

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

FORM 20-F

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: March 31, 2021
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
 SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number: 001-14948

TOYOTA JIDOSHA KABUSHIKI KAISHA

(Exact name of registrant as specified in its charter)

TOYOTA MOTOR CORPORATION

(Translation of registrant's name into English)

Japan

(Jurisdiction of incorporation or organization)

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(Name, telephone, e-mail and/or facsimile number and address of registrant's contact person)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
American Depositary Shares*	TM	The New York Stock Exchange
Common Stock**		

- * American Depositary Receipts evidence American Depositary Shares, each American Depositary Share representing two shares of the registrant's Common Stock.
** No par value. Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the U.S. Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **2,795,948,660 shares of common stock (including 54,467,360 shares of common stock in the form of American Depositary Shares) and 22,712,994 First Series Model AA class shares as of March 31, 2021**

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

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Yes No

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act:

[†] The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes No

TABLE OF CONTENTS

ITEM 1.	IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS	1
ITEM 2.	OFFER STATISTICS AND EXPECTED TIMETABLE	1
ITEM 3.	KEY INFORMATION	1
3.A	SELECTED FINANCIAL DATA	1
3.B	CAPITALIZATION AND INDEBTEDNESS	3
3.C	REASONS FOR THE OFFER AND USE OF PROCEEDS	4
3.D	RISK FACTORS	4
ITEM 4.	INFORMATION ON THE COMPANY	8
4.A	HISTORY AND DEVELOPMENT OF THE COMPANY	8
4.B	BUSINESS OVERVIEW	8
4.C	ORGANIZATIONAL STRUCTURE	55
4.D	PROPERTY, PLANTS AND EQUIPMENT	56
ITEM 4A.	UNRESOLVED STAFF COMMENTS	57
ITEM 5.	OPERATING AND FINANCIAL REVIEW AND PROSPECTS	57
5.A	OPERATING RESULTS	57
5.B	LIQUIDITY AND CAPITAL RESOURCES	72
5.C	RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES	74
5.D	TREND INFORMATION	77
5.E	OFF-BALANCE SHEET ARRANGEMENTS	77
5.F	TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS	78
5.G	SAFE HARBOR	78
ITEM 6.	DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	79
6.A	DIRECTORS AND SENIOR MANAGEMENT	79
6.B	COMPENSATION	86
6.C	BOARD PRACTICES	89
6.D	EMPLOYEES	91
6.E	SHARE OWNERSHIP	91
ITEM 7.	MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS	92
7.A	MAJOR SHAREHOLDERS	92
7.B	RELATED PARTY TRANSACTIONS	94
7.C	INTERESTS OF EXPERTS AND COUNSEL	94
ITEM 8.	FINANCIAL INFORMATION	94
8.A	CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION	94
8.B	SIGNIFICANT CHANGES	95
ITEM 9.	THE OFFER AND LISTING	95
9.A	LISTING DETAILS	95
9.B	PLAN OF DISTRIBUTION	95
9.C	MARKETS	95
9.D	SELLING SHAREHOLDERS	95
9.E	DILUTION	95
9.F	EXPENSES OF THE ISSUE	95
ITEM 10.	ADDITIONAL INFORMATION	95
10.A	SHARE CAPITAL	95
10.B	MEMORANDUM AND ARTICLES OF ASSOCIATION	96
10.C	MATERIAL CONTRACTS	102
10.D	EXCHANGE CONTROLS	102

10.E	TAXATION	106
10.F	DIVIDENDS AND PAYING AGENTS	112
10.G	STATEMENT BY EXPERTS	112
10.H	DOCUMENTS ON DISPLAY	112
10.I	SUBSIDIARY INFORMATION	113
ITEM 11.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK ...	113
ITEM 12.	DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES	113
12.A	DEBT SECURITIES	113
12.B	WARRANTS AND RIGHTS	113
12.C	OTHER SECURITIES	113
12.D	AMERICAN DEPOSITARY SHARES	114
ITEM 13.	DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES	115
ITEM 14.	MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS	115
ITEM 15.	CONTROLS AND PROCEDURES	115
ITEM 16.	[RESERVED]	116
ITEM 16A.	AUDIT COMMITTEE FINANCIAL EXPERT	116
ITEM 16B.	CODE OF ETHICS	116
ITEM 16C.	PRINCIPAL ACCOUNTANT FEES AND SERVICES	117
ITEM 16D.	EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES ...	118
ITEM 16E.	PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS	118
ITEM 16F.	CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT	119
ITEM 16G.	CORPORATE GOVERNANCE	119
ITEM 16H.	MINE SAFETY DISCLOSURE	122
ITEM 16I.	DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS	122
ITEM 17.	FINANCIAL STATEMENTS	123
ITEM 18.	FINANCIAL STATEMENTS	123
ITEM 19.	EXHIBITS	124

As used in this annual report, the term “fiscal” preceding a year means the twelve-month period ended March 31 of the year referred to. All other references to years refer to the applicable calendar year, unless the context otherwise requires. As used herein, the term “Toyota” refers to Toyota Motor Corporation and its consolidated subsidiaries as a group, unless the context otherwise indicates.

Toyota’s consolidated financial statements in this annual report have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The term “IFRS” also includes International Accounting Standards (IASs) and the related interpretations of the interpretations committees (SIC and IFRIC). As such, we make an explicit and unreserved statement of compliance with IFRS, as issued by the IASB, with respect to our consolidated financial statements as of and for the fiscal years ended March 31, 2020 and 2021 included in this annual report.

The consolidated financial statements included in this annual report are Toyota’s first annual consolidated financial statements prepared in accordance with IFRS. In preparing these financial statements, the opening statement of financial position as of April 1, 2019, which is the date of transition to IFRS, and the comparative financial statements as of and for the fiscal year ended March 31, 2020 have been prepared in accordance with IFRS. In addition to the consolidated financial statements included in this annual report, other disclosure in this annual report has also been updated to correspond to the transition to IFRS.

The consolidated financial statements included in our annual reports on Form 20-F previously filed with the U.S. Securities and Exchange Commission, or the SEC, were prepared in accordance with U.S. GAAP and the most recent annual consolidated financial statements prepared in accordance with U.S. GAAP are those as of and for the fiscal year ended March 31, 2020. IFRS differs in certain respects from U.S. GAAP. An explanation of how the transition to IFRS has affected Toyota’s consolidated financial statements is provided in note 36 to Toyota’s consolidated financial statements.

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Written forward-looking statements may appear in documents filed with the SEC, including this annual report, documents incorporated by reference, reports to shareholders and other communications.

The U.S. Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking information to encourage companies to provide prospective information about themselves without fear of litigation so long as the information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information. Toyota relies on this safe harbor in making forward-looking statements.

Forward-looking statements appear in a number of places in this annual report and include statements regarding Toyota’s current intent, belief, targets or expectations or those of its management. In many, but not all cases, words such as “aim,” “anticipate,” “believe,” “estimate,” “expect,” “hope,” “intend,” “may,” “plan,” “predict,” “probability,” “risk,” “should,” “will,” “would,” and similar expressions, are used as they relate to Toyota or its management, to identify forward-looking statements. These statements reflect Toyota’s current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, actual results may vary materially from those which are anticipated, aimed at, believed, estimated, expected, intended or planned.

Forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those in forward-looking statements as a result of various factors. Important factors that could cause actual results to differ materially from estimates or forecasts contained in the forward-looking statements are identified in “Risk Factors” and elsewhere in this annual report, and include, among others:

- (i) changes in economic conditions, market demand, and the competitive environment affecting the automotive markets in Japan, North America, Europe, Asia and other markets in which Toyota operates;

(ii) fluctuations in currency exchange rates (particularly with respect to the value of the Japanese yen, the U.S. dollar, the euro, the Australian dollar, the Russian ruble, the Canadian dollar and the British pound), stock prices and interest rates fluctuations;

(iii) changes in funding environment in financial markets and increased competition in the financial services industry;

(iv) Toyota's ability to market and distribute effectively;

(v) Toyota's ability to realize production efficiencies and to implement capital expenditures at the levels and times planned by management;

(vi) changes in the laws, regulations and government policies in the markets in which Toyota operates that affect Toyota's automotive operations, particularly laws, regulations and government policies relating to vehicle safety including remedial measures such as recalls, trade, environmental protection, vehicle emissions and vehicle fuel economy, as well as changes in laws, regulations and government policies that affect Toyota's other operations, including the outcome of current and future litigation and other legal proceedings, government proceedings and investigations;

(vii) political and economic instability in the markets in which Toyota operates;

(viii) Toyota's ability to timely develop and achieve market acceptance of new products that meet customer demand;

(ix) any damage to Toyota's brand image;

(x) Toyota's reliance on various suppliers for the provision of supplies;

(xi) increases in prices of raw materials;

(xii) Toyota's reliance on various digital and information technologies;

(xiii) fuel shortages or interruptions in electricity, transportation systems, labor strikes, work stoppages or other interruptions to, or difficulties in, the employment of labor in the major markets where Toyota purchases materials, components and supplies for the production of its products or where its products are produced, distributed or sold; and

(xiv) the impact of natural calamities as well as the outbreak and spread of epidemics, including the negative effect on Toyota's vehicle production and sales.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3.A SELECTED FINANCIAL DATA

In the fiscal year ended March 31, 2021, we changed the basis of the accounting principles used to prepare our consolidated financial statements from U.S. GAAP to IFRS. Accordingly, our consolidated financial statements in this annual report have been prepared in accordance with IFRS, as issued by the IASB. An explanation of how the transition to IFRS has affected our consolidated financial statements is provided in note 36 to Toyota's consolidated financial statements.

You should read the IFRS selected consolidated financial information presented below together with "Operating and Financial Review and Prospects" and Toyota's consolidated financial statements contained in this annual report.

IFRS Selected Financial Data

The following selected financial data have been derived from Toyota's consolidated financial statements. These financial statements were prepared in accordance with IFRS.

	Year Ended March 31,	
	2020	2021
(Yen in millions, except share and per share data)		
Consolidated Statement of Income Data:		
Automotive:		
Sales revenues	¥26,799,743	¥24,651,552
Operating income	2,013,134	1,607,161
Financial Services:		
Sales revenues	2,193,170	2,162,237
Operating income	283,742	495,593
All Other:		
Sales revenues	1,504,920	1,052,365
Operating income	103,356	85,350
Elimination of intersegment:		
Sales revenues	(631,286)	(651,560)
Operating income	(999)	9,645
Total Company:		
Sales revenues	29,866,547	27,214,594
Operating income	2,399,232	2,197,748
Income before income taxes	2,792,942	2,932,354
Net income attributable to Toyota Motor Corporation	2,111,125	2,282,378
Net income attributable to Toyota Motor Corporation per share of common stock (yen):		
Basic	727.47	803.23
Diluted	720.10	794.67
Shares used in computing net income attributable to Toyota Motor Corporation per share of common stock, basic (in thousands)		
	2,798,918	2,795,288
Shares used in computing net income attributable to Toyota Motor Corporation per share of common stock, diluted (in thousands)		
	2,846,018	2,841,227

	Year Ended March 31,	
	2020	2021
	(Yen in millions, except per share and numbers of vehicles sold data)	
Consolidated Statement of Financial Position (end of period):		
Total assets	53,972,363	62,267,140
Short-term and current portion of long-term debt	9,906,755	12,212,060
Long-term debt	11,434,219	13,447,575
Total Toyota Motor Corporation shareholders' equity	20,618,888	23,404,547
Common stock	397,050	397,050
Other Data:		
Dividends per share (yen)	¥ 220.0	¥ 240.0
Number of vehicles sold		
Japan	2,239,549	2,125,121
North America	2,713,165	2,312,799
Europe	1,029,249	959,363
Asia	1,600,341	1,222,073
Other*	1,372,392	1,026,749
Worldwide total	<u>8,954,696</u>	<u>7,646,105</u>

* "Other" consists of Central and South America, Oceania, Africa and the Middle East, etc.

Dividend Information

Toyota normally pays dividends twice per year, including an interim dividend and a year-end dividend. Toyota's articles of incorporation provide that retained earnings can be distributed as dividends pursuant to a resolution of its board of directors. Toyota's board of directors resolves to pay year-end dividends to holders of common stock and registered pledgees of common stock of record as of March 31, the record date, in each year.

At the 111th Ordinary General Shareholders' Meeting held in June 2015, Toyota's shareholders approved amendments to Toyota's articles of incorporation permitting the issuance of Model AA Class Shares in the future. Toyota resolved at its board of directors meeting held on December 14, 2020 to exercise Toyota's cash call option to acquire all outstanding First Series Model AA Class Shares and, subject to such acquisition, to cancel all First Series Model AA Class Shares pursuant to the Companies Act of Japan (the "Companies Act"). Toyota completed the acquisition of all outstanding First Series Model AA Class Shares on April 2, 2021 and cancelled them on April 3, 2021. At the 117th Ordinary General Shareholders' Meeting held in June 2021, Toyota's shareholders approved amendments to Toyota's articles of incorporation to, among other things, eliminate the First Series Model AA Class Shares through the Fifth Series Model AA Class Shares as classes of Toyota's capital stock, effective June 16, 2021. Prior to the June 16, 2021 amendment, the articles of incorporation provided that, in the event that Toyota paid a year-end dividend to holders of common stock, it would pay a year-end dividend to any holders of Model AA Class Shares or registered pledgees of Model AA Class Shares of record as of the record date for the year-end dividend, in the amount payable on the Model AA Class Shares pursuant to their terms ("AA Dividends"), in preference to holders of common stock or registered pledgees of common stock.

In addition to these year-end dividends, Toyota may pay an interim dividend in the form of cash distributions from its distributable surplus to holders of common stock and pledgees of common stock of record as of September 30, the record date, in each year by a resolution of its board of directors. Prior to the June 16, 2021 amendment, the articles of incorporation provided that, in the event that Toyota paid such interim dividends, Toyota would pay an amount equivalent to one-half of the AA Dividends ("AA Interim Dividends") as an interim dividend to any holders of Model AA Class Shares or registered pledgees of Model AA Class Shares of record as of the record date for the interim dividend, in preference to holders of common stock or registered pledgees of common stock.

In addition, under the Companies Act, dividends may be paid to holders of common stock and pledgees of record of common stock as of any record date, other than those specified above, as set forth in Toyota's articles of incorporation or as determined by its board of directors from time to time. Under the Companies Act, dividends may be distributed in cash or (except in the case of interim dividends mentioned in the third preceding paragraph) in kind, subject to limitations on distributable surplus and to certain other conditions.

The following table sets forth the dividends declared per share of common stock by Toyota for each of the periods shown. The periods shown are the six months ended on that date. The U.S. dollar equivalents for the cash dividends shown are based on the noon buying rate for Japanese yen on the last date of each period set forth below.

Period Ended	Cash Dividends per Common Share	
	Yen	U.S. dollars
September 30, 2019	100.0	0.92
March 31, 2020	120.0	1.10
September 30, 2020	105.0	0.99
March 31, 2021	135.0	1.21

Toyota deems the benefit of its shareholders as one of its priority management policies, and it continues to work to improve its corporate structure to realize sustainable growth in order to enhance its corporate value. Toyota will strive for the stable and continuous payment of dividends, seeking to maintain and improve upon the consolidated payout ratio of 30% to its shareholders.

With a view to surviving tough competition and transitioning to a mobility company, Toyota will utilize its internal funds mainly for investment in growth for the next generation such as environmental technologies to achieve a carbon neutral society and safety technologies for the safety and security of its customers. Considering these factors, with respect to the dividends for fiscal 2021, Toyota has determined to pay a year-end dividend of 135 yen per share of common stock by a resolution of the board of directors pursuant to Toyota's articles of incorporation. As a result, combined with the interim dividend of 105 yen per share of common stock, the annual dividend will be 240 yen per share of common stock, and the total amount of the dividends on common stock for the year will be 671.0 billion yen. Furthermore, Toyota resolved, at its board of directors meeting held on May 12, 2021, to repurchase a maximum of 41 million shares of its common stock at a total maximum amount of 250 billion yen. Toyota will flexibly repurchase shares with the aim to promote capital efficiency by comprehensively taking into consideration its investment in growth, level of its dividends, its cash reserves and the price level of its common stock.

3.B CAPITALIZATION AND INDEBTEDNESS

Not applicable.

3.C REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

3.D RISK FACTORS

Industry and Business Risks

The worldwide automotive market is highly competitive.

