order to do so, it is necessary to further increase stakeholders' confidence by ensuring that Toyota and its suppliers comply with laws and regulations, provide safe, high-quality products that meet customer preferences and demand, as well as timely and appropriately disseminate information to stakeholders. It is also becoming increasingly important for companies to contribute to sustainability.

However, Toyota may not be able to ensure that it or its suppliers do so in all cases. Concerns regarding product safety or Toyota's product safety validation processes, whether raised internally, by regulators, or consumer advocates, can lead to product delays, recalls, lost sales, regulatory investigations, legal claims that cause reputational damage. For example, on 4 March 2022, Hino Motors, Ltd. ("*Hino*"), a consolidated subsidiary of Toyota, confirmed and announced misconduct in relation to its applications for certification concerning the emissions and the fuel economy performance of certain of its engines for the Japanese market. Additionally, Daihatsu Motor Co., Ltd. ("*Daihatsu*"), a consolidated subsidiary of Toyota, confirmed and announced misconduct in relation to its applications for certification concerning safety tests of certain of its vehicles for the overseas market on 28 April 2023 for vehicles developed by Daihatsu. In addition, actual or perceived failures on the part of Toyota or its suppliers to contribute to sustainability or to meet certain sustainability-related goals or objectives, including those relating to climate change or the protection of human rights in Toyota's supply chain, may also harm Toyota's reputation. Any insufficient measures taken by Toyota or its suppliers to maintain and develop Toyota's brand image and reputation may have an adverse effect on Toyota's financial condition and results of operations.

Toyota relies on suppliers for the provision of certain supplies including parts, components and raw materials

Toyota purchases supplies including parts, components and raw materials from a number of external suppliers located around the world. For some supplies, Toyota relies on a single supplier or a limited number of suppliers, whose replacement with another supplier may be difficult. Inability to obtain supplies from a single or limited source supplier may result in difficulty obtaining supplies and may restrict Toyota's ability to produce vehicles. Furthermore, even if Toyota were to rely on a large number of suppliers, first-tier suppliers with whom Toyota directly transacts may in turn rely on a single second-tier supplier or limited second-tier suppliers.

Irrespective of the number of suppliers, Toyota's ability to continue to obtain supplies from its suppliers in a timely and cost-effective manner is subject to a number of factors, some of which are not within Toyota's control. These factors include the ability of Toyota's suppliers to provide a continued source of supply, and Toyota's ability to effectively compete and obtain competitive prices from suppliers. Circumstances that may adversely affect such abilities include geopolitical tensions as well as related governmental actions such as economic sanctions.

A loss of any single or limited source supplier, or inability to obtain supplies from suppliers in a timely and cost-effective manner, could lead to increased costs or delays or suspensions in Toyota's production and deliveries, which could have an adverse effect on Toyota's financial condition and results of operations.

The worldwide financial services industry is highly competitive

The worldwide financial services industry is highly competitive. Increased competition in automobile financing may lead to decreased margins. A decline in Toyota's vehicle unit sales, an increase in residual value risk due to lower used vehicle prices, an increase in the ratio of credit losses and increased funding costs are additional factors which may impact Toyota's financial services operations. If Toyota is unable to adequately respond to the changes and competition in automobile financing, Toyota's financial services operations may adversely affect its financial condition and results of operations.

Toyota's operations and vehicles rely on various digital and information technologies, as well as information security, which are subject to frequent attack

Toyota depends on various information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, including sensitive data, and to manage or support a variety of business processes and activities, including manufacturing, research and development, supply chain management, sales and accounting. In addition, Toyota's vehicles may rely on various digital and information technologies, including information service and driving assistance functions. Despite security measures, Toyota's digital and information technology networks and systems may be vulnerable to damage, disruptions, shutdowns due to unauthorised access or attacks by hackers, computer viruses, breaches due to unauthorised use, errors or malfeasance by employees and others who have or gain access to the networks and systems Toyota depends on or otherwise uses, service failures or bankruptcy of third parties such as software development or cloud computing vendors, power shortages and outages, and utility failures or other catastrophic events like natural disasters. In particular, cyber-attacks or other intentional malfeasance are increasing in terms of intensity, sophistication and frequency, and Toyota has been and expects to continue to be the subject of such attacks. Such attacks have, in some cases, and could again disrupt critical operations, disclose sensitive data, interfere with information services and driving assistance functions in Toyota's vehicles, and/or give rise to legal claims or proceedings, liability or regulatory penalties under applicable laws, which could have an adverse effect on Toyota's brand image and its financial condition and results of operations. Moreover, similar attacks on Toyota's suppliers and business partners have had, and may in the future have, a similar negative impact on Toyota's financial condition and results of operations.