The worldwide automotive market is highly competitive. Toyota faces intense competition from automotive manufacturers in the markets in which it operates. Competition in the automotive industry has further intensified amidst difficult overall market conditions. In addition, competition is likely to further intensify in light of further continuing globalization in the worldwide automotive industry, possibly resulting in industry reorganizations. Factors affecting competition include product quality and features, safety, reliability, fuel economy, the amount of time required for innovation and development, pricing, customer service and financing terms. Increased competition may lead to lower vehicle unit sales, which may result in a further downward price pressure and adversely affect Toyota's financial condition and results of operations. Toyota's ability to adequately respond to the recent rapid changes in the automotive market and to maintain its competitiveness will be fundamental to its future success in existing and new markets and to maintain its market share. There can be no assurances that Toyota will be able to compete successfully in the future.

The worldwide automotive industry is highly volatile.

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

Reviewing the general economic environment for the fiscal year ended March 2021, due to the impact of COVID-19 continuing from the previous fiscal year, the economy faced a sharp slowdown and hit a bottom from April to June 2020. Due to economic activities resuming and stimulus measures taken in many countries, from July 2020, the economy gradually recovered, but growth remained low throughout fiscal 2021. Many automotive markets, other than China and certain other regions where the impact of COVID-19 was limited, recorded significantly lower results than that of the previous fiscal year, due partly to the impact of the suspension of operations at factories and business at dealers worldwide.

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

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

Meeting customer demand by introducing attractive new vehicles and reducing the amount of time required for product development are critical to automotive manufacturers. In particular, it is critical to meet customer demand with respect to quality, safety and reliability. The timely introduction of new vehicle models, at competitive prices, meeting rapidly changing customer preferences and demand is more fundamental to Toyota's success than ever, as the automotive market is rapidly transforming in light of the changing global economy. There is no assurance, however, that Toyota will adequately and appropriately respond to changing customer

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

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

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

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

In the highly competitive automotive industry, it is critical to maintain and develop a brand image. In order to maintain and develop a brand image, it is necessary to further increase customers' confidence by providing safe, high-quality products that meet customer preferences and demand. If Toyota is unable to effectively maintain and develop its brand image as a result of its inability to provide safe, high-quality products or as a result of the failure to promptly implement safety measures such as recalls when necessary, vehicle unit sales and/or sale prices may decrease, and as a result revenues and profits may not increase as expected or may decrease, adversely affecting its financial condition and results of operations.

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

Toyota purchases supplies including parts, components and raw materials from a number of external suppliers located around the world. For some supplies, Toyota relies on a single supplier or a limited number of suppliers, whose replacement with another supplier may be difficult. Inability to obtain supplies from a single or limited source supplier may result in difficulty obtaining supplies and may restrict Toyota's ability to produce vehicles. Furthermore, even if Toyota were to rely on a large number of suppliers, first-tier suppliers with whom Toyota directly transacts may in turn rely on a single second-tier supplier or limited second-tier suppliers. Toyota's ability to continue to obtain supplies from its suppliers in a timely and cost-effective manner is subject to a number of factors, some of which are not within Toyota's control. These factors include the ability of Toyota's suppliers to provide a continued source of supply, and Toyota's ability to effectively compete and obtain competitive prices from suppliers. A loss of any single or limited source supplier or inability to obtain supplies from suppliers in a timely and cost-effective manner could lead to increased costs or delays or suspensions in Toyota's production and deliveries, which could have an adverse effect on Toyota's financial condition and results of operations.

The worldwide financial services industry is highly competitive.

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

Toyota's operations and vehicles rely on various digital and information technologies.

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

Financial Market and Economic Risks

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

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

Toyota believes that its use of certain derivative financial instruments including foreign exchange forward contracts and interest rate swaps and increased localized 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. For a further discussion of currency and interest rate fluctuations and the use of derivative financial instruments, see "Operating and Financial Review and Prospects — Operating Results — Overview — Currency Fluctuations," "Quantitative and Qualitative Disclosures About Market Risk," and notes 21 and 22 to Toyota's consolidated financial statements.

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

Increases in prices for raw materials that Toyota and Toyota's suppliers use in manufacturing their products or parts and components such as steel, precious metals, non-ferrous alloys including aluminum, and plastic parts, may lead to higher production costs for parts and components. This could, in turn, negatively impact Toyota's future profitability because Toyota may not be able to pass all those costs on to its customers or require its suppliers to absorb such costs.

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

Should the world economy suddenly deteriorate, a number of financial institutions and investors will face difficulties in providing capital to the financial markets at levels corresponding to their own financial capacity,

and, as a result, there is a risk that companies may not be able to raise capital under terms that they would expect to receive with their creditworthiness. If Toyota is unable to raise the necessary capital under appropriate conditions on a timely basis, Toyota's financial condition and results of operations may be adversely affected.

Regulatory, Legal, Political and Other Risks

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 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. Many governments also impose tariffs and other trade barriers, taxes and levies, or enact price or exchange controls. 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.

As an automotive manufacturer, Toyota may become subject to legal proceedings in respect of various issues, including product liability and infringement of intellectual property. Toyota may also be subject to legal proceedings brought by its shareholders and governmental proceedings and investigations. Toyota is in fact currently subject to a number of pending legal proceedings and government investigations. A negative outcome in one or more of these pending legal proceedings could adversely affect Toyota's financial condition and results of operations. For a further discussion of governmental regulations, see "Information on the Company — Business Overview — Governmental Regulation, Environmental and Safety Standards" and for legal proceedings, please see "Information on the Company — Business Overview — Legal Proceedings."

Toyota may be adversely affected by natural calamities, epidemics, political and economic instability, fuel shortages or interruptions in social infrastructure, wars, terrorism and labor 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; labor strikes and work stoppages. Should the major markets in which Toyota purchases materials, parts and components and supplies for the manufacture of Toyota products or in which Toyota's products are produced, distributed or sold be affected by any of these events, it may result in disruptions and delays in the operations of Toyota's business. Should significant or prolonged disruptions or delays related to Toyota's business operations occur, it may adversely affect Toyota's financial condition and results of operations.

Toyota has been, and is expected to continue to be, adversely affected by the spread of COVID-19.

The global spread of COVID-19 and the responses to it by governments and other stakeholders have adversely affected Toyota in a number of ways. For example, for reasons such as government directives as well

as anticipated reduced demand for its vehicles, Toyota has temporarily suspended, or intends to temporarily suspend, production of automobiles and components at selected plants in Japan and overseas. COVID-19 has also affected, and is expected to continue to affect, the businesses of Toyota dealers and distributors, as well as certain of Toyota's third-party suppliers and business partners. In addition, the global spread of COVID-19 and related matters have adversely affected businesses in a wide variety of industries, as well as consumers, all of which negatively impacted demand for Toyota's vehicles and related financial services.

The duration of the COVID-19 outbreak and the resulting future effects are uncertain, and the foregoing impacts and other effects not referenced above, as well as the ultimate impact of the COVID-19 outbreak, are difficult to predict. The impact of the COVID-19 outbreak and the resulting future effects may thus adversely affect Toyota's financial condition and results of operations in later periods as well.

ITEM 4. INFORMATION ON THE COMPANY

4.A HISTORY AND DEVELOPMENT OF THE COMPANY

Toyota Motor Corporation is a limited liability, joint-stock company incorporated under the Commercial Code of Japan and continues to exist under the Companies Act. Toyota commenced operations in 1933 as the automobile division of Toyota Industries Corporation (formerly Toyoda Automatic Loom Works, Ltd.). Toyota became a separate company in August 1937. In 1982, the Toyota Motor Company and Toyota Motor Sales merged into one company, the Toyota Motor Corporation of today. As of March 31, 2021, Toyota operated through 544 consolidated subsidiaries (including structured entities) and 169 associates and joint ventures accounted for by the equity method.

See “— Business Overview — Capital Expenditures and Divestitures” for a description of Toyota's principal capital expenditures and divestitures between April 1, 2019 and March 31, 2021 and information concerning Toyota's principal capital expenditures and divestitures currently in progress.

Toyota's principal executive offices are located at 1 Toyota-cho, Toyota City, Aichi Prefecture 471-8571, Japan. Toyota's telephone number in Japan is +81-565-28-2121.

The SEC maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Toyota also maintains a website (<https://global.toyota/en/>) through which its annual reports on Form 20-F and certain of its other SEC filings may be accessed. Information contained on or accessible through Toyota's website is not part of this annual report on Form 20-F.

4.B BUSINESS OVERVIEW

Toyota primarily conducts business in the automotive industry. Toyota also conducts business in finance and other industries. Toyota sold 7,646 thousand vehicles in fiscal 2021 on a consolidated basis. Toyota had sales revenues of ¥27,214.5 billion and net income attributable to Toyota Motor Corporation of ¥2,282.3 billion in fiscal 2021.

Toyota's business segments are automotive operations, financial services operations and all other operations. The following table sets forth Toyota's sales to external customers in each of its business segments for each of the past two fiscal years.

	Yen in millions	
	Year Ended March 31,	
	2020	2021
Automotive	26,770,379	24,597,846
Financial Services	2,172,854	2,137,195
All Other	923,314	479,553

Toyota’s automotive operations include the design, manufacture, assembly and sale of passenger vehicles, minivans and commercial vehicles such as trucks and related parts and accessories. Toyota’s financial services business consists primarily of providing financing to dealers and their customers for the purchase or lease of Toyota vehicles. Toyota’s financial services business also provides mainly retail installment credit and leasing through the purchase of installment and lease contracts originated by Toyota dealers. Related to Toyota’s automotive operations, Toyota is working towards having all of its vehicles become connected vehicles, creating new value and reforming businesses by utilizing big data obtained from those connected vehicles, and establishing new mobility services. Toyota’s all other operations business segment includes the information technology related businesses including a web portal for automobile information called GAZOO.com, etc. Please see “— Automotive Operations — Realizing a Smart Mobility Society that expands through connected car technologies — Connected with people (COMFORT) — Connected Service” for details on GAZOO.com.

Toyota sells its vehicles in approximately 200 countries and regions. Toyota’s primary markets for its automobiles are Japan, North America, Europe and Asia. The following table sets forth Toyota’s sales to external customers in each of its geographical markets for each of the past two fiscal years.

	Yen in millions	
	Year Ended March 31,	
	2020	2021
Japan	9,503,238	8,587,193
North America	10,419,869	9,325,950
Europe	3,133,227	2,968,289
Asia	4,785,489	4,555,897
Other*	2,024,724	1,777,266

* “Other” consists of Central and South America, Oceania, Africa and the Middle East.

During fiscal 2021, 27.8% of Toyota’s automobile unit sales on a consolidated basis were in Japan, 30.3% were in North America, 12.5% were in Europe and 16.0% were in Asia. The remaining 13.4% of consolidated unit sales were in other markets.

The Worldwide Automotive Market

Toyota estimates that annual worldwide vehicle sales totaled approximately 80 million units in 2020.

Automobile sales are affected by a number of factors including:

- social, political and economic conditions;
- introduction of new vehicles and technologies; and
- costs incurred by customers to purchase and operate automobiles.

These factors can cause consumer demand to vary substantially from year to year in different geographic markets and in individual categories of automobiles.

In fiscal 2021, except in China, which contained the outbreak of COVID-19 at an early stage, the world economy experienced a year-on-year contraction in both developed and emerging countries due to the global spread of COVID-19, as well as stay-at-home orders and voluntary stay-at-home efforts to control the outbreak, causing a difficult situation in which many countries in the world were driven into an unprecedented crisis requiring public spending and the launch of substantial monetary easing measures. The United States saw a recovery thanks to major stimulus measures and monetary easing policy. In Europe, resurgences of new cases and repeated lockdowns caused economic stagnation. In Japan, amid an economic slowdown caused by the consumption tax increase in October 2019, the economy experienced a sharp slowdown owing to the state of

emergency issued and voluntary stay-at-home efforts in relation to the outbreak of COVID-19; the resurgences of new cases also delayed economic recovery. China, which succeeded in the early containment of the spread of COVID-19, enjoyed a rapid recovery from mid-2020 spurred partly by pent-up demand related to COVID-19 and government measures. However, emerging countries in Asia and other regions also saw an economic slowdown owing to sluggish demand from abroad and travel restrictions.

The automotive industry was also impacted by the foregoing factors and experienced a year-on-year contraction for the third straight year, resulting in a greater market contraction than during the 2008 financial crisis. Both developed and emerging countries generally recorded year-on-year contractions, including China, which achieved an early economic recovery, recorded a year-on-year contraction for the third straight year. Developed markets, whose governments have sufficient financial capacity, have generally recovered more quickly than emerging markets, and the speed of recovery has varied from country to country, as it is affected by the prevalence and severity of infections.

In the medium- to long-term, Toyota expects the automotive market to continue growing driven principally by growth in China and other emerging markets. However, global competition is expected to be severe, as the pace of technological advancement and development of new products, particularly related to electrification, quickens further, including in response to a heightened global awareness of the environment with a view to carbon neutrality and the strengthening of various standards in line with such awareness.

In 2020, China, North America, Europe and Asia were the world's largest automotive markets. The share of each market across the globe, which Toyota estimates based on the available automobile sales data in each country and region information, was 32% for China, 22% for North America (21% excluding Mexico and Puerto Rico), 21% for Europe and 10% for Asia. In China, new vehicle sales decreased for the third straight year to approximately 25.2 million units. In North America, new vehicle sales were approximately 17.1 million units, down from the previous year. In Europe, new vehicle sales also decreased from the previous year at approximately 16.6 million units. In Asia (including India but excluding Japan and China), new vehicle unit sales also decreased from the previous year to approximately 8.1 million units.

The worldwide automotive industry is affected significantly by government regulations aimed at reducing harmful effects on the environment, enhancing vehicle safety and improving fuel economy. These regulations have added to the cost of manufacturing vehicles. Many governments also mandate local procurement of parts and components and impose tariffs and other trade barriers, as well as price or exchange controls as a means of creating jobs, protecting domestic producers or influencing their balance of payments. Changes in regulatory requirements and other government-imposed restrictions can limit or otherwise burden an automaker's operations. Government laws and regulations can also make it difficult to repatriate profits to an automaker's home country.

The development of the worldwide automotive market includes the continuing globalization of automotive operations. Manufacturers seek to achieve globalization by localizing the design and manufacture of automobiles and their parts and components in the markets in which they are sold. By expanding production capabilities beyond their home markets, automotive manufacturers are able to reduce their exposure to fluctuations in foreign exchange rates, as well as to trade restrictions and tariffs.

Over the years, there have been many global business alliances and investments entered into between manufacturers in the global automotive industry. There are various reasons behind these transactions including the need to address excessive global capacity in the production of automobiles, and the need to reduce costs and improve efficiency by increasing the number of automobiles produced using common vehicle platforms and by sharing research and development expenses for environmental and other technology, the desire to expand a company's global presence through increased size; and the desire to expand into particular segments or geographic markets.

Toyota believes that its research and development initiatives, particularly the development of environmentally friendly new vehicle technologies, vehicle safety and information technology, provide it with a strategic advantage.

Toyota's ability to compete in the global automotive industry will depend in part on Toyota's successful implementation of its business strategy. This is subject to a number of factors, some of which are not in Toyota's control. These factors are discussed in "Operating and Financial Review and Prospects" and elsewhere in this annual report.

Toyota Global Vision

In March 2011, Toyota unveiled its "Toyota Global Vision" corporate outline for the future, which serves not only to give direction to Toyota employees around the world, but also to convey such direction to customers and to the public at large. Toyota will work to achieve sustained growth through the realization of the following ideals which are parts of the Vision:

Toyota Global Vision

Toyota will lead the way to the future of mobility, enriching lives around the world with the safest and most responsible ways of moving people.

Through our commitment to quality, constant innovation and respect for the planet, we aim to exceed expectations and be rewarded with a smile.

We will meet challenging goals by engaging the talent and passion of people, who believe there is always a better way.

"The safest and most responsible ways of moving people"

- Safety is Toyota's highest priority, and Toyota will continue to provide world-class safety.
- Toyota will also continue to contribute to environmental quality and to human happiness by using leading environmental technology and by deploying that technology in a growing line of vehicle models. At the same time, Toyota will work through the provision of products, sales and services that exceed customer expectation to offer a rewarding experience for customers.

"Enriching lives around the world"

- Toyota has been consistently true to its founding spirit of serving society through conscientious manufacturing, and it will continue working in that spirit to contribute to enhance the quality of life wherever it has operations.
- Toyota will strive to continue contributing to economic vitality wherever it has operations by generating stable employment and by participating in mutually beneficial business relationships with dealers and suppliers. It will also strive to continue to actively engage in initiatives for human resources development and the promotion of cultural activities of its host communities.