Toyota is exposed to risks associated with climate change, including the physical risks of climate change and risks from the transition to a lower-carbon economy

Risks associated with climate change are subject to increasing societal, regulatory and political focus in Japan and globally. These risks include the physical risks of climate change and risks from the transition to a lower-carbon economy.

The physical risks of climate change include both acute, event-driven risks such as those relating to hurricanes, floods and tornadoes, as well as longer-term weather patterns and related effects, such as sustained higher temperatures, sea level rise, drought and increased wildfires. Despite Toyota's contingency planning, large-scale disasters due to extreme weather conditions have in the past harmed, and may in the future again harm, Toyota's employees or its facilities and other assets, as well as those of Toyota's suppliers and other business partners, thereby adversely affecting Toyota's production, sales or other operational capacities. Large-scale disasters may also adversely affect the financial condition of Toyota's customers, and thereby demand for its products and services.

Transition risks are those attributable to regulatory, technological and market changes to address the mitigation of, or adaptation to, climate-related risks. For example, Toyota is subject to the risk of changes in customer demand for vehicles due to such factors as changes in laws, regulations and government policies relating to climate change, technological innovation to address climate change, and new entrants into the automobile industry that seek to capitalise on changing market dynamics. Changes in customer demand may pose ancillary risks and challenges, such as Toyota's having to establish new, or enhance existing, supply networks in order to source the raw materials, parts and components necessary for it to manufacture the products then in demand at desired volumes and at competitive costs. Toyota may incur significant costs and expenses as a result of the materialisation of such risks, or in its efforts to mitigate or adapt to such risks. Toyota's inability to develop and offer products that meet customers' preferences and demand in a timely manner could result in a lower market share and reduced sales revenues and margins and may adversely affect Toyota's financial condition and results of operations.

Furthermore, Toyota has published disclosures on climate-change related matters relating to its business and its partners. Such disclosures include forward-looking statements based on Toyota's expectations and assumptions, involving substantial discretion and forecasts about costs and future circumstances, which may prove to be incorrect. In addition, Toyota's initiatives relating to climate change may not have the intended results, and estimates concerning the timing and cost of implementing, and ability to meet, stated goals are subject to risks and uncertainties. As a result, Toyota may not be able to meet its goals on expected timing or at all, or within expected costs.

In particular, progress towards achieving Toyota's climate-related targets requires significant investment of resources and management time, as well as implementation of new compliance and risk management systems, internal controls and other internal procedures. Toyota's ability to achieve its climate-related goals, which are to be pursued over the long-term and are inherently aspirational, is subject to numerous risks and uncertainties, many of which are outside of Toyota's control, such as changes in environmental and energy regulation and policy, the pace of technological change and innovation, and the actions of Toyota's customers and competitors. Any failure, or perceived failure, by Toyota to achieve its climate-change related goals could adversely impact its reputation, financial condition and results of operations.

Toyota's operations are dependent on securing, retaining and developing talented, diverse employees

Given in particular the rapid changes in its business environment and its efforts to transform into a mobility company, Toyota's success depends on its ability to continue to recruit, retain and develop talented and diverse employees. However, competition for such employees is intense and if Toyota cannot recruit and retain diverse employees with a high level of expertise and extensive experience as planned, or it is unable to provide its employees with the opportunities, training and resources they need to develop themselves further, it may reduce Toyota's competitiveness, and its financial condition, results of operations and cashflow could be adversely affected.

Financial Market and Economic Risks – Toyota

Toyota's operations are subject to currency and interest rate fluctuations

Toyota is sensitive to fluctuations in foreign currency exchange rates and is principally exposed to fluctuations in the value of the Japanese yen, the U.S. dollar and the euro and, to a lesser extent, the Australian dollar, the Canadian dollar and the British pound. Toyota's consolidated financial statements, which are presented in Japanese yen, are affected by foreign currency exchange fluctuations through translation risk, and changes in foreign currency exchange rates may also affect the price of products sold and materials purchased by Toyota in foreign currencies through transaction risk. In particular, strengthening of the Japanese yen against the U.S. dollar can have an adverse effect on Toyota's operating results.

Toyota believes that its use of certain derivative financial instruments including foreign exchange forward contracts and interest rate swaps and increased localised production of its products have reduced, but not eliminated, the effects of interest rate and foreign currency exchange rate fluctuations. Nonetheless, a negative impact resulting from fluctuations in foreign currency exchange rates and changes in interest rates may adversely affect Toyota's financial condition and results of operations.