"Lead the way to the future of mobility"

- Toyota will lead the industry in technological development that will spawn next-generation mobility. For example, it will explore possibilities in personal mobility and in the convergence of information technology for automobiles and "smart grids" for optimizing energy generation and consumption. Toyota will strive to offer products and services that match the needs in each market.

- Toyota will strive to advance environmental technology and develop low-carbon technologies and technologies for maximizing safety through interaction with the transport infrastructure to lay a foundation for sustainable and amenable future mobility.

“Our commitment to quality, constant innovation”

- Toyota is committed to providing quality vehicles that are highly reliable and driven with a sense of safety and reliability.
- Toyota will constantly reinvent itself and continue to engage in cutting-edge technology development. Toyota will work towards offering vehicles around the world that address the needs of today and of tomorrow at affordable prices.

“Respect for the planet”

- Toyota will continue working to minimize environmental impact in its manufacturing and other operations, as well as in its products.
- Toyota’s activities will include conserving energy and reducing output of carbon dioxide, as well as conserving material resources through recycling; it will also include establishing mindsets and production methods appropriate for coexistence with nature.

“Exceed expectations and be rewarded with a smile”

- Everyone at Toyota will continuously maintain a sense of gratitude to customers and will strive to earn smiles with products and services that are stimulating and inspiring and exceed customer expectations.

“There is always a better way”

- All Toyota employees will share the recognition that there is always a better way and share a commitment to continuous improvement, which are fundamental to The Toyota Way.

“Meet challenging goals by engaging the talent and passion of people”

- Toyota will nurture a corporate culture where teamwork and individual creativity thrive and where people will approach their work with pride and passion.
- Toyota will honor the spirit of diversity in recruiting, training and promoting capable individuals around the world. Human resources development at Toyota will continue to promote the transfer of the company’s *monozukuri* spirit of conscientious manufacturing and related skills and know-how from one generation to the next.

Based on these initiatives, the Toyota group will contribute to “enriching lives of communities” by providing “ever-better cars.” This is expected to encourage more customers to purchase Toyota cars and thereby lead to the establishment of a stable business base.

Toyota Philosophy

In order to advance its transition to a mobility company, Toyota has reflected on the path it has taken thus far and has formulated the “Toyota Philosophy” as a roadmap for the future.

Toyota’s mission is “Producing Happiness for All” by expanding the possibilities of people, companies and communities through addressing the challenges of mobility as a mobility company. In order to do so, Toyota will continue to create new and unique value with various partners by relentlessly committing towards *monozukuri* (manufacturing), and by fostering imagination for people and society.



Selected Initiatives

As the automotive industry faces a once-in-a-century transformational period, Toyota has once again returned to its founding philosophy, summarizing the spirit it has maintained since the creation of the “Toyoda Precepts” to formulate the “Toyota Philosophy” as its signpost for an era when the future is difficult to foresee. Toyota has defined its mission as “Producing Happiness for All,” and has made clear its view that it will continue to pursue its customers’ happiness, even if the products it produces change. Toyota believes that taking action to realize its vision of creating “mobility for all” translates into taking care of our “home planet,” similar to our hometown or home country, and leads to sustained efforts to achieve the aims of the SDGs to “build a better world” while ensuring that “no one will be left behind.”

Toyota is accelerating its efforts to address carbon neutrality and other social challenges, and to manage rapid technological innovations such as automated driving and connected vehicles. Toyota is also promoting digitalization as a platform for open collaboration with a wide range of companies, and creating an environment for obtaining necessary information when needed. The following are the details of Toyota’s efforts that Toyota is focusing on in particular.

Electrification

It is essential to promote the electrification of vehicles to achieve carbon neutrality. The Toyota group continues to contribute to the reduction of CO₂ emissions by offering various options such as hybrid electric vehicles (“HEVs”),

plug-in hybrid electric vehicles (“PHEVs”), battery electric vehicles (“BEVs”), and fuel cell electric vehicles (“FCEVs”) according to customer needs that may vary depending on the energy situation, infrastructure development status and uses of vehicles in each country or region, and by further promoting the popularization of electrified vehicles. Since the rollout of the first-generation Prius, Toyota has developed a full lineup of electrified vehicles without being satisfied with just HEVs, a single technology, and now offers a wide range of electrified vehicles worldwide, including 45 HEV models, 4 PHEV models, 4 BEV models and 2 FCEV models.

For HEVs, which are Toyota’s main type of electrified vehicles, Toyota will improve the performance of the Toyota Hybrid System and develop various models, such as high-powered models and simplified models, and thereby expand its product lineup that meets various needs. To expand the sales of electrified systems, Toyota will work with BluE Nexus Corporation to increase its competitiveness in products related to electrification, as well as to enhance its technical support and services provided to its customers.

With regard to BEVs, Toyota launched the two-seater “C+pod” ultra-compact battery electric vehicle to corporate users, local governments and other organizations in Japan, with a view to build new business models. Toyota will take this opportunity to provide new services unique to BEVs in an empirical manner. In China, Toyota launched the “C-HR EV” and “IZOA EV,” the first BEVs to be launched under the Toyota brand. Furthermore, Toyota is planning to launch 15 models, including 7 models of the “Toyota bZ series,” globally by 2025.

In order to promote the use of hydrogen, including the use of FCEVs, in addition to marketing the “MIRAI,” which has achieved significant improvements in performance, Toyota will also develop a product that packages a fuel cell (“FC”) system into a compact module, and work with various FC product companies to promote the widespread use of FC technologies in a variety of applications, including mobility such as trucks, buses, trains and ships, as well as stationary generators. Toyota has also established the Japan Hydrogen Association and is working to find new partners to make, carry and use hydrogen. Furthermore, Toyota is working to “make ever-better cars” through motorsports and took on new challenges towards carbon neutrality. For example, in May 2021, Toyota completed laps in a 24-hour endurance race with its Corolla, which is installed with hydrogen engines that generate power through the combustion of hydrogen.

In addition to promoting the spread of electrified vehicles, Toyota will work to utilize hydrogen engines and carbon neutral fuels, and create a carbon neutral society for the entire life cycle from production through sales, disposal and recycling.

Safety and automated driving

The Toyota group is engaged in the development and promotion of automated driving technology with the aim of completely eliminating traffic injuries and fatalities and providing safe, secure and smooth mobility to all. The development philosophy, “Mobility Teammate Concept,” is about building relationships between people and vehicles as if they were teammates. The new LS and new MIRAI are equipped with the new Advanced Drive function of Lexus Teammate and Toyota Teammate, the latest in Toyota’s advanced driving assist technologies, to assist driving operations on expressways and motor-vehicle-only roadways. In order to provide our safety technologies to more customers, Toyota is also adopting its latest preventive safety package for new models and developing a new “Acceleration Suppression Function.”

Furthermore, Toyota started to offer free access to its “THUMS” virtual human body model software, which enables computer simulation and analysis of injuries caused in vehicle collisions, for use by a wide variety of users from 2021. Through this, Toyota is working to further enhance vehicle safety across the entire automotive industry, and to help realize a safe society.

Connected cars and MaaS

The Toyota group is expanding and developing new functions for its Mobility Service Platform (MSPF), an ecosystem for openly providing various functions needed for mobility services. Going forward, Toyota will

expand its collaboration with Amazon Web Services, Inc. and enhance its foundations for accumulating and using MSPF's big data in readiness for the huge volume of data transactions expected in the future. At the same time, Toyota will build a foundation for streamlined and secure group-wide sharing of big data. Also, as a new function on the MSPF, Toyota has developed an operations management system to support the provision of services that will enable practical use of the e-Palette, a BEV for autonomous mobility, as a service (Autono-MaaS) applications.*

In anticipation of the coming future society in which towns, homes, people and cars are all connected, Toyota will address social challenges through the development of new services that enrich people's lives and the utilization of big data.

Software First

In order to provide new technologies and services to its customers in a timely manner, Toyota will make a shift from the conventional hardware-driven vehicle development to a "software first" approach that undertakes product development starting with software. The launching of the new LS and new MIRAI equipped with "Advanced Drive" in April 2021 is its first step in achieving its concept of "software first." Even after customers purchase its products, Toyota will continue to improve safety and add new functions through software updates. As a basis of these software updates, vehicles will be equipped with state-of-the-art hardware with high performance in perception, calculation, and reliability (or redundancy). Through these means, Toyota will provide even greater added value to its customers.

The software platform that will form the foundation for new development, "Arene," will accelerate development and enable the verification of safety, application to various applications, and collaborations with numerous partners. In addition, Toyota's Automated Mapping Platform gathers information on the cloud and creates maps that are updated accurately in real time, on a global scale.

In order to effectively and efficiently enhance this type of development capabilities, in January 2021, Toyota Research Institute — Advanced Development, Inc. ("TRI-AD") transitioned to a new structure consisting of Woven Planet Holdings, Inc., a holding company, Woven Core, Inc. and Woven Alpha, Inc., both operating companies, and Woven Capital, L.P., an investment fund. Under the vision of "Mobility to Love, Safety to Live," Toyota will move forward with its development efforts with the goal of providing safety, security and freedom of mobility to everyone.

Woven City

Woven City, announced in January 2020, got off to a new start after the groundbreaking ceremony held on February 23, 2021.

Toyota will develop a site at Toyota Motor East Japan, Inc.'s Higashi Fuji Plant to create a living laboratory where it can introduce and verify technologies such as automated driving, MaaS, personal mobility, robotics, smart homes and artificial intelligence ("AI") in a real-world environment that people live in. In anticipation of an era in which all goods and services that support people's lives will be connected, its aim is to continue creating new value and business models by speeding up the cycle of development and verification of technologies and services in this city. Woven City will be an "ever-evolving city" that is constantly improving, by adopting Toyota's *Kaizen* method, which is to think that "there is always a better way."

By centering on people and imagining the life of each resident, and by demonstrating future technologies in both the virtual and real world, Toyota believes that it can propose new value and lifestyles for the mobility of people, goods and information. Toyota will work with various partner companies and researchers to create the new city in its quest to create an even-better way of life and mobility for all.

* Combination of "autonomous" and "mobility as a service," describing Toyota's mobility services using automated driving vehicles.

Toyota Environmental Challenge 2050

Positioning responding to environmental issues as one of the most prioritized challenges for management, Toyota has tackled head-on activities, such as the development and promotion of electrified vehicles including HEVs and FCEVs, efficient production that puts less of a burden on the environment, appropriate treatment of end-of-life vehicles and the recycling of hybrid vehicle batteries, and planting trees and ecosystem conservation for the coexistence of humans and nature in harmony.

However, in recent years, the seriousness of environmental issues has increased globally, as evidenced by climate change, water shortages, resource depletion, and degradation of biodiversity. In response to the situation, Toyota believes it is necessary to take on new challenges that consider the world 20 or 30 years in the future, in order to remain closely aligned with the global environment. Accordingly, Toyota announced Toyota Environmental Challenge 2050 in October 2015.

In order to contribute to the realization of a sustainable society, the Toyota Environmental Challenge 2050 has set forth the six challenges listed below for Toyota to address. Those challenges are to reduce CO₂ emissions from driving and producing, as well as throughout the lifecycle of, vehicles, and to ensure a net positive impact on the Earth and society toward 2050. By combining those challenges with short and medium-term targets to be set as necessary, Toyota is steadily engaged in such initiatives.

In addition, in September 2018, Toyota announced the 2030 Milestone, which indicates Toyota's milestones for each of the six challenges as of 2030. We will also strengthen collaboration with all stakeholders, consolidate new ideas, dynamism and technology in concert with the Toyota Environmental Action Plan, which lays out specific action plans and targets for every five-year period, to contribute to the realization of a truly sustainable society from a long-term perspective.

In April 2020, Toyota announced the Seventh Toyota Environmental Action Plan — 2025 Target, which sets specific action plans and targets for a five-year period, beginning from 2021, in order to achieve the Environmental Challenge 2050. Toyota also announced a guideline for annual global sales of electrified vehicles in 2030 in connection with the New Vehicle Zero CO₂ Emissions Challenge in May 2021, and announced a new target for 2035 with respect to the Plant Zero CO₂ Emissions Challenge in June 2021.

1. ***New Vehicle Zero CO₂ Emissions Challenge:*** Reduce global average CO₂ emissions during operation from new vehicles by 90% from Toyota's 2010 global level by 2050

2025 Target:

- Reduce global average CO₂ emissions (TtW, g/km) from new vehicles by 30% or more compared to 2010 levels
- Make all models in the Toyota and Lexus lineups worldwide available either as a dedicated electrified model or with an electrified option, by around 2025

As of May 2021, Toyota announced a guideline for annual global sales of electrified vehicles in 2030 of approximately 8 million units, including a combined total of approximately 2 million BEVs and FCEVs, based on certain assumptions, such as future laws and regulations of various countries and the status of the spread of renewable energy. Toyota will continue to promote the popularization of electrified vehicles to contribute to the realization of carbon neutrality.

2. ***Life Cycle Zero CO₂ Emissions Challenge:*** Completely eliminate all CO₂ emissions from the entire vehicle life cycle

2030 Milestone:

- Reduce CO₂ emissions by 25% or more over the entire vehicle life cycle compared to 2013 levels by promoting activities for the milestones of Challenges 1 and 3, and with support from stakeholders such as suppliers, energy providers, infrastructure developers, governments and customers

2025 Target:

- Reduce CO₂ emissions by 18% or more throughout the entire vehicle life cycle compared to 2013 levels
 - Japan: Reduce CO₂ emissions by 7% by improving transport efficiency compared to 2018 levels (average of 1% reduction per year)
 - Overseas: Reduce CO₂ emissions by vessels for export (introduce two LNG-powered pure car carriers)
 - Promote CO₂ emissions reduction activities among major suppliers
 - Achieve 100% introduction rate for CO₂ emissions reduction items at newly-constructed and remodeled dealers
3. **Plant Zero CO₂ Emissions Challenge:** Achieve zero CO₂ emissions at all plants worldwide by 2050

2025 Target:

- Reduce CO₂ emissions by implementing innovative technologies and daily *kaizen* and introducing renewable energy
- Reduce CO₂ emissions from global plants by 30% compared to 2013 levels
- Achieve 25% introduction rate for renewable electricity
- Promote proactive technological development to utilize hydrogen

In addition, in June 2021, as part of its important manufacturing activities that will pave the way for the future, Toyota announced that it will take on various challenges to make its global plants carbon neutral by 2035.

4. **Challenge of Minimizing and Optimizing Water Usage:** Minimize water usage and implement water discharge management based on individual local conditions

2030 Milestone:

- Implement measures, on a priority basis, in the regions where the impact on the water environment is considered to be large
 - Water quantity: Complete measures at the four Challenge-focused plants in North America, Asia, and Southern Africa
 - Water quality: Complete impact assessment and measures at all of the 22 plants where used water is discharged directly into rivers in North America, Asia and Europe
- Disclose information appropriately and communicate actively with local communities and suppliers

2025 Target:

Water quantity

- Reduce water usage taking the water environment in each country and region into consideration
- Promote wastewater recycling, rainwater use and various activities, including daily *kaizen*
- Reduce global water usage by 3% per vehicle produced compared to 2013 levels (reduce by 34% compared to 2001 levels)
- Complete measures at two Challenge-focused plants where the water environment is considered to have a large impact

Water quality

- Thoroughly manage water discharge quality under internal standards that are stricter than regulatory standards
 - Continuously assess the impact of wastewater at all plants where it is discharged directly into the river
5. **Challenge of Establishing a Recycling-Based Society and Systems:** Promote global deployment of End-of-life vehicle treatment and recycling technologies and systems developed in Japan

2030 Milestone:

- Complete establishment of battery collection and recycling systems globally
- Complete set up of 30 model facilities for appropriate treatment and recycling of end-of-life vehicles

2025 Target:

- Complete set up of 15 model facilities for appropriate treatment and recycling of end-of-life vehicles
 - Continuously accelerate easy-to-dismantle designs
 - Integrate easy-to-dismantle designs to respond to appropriate treatment and recycling of end-of-life vehicles and resource issues, and provide appropriate information (large batteries, fuel cell (FC) hydrogen tank and others)
 - Establish a safe and efficient system for battery 3R (Rebuilt, Reuse and Recycle), eyeing the widespread use of electrified vehicles
 - Aim to maximize collection and detoxification of end-of-life batteries globally
 - Start operating battery 3R throughout five regions — Japan, U.S., Europe, China and Asia (Battery 3R: Rebuilt, Reuse, and Recycle)
 - Develop technologies to utilize recycled materials (especially plastics) in accordance with the conditions in each region
 - Promote utilization by technological development to optimally exploit recycled materials in Europe and to increase the supply of recycled materials in Japan
6. **Challenge of Establishing a Future Society in Harmony with Nature:** Connect these nature conservation activities beyond the Toyota group and its business partners to communities, with the world, and to the future

2030 Milestone:

- Realize “Plants in Harmony with Nature” — Twelve plants in Japan and seven plants overseas — as well as implement harmony-with-nature activities in all regions where Toyota is based in collaboration with local communities and companies
- Contribute to biodiversity conservation activities in collaboration with NGOs and others
- Expand initiatives both in-house and externally to foster environmentally conscious persons responsible for the future

2025 Target:

- Realize “Plant in Harmony with Nature” — six in Japan and four overseas
- Promote activities to connect with local communities in collaboration with Toyota group companies and other affiliated companies

- Start activities promoting harmony with nature in collaboration with local communities and companies toward biodiversity conservation
- Globally strengthen conservation of endangered species, which symbolize biodiversity in collaboration with NGOs and others
- Implement globally unified initiatives to foster environmentally conscious persons responsible for the future
 - Offer environmental education opportunities by utilizing biotopes and others in collaboration with “Plant in Harmony with Nature”
 - Foster environmentally conscious persons at both in-house and outside sites, including plants and the Forest of Toyota, by utilizing educational tools in harmony with nature for the next generation

Automotive Operations

Toyota’s sales revenues from its automotive operations were ¥24,651.5 billion in fiscal 2021 and ¥26,799.7 billion in fiscal 2020.

Toyota produces and sells passenger vehicles, minivans and commercial vehicles such as trucks. Toyota Motor Corporation’s subsidiary, Daihatsu Motor Co., Ltd. (“Daihatsu”), produces and sells mini-vehicles and compact cars. Hino Motors, Ltd. (“Hino”), also a subsidiary of Toyota Motor Corporation, produces and sells commercial vehicles such as trucks and buses. Toyota also manufactures automotive parts, components and accessories for its own use and for sale to others.

Vehicle Models

Toyota’s vehicles (produced by Toyota, Daihatsu and Hino) can be classified largely into electrified vehicles and conventional engine vehicles. Toyota’s product line-up includes subcompact and compact cars, mini-vehicles, mid-size, luxury, sports and specialty cars, recreational and sport-utility vehicles, pickup trucks, minivans, trucks and buses.

Electrified Vehicles

HEVs and PHEVs

The world’s first mass-produced hybrid car was Toyota’s Prius. It runs on an efficient combination of a gasoline engine and motor. This system allows the Prius to travel more efficiently than conventional engine vehicles of comparable size and performance. The hybrid design of the Prius also results in the output of 75% less emission than the maximum amount allowed by Japanese environmental regulations. Toyota views the Prius as the cornerstone of its emphasis on designing and producing eco-friendly automobiles.

In the last three years, Toyota has strengthened its hybrid lineup by adding the fully remodeled Avalon HV in April 2018, the fully remodeled Corolla Sport in May 2018, the fully remodeled Crown HV and Century HV in June 2018, the new model ES HV in October 2018, the new model UX HV in November 2018, the fully remodeled RAV4 HV in December 2018, the fully remodeled Corolla SD and WG HV in February 2019, the fully remodeled Yaris HV, new Lexus models LM HV and the fully remodeled Highlander HV in February 2020, the fully remodeled RAV4 PHV and the fully remodeled Harrier HV in June 2020, the new model Corolla Cross HV in July 2020, the new model Yaris Cross HV in August 2020 and the fully remodeled Sienna HV in October 2020.

BEVs

Toyota started sales of the UX EV in China in April 2020 and then in Europe and Japan. In the future, Toyota plans to rollout 15 BEV models, including 7 new BEV models of the “TOYOTA bZ Series,” globally by 2025.

FCEVs

Toyota began limited sales of a fuel cell vehicle in Japan and the United States in December 2002. Since then, Toyota has made advances by solving technological issues such as the above and worked towards the practical use of such solutions, culminating in the general sale of the world's first mass produced fuel cell vehicle MIRAI in Japan beginning in December 2014, in the United States beginning in June 2015 and in Europe beginning in September 2015. Toyota also launched "SORA," the first production model fuel cell bus to receive vehicle type certification in Japan, in March 2018. Toyota launched the fully remodeled MIRAI in Japan, the United States and Europe in February 2020.

Conventional Engine Vehicles

Subcompact and Compact

Toyota's subcompact and compact cars include the four-door Corolla sedan, which is one of Toyota's bestselling models. The Yaris is a compact car designed to perform better and offer greater comfort than other compact cars available in the market with attractive specifications such as low emissions. In Europe, Toyota introduced the fully remodeled Corolla in January 2019 and the fully remodeled Yaris in July 2020. In Japan, in addition to the Corolla Sport, which was introduced in May 2018, and a new Yaris model, which was introduced in February 2020, Daihatsu introduced four OEM vehicles: the Passo, Roomy, Tank and Raize. In India, Asia, China and other markets, Toyota introduced the Etios and Vios, as well as the AGYA and Rush, which are designed and manufactured by Daihatsu, as well as GLANZA and Urban Cruiser, which are designed and manufactured by Suzuki Motor Corporation ("Suzuki").

Mini-Vehicles

Mini-vehicles are manufactured and sold by Daihatsu. Daihatsu manufactures mini-vehicles, passenger vehicles, commercial vehicles and auto parts. Mini-vehicles are passenger vehicles, vans or trucks with engine displacements of 660 cubic centimeters or less. Daihatsu sold approximately 505 thousand mini-vehicles and 125 thousand automobiles on a consolidated basis during fiscal 2021. Daihatsu's largest market is Japan, which accounted for approximately 90% of Daihatsu's unit sales during fiscal 2021. From 2011, Toyota began to sell some mini-vehicles manufactured by Daihatsu under the Toyota brand.

Mid-Size

Toyota's mid-size models include the Camry, which has been the bestselling passenger car in the United States for 23 of the past 24 calendar years (from 1997 to present) and also for the last 19 consecutive years. The Camry was fully remodeled in June 2017. Camry sales in the United States for 2020 were approximately 294 thousand units (including Camry hybrids).

Luxury and Large

In North America, Europe, Japan and other regions, Toyota's luxury lineup consists primarily of vehicles sold under the Lexus brand name. Lexus passenger car models include the LS, the ES, the IS, the CT, the LC and the RC. Toyota also sells the LX, the GX, the RX, the NX and the UX as luxury sport-utility vehicles, and the LM as a luxury minivan. Toyota commenced sales of its luxury automobiles in Japan under the Lexus brand in August 2005. As of March 31, 2021, the Lexus brand lineup in Japan includes the LS, the ES, the IS, the CT, the LX, the RX, the NX, the UX, the LC and the RC. The Toyota brand's full-size luxury car, the Avalon, was remodeled in April 2018, and the Crown was fully remodeled in June 2018. The Lexus brand's passenger vehicle ES was fully remodeled in October 2018 and the new luxury minivan model LM was introduced in February 2020. Toyota also fully remodeled the Century limousine in Japan in June 2018.

Sports and Specialty

In May 2019, Toyota introduced a new Supra for the first time in 17 years. Toyota also introduced a new GR Yaris in September 2020.

Recreational and Sport-Utility Vehicles and Pickup Trucks

Toyota sells a variety of sport-utility vehicles and pickup trucks. Toyota's sport-utility vehicles available in North America include the Sequoia, the 4Runner, the RAV4, the Highlander and the Land Cruiser, and pickup trucks available are the Tacoma and Tundra. The Tacoma, the Tundra, the Highlander and the Sequoia are manufactured in the United States. Toyota also offers five types of sport-utility vehicles under the Lexus brand, including the LX, the GX, the RX, the NX and the UX. Toyota also manufactures the RX and RAV4 models in Canada. Toyota's pickup truck, the Hilux, has been the bestselling model of all Toyota cars sold in Thailand. Toyota introduced the Lexus brand's new model UX in November 2018, the fully remodeled RAV4 in January 2019, the fully remodeled Highlander in December 2019, the fully remodeled Harrier in June 2020, the new model Corolla Cross in July 2020 and the new model Yaris Cross in August 2020.

Minivans, Cabwagons, and Semi-Bonnet Wagon

Toyota offers several basic models for the global minivan market. Its largest minivans in Japan, the Alphard and the Vellfire, were remodeled in January 2015. In addition, the Noah/Voxy was remodeled in January 2014, and the new model Esquire was introduced in October 2014 in Japan. The Hiace was remodeled overseas in June 2019, and the Sienna was remodeled in North America in October 2020. Toyota's other minivan models include the Sienta in Japan.

Trucks and Buses

Toyota's product lineup includes trucks (including vans) up to a gross vehicle weight of five tons and micro-buses that are sold in Japan and in overseas markets. Trucks and buses are also manufactured and sold by Hino, a subsidiary of Toyota. Hino's product lineup includes large trucks with a gross vehicle weight of over eleven tons, medium trucks with a gross vehicle weight of between five and eleven tons and small trucks with a gross vehicle weight of up to five tons. Hino's bus lineup includes medium to large buses used primarily as tour buses and public buses, as well as small buses and micro-buses.

Product Development

New cars introduced outside of Japan during fiscal 2021 and thereafter include the Corolla Cross, Yaris Cross, GR Yaris and Urban Cruiser which is designed and manufactured by Suzuki. Remodeled cars outside of Japan during fiscal 2021 and thereafter include the MIRAI, Harrier and Sienna.

In addition, the IMV product lineup, based on the IMV project to optimize global manufacturing and supply systems, is a lineup of strategic multipurpose vehicles produced from a single platform to meet market demand. The IMV product lineup includes, as of March 31, 2021, the Hilux, Fortuner, and Innova, one or all of which are available in all regions.

Markets, Sales and Competition

Toyota's primary markets are Japan, North America, Europe and Asia. The following table sets forth Toyota's consolidated vehicle unit sales by geographic market for the periods shown. The vehicle unit sales below reflect vehicle sales made by Toyota to unconsolidated entities (recognized as sales under Toyota's revenue recognition policy), including sales to unconsolidated distributors and dealers. Vehicles sold by Daihatsu and Hino are included in the vehicle unit sales figures set forth below.

Market	Year Ended March 31,			
	2020		2021	
	Units	%	Units	%
Japan	2,239,549	25.0%	2,125,121	27.8%
North America	2,713,165	30.3	2,312,799	30.3
Europe	1,029,249	11.5	959,363	12.5
Asia	1,600,341	17.9	1,222,073	16.0
Other*	1,372,392	15.3	1,026,749	13.4
Total	8,954,696	100.0%	7,646,105	100.0%

* "Other" consists of Central and South America, Oceania, Africa and the Middle East, etc.

The following table sets forth Toyota's vehicle unit sales and market share in Japan, North America, Europe and Asia on a retail basis for the periods shown. Each market's total sales and Toyota's sales represent new vehicle registrations in the relevant year (except for the Asia market where vehicle registration does not necessarily apply). All information on Japan excludes mini-vehicles. The sales information contained below excludes unit sales by Daihatsu and Hino, each a consolidated subsidiary of Toyota. Vehicle unit sales in Asia do not include sales in China.

	(Thousands of Units)	
	Fiscal Year Ended March 31,	
	2020	2021
Japan:		
Total market sales (excluding mini-vehicles)	3,185	2,901
Toyota sales (retail basis, excluding mini-vehicles)	1,553	1,505
Toyota market share	48.8%	51.9%
	(Thousands of Units)	
	Calendar Year Ended December 31,	
	2020	2021
North America:		
Total market sales	20,379	17,157
Toyota sales (retail basis)	2,757	2,408
Toyota market share	13.5%	14.0%
Europe:		
Total market sales	20,751	16,638
Toyota sales (retail basis)	1,089	993
Toyota market share	5.3%	6.0%
Asia (excluding China):		
Total market sales	9,726	8,181
Toyota sales (retail basis)	1,347	969
Toyota market share	13.8%	11.8%

Japan

Japan is one of the leading countries with respect to technological advancements and improvements in the automotive industry and will continue to demonstrate such strength. Toyota strives to earn customer satisfaction by introducing products distinctive of Japan's manufacturing ability such as value-added products including Lexus models, FCEVs, PHEVs and HEVs, vehicles with three-seat rows and mini-vehicles. Toyota's consolidated vehicle sales in Japan in fiscal 2021 was 2,125 thousand units, a decrease of 115 thousand units in comparison with the previous year. Toyota endeavors to secure and maintain its large share of and position atop the Japanese market. Toyota held a domestic market share (excluding mini-vehicles) on a retail basis of 45.9% in fiscal 2019, 48.8% in fiscal 2020 and 51.9% in fiscal 2021.

Although Toyota's principle is to conduct production in regions where it enjoys true competitiveness, it considers Japan to be the source of its good manufacturing practices. Toyota supports its operations worldwide through measures such as the development of new technologies and products, low-volume vehicles to complement local production, production of global vehicle models which straddle multiple regions and supporting overseas factories. Toyota is currently implementing the new platform and the new unit for the Toyota New Global Architecture ("TNGA") globally, with Japan at the core. In Japan, Toyota is implementing flexible production based on market needs, in order to support its large share of domestic sales. Toyota also closed the Higashi Fuji plant of Toyota Motor East Japan, Inc. at the end of December 2020 and consolidated its production in northeastern Japan. Toyota started construction of the prototype city, or the Woven City, at the former Higashi Fuji plant site from February 23, 2021.

Since Toyota formed an alliance with SUBARU CORPORATION ("SUBARU") in 2005, Toyota and SUBARU have utilized each other's resources in development and production. In July 2008, SUBARU transferred 61 million SUBARU shares owned by SUBARU to Toyota with the aim to promote smooth collaboration. As a result of this transfer, Toyota owns 16.5% of SUBARU issued shares. In September 2019, in order to further strengthen the relationship, the two companies agreed that Toyota will increase its equity stake in Subaru up to 20% and at the same time Subaru will acquire shares in Toyota, promoting their collaboration to "make ever-better cars beyond what either company has been able to achieve thus far" and to "expand their collaboration to survive during this once-in-a-century period of profound transformation."

In 2011, Toyota and the BMW Group agreed to conduct collaborative research in the field of next-generation lithium-ion battery technologies and for BMW to supply diesel engines to Toyota Motor Europe, Toyota's European subsidiary. In 2013, as part of their strategic long-term cooperation in the field of sustainable mobility, Toyota and BMW Group entered into agreements for the joint development of a fuel cell system, joint development of architecture and components for sports vehicles and joint research and development of lightweight technologies. The two companies completed collaborative research on lithium-air batteries, a post-lithium-battery solution as planned by conducting the second phase of collaborative research into next-generation lithium-ion battery cells. The supply of diesel engines by BMW from 2014 through 2018 was completed as planned under the agreement. As a result of the joint development of sports vehicles, the production of new Supra commenced in March 2019.

Toyota and Mazda have been engaged in collaboration such as the licensing of Toyota's hybrid technologies to Mazda and the production of compact cars for Toyota at Mazda's plant in Mexico. In May 2015, towards the goal of making cars with more appeal, Toyota and Mazda entered into an agreement to build a long-term partnership that would create synergies for both companies through such means as leveraging the resources of both companies and complementing each other's products and technologies. After subsequent discussions, Toyota signed an agreement to enter into a business and capital alliance with Mazda in August 2017. As part of this business and capital alliance, the companies agreed to mutually acquire shares of the other company with the aim of advancing and strengthening their long-term collaboration, as well as to: 1) establish a joint venture that produces vehicles in the United States; 2) jointly develop technologies for BEVs; 3) jointly develop connected-car technology; 4) collaborate on advanced safety technologies; and 5) expand replenishment of

products. Pursuant to this agreement, in October 2017 Toyota and Mazda mutually acquired 50 billion yen worth of shares of each other. Toyota also established EV C.A. Spirit Corporation with Mazda and Denso Corporation (“Denso”) to jointly develop basic structural technologies for BEVs. Furthermore, in March 2018, Toyota and Mazda established Mazda Toyota Manufacturing, U.S.A., Inc., a new joint venture company, to produce vehicles in the United States starting in 2021. EV C.A. Spirit Corporation concluded its operations in June 2020 and dissolved as scheduled.

In February 2017, Toyota and Suzuki, aiming to contribute jointly to resolution of social issues and achievement of the sound and sustainable development of an automobile-based society, entered into a memorandum of understanding on beginning concrete examination of a business partnership. In November 2017, the two companies agreed to move forward in considering a cooperative structure for introducing [BEVs] in India, and in March 2018, concluded a basic agreement toward the mutual supply of products. In May 2018, Toyota