High prices of raw materials and strong pressure on Toyota's suppliers has and could continue to negatively impact Toyota's profitability

Increases in prices for raw materials that Toyota and Toyota's suppliers use in manufacturing their products or parts and components such as steel, precious metals, non-ferrous alloys including aluminium, and plastic parts, may lead to higher production costs for parts and components. This could, in turn, negatively impact Toyota's profitability because Toyota may not be able to pass all those costs on to its customers or require its suppliers to absorb such costs. For example, Toyota believes that the surge in materials costs has had a significant negative impact on its business performance in the financial year ended 31 March 2023, and expects the impact to continue in the financial year ending 31 March 2024.

A downturn in the financial markets could adversely affect Toyota's ability to raise capital

Should the world economy suddenly deteriorate, a number of financial institutions and investors will face difficulties in providing capital to the financial markets at levels corresponding to their own financial capacity, and, as a result, there is a risk that companies may not be able to raise capital under terms that they would expect to receive with their creditworthiness. If Toyota is unable to raise the necessary capital under appropriate conditions on a timely basis, Toyota's financial condition and results of operations may be adversely affected.

Regulatory, Legal, Political and Other Risks – Toyota

The automotive industry is subject to various governmental regulations and actions

The worldwide automotive industry is subject to various laws and governmental regulations including those related to vehicle safety and environmental matters such as emission levels, fuel economy, noise and pollution. In particular, automotive manufacturers such as Toyota are required to implement safety measures such as recalls for vehicles that do not or may not comply with the safety standards of laws and governmental regulations. In addition, Toyota may, in order to reassure its customers of the safety of Toyota's vehicles, decide to voluntarily implement sales suspensions, recalls or other safety measures even if the vehicle complies with the safety standards of relevant laws and governmental regulations. If Toyota launches products that result in safety measures such as recalls (including where parts related to recalls or other measures were procured by Toyota from a third party), Toyota may incur various costs including significant costs for free repairs. Similarly, many governments also impose tariffs and other trade barriers, taxes and levies, or enact price or exchange controls.

Furthermore, the failure to comply with such regulations could result in legal proceedings, recalls, negotiated remedial actions, fines, revocations of government approvals and the imposition of other government sanctions, restricted product offerings, compensatory payments or adverse consequences, such as those that have ensued in connection with the misconduct that Hino engaged in relating to emissions and fuel efficiency testing.

Toyota has incurred significant costs in response to governmental regulations and actions, including costs relating to changes in global trade dynamics and policies, and expects to incur such costs in the future. Furthermore, new legislation or regulations or changes in existing legislation or regulations may also subject Toyota to additional costs in the future. If Toyota incurs significant costs related to implementing safety measures or responding to laws, regulations and governmental actions, Toyota's financial condition and results of operations may be adversely affected.

Toyota may become subject to various legal proceedings

Toyota may become subject to legal proceedings in respect of various issues, including issues relating to product liability and infringement of intellectual property. Toyota may also be subject to legal proceedings brought by its shareholders and governmental proceedings and investigations. Toyota is in fact currently subject to a number of pending legal proceedings and government investigations. A negative outcome in one or more of these pending legal proceedings could adversely affect Toyota's reputation, brand image, financial condition and results of operations.

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

Toyota is subject to various risks associated with conducting business worldwide. These risks include natural calamities, epidemics, political and economic instability, fuel shortages, interruption in social infrastructure including energy supply, transportation systems, gas, water or communication systems resulting from natural hazards or technological hazards, wars, terrorism, labour strikes and work stoppages. Disruptions, delays and other adverse changes in the operations of Toyota's business have ensued from such risks materialising in the past. Should the major markets in which Toyota purchases materials, parts and components and supplies for the manufacture of Toyota products or in which Toyota's products are produced, distributed or sold be affected by any of these events, it may result in future disruptions, delays and other adverse changes in the operations of Toyota's business. Should significant or prolonged disruptions or delays related to Toyota's business operations occur, it may adversely affect Toyota's financial condition and results of operations."

SIGNIFICANT OR MATERIAL CHANGE

There has been no significant change in the financial performance or financial position of TFS or TMC and their respective consolidated subsidiaries (considered as a whole) since 31 March 2023, the date of the most recently published financial statements of TMC. There has been no material adverse change in the prospects of TFS or TMC since 31 March 2023, the date of the most recently published audited financial statements of TMC.

There has been no significant change in the financial performance or financial position of any of TMF or TCCI and, in the case of TCCI, and its consolidated subsidiaries (considered as a whole) since 30 September 2022, the date of the most recently published financial statements of each such Issuer. There has been no material adverse change in the prospects of TMF or TCCI since 31 March 2022, the date of the most recently published audited financial statements of each such Issuer.

There has been no significant change in the financial performance or financial position of TFA or TMCC and their respective consolidated subsidiaries (considered as a whole) since 31 March 2023, the date of the most recently published financial statements of each such Issuer. There has been no material adverse change in the prospects of TFA or TMCC since 31 March 2023, the date of the most recently published audited financial statements of each such Issuer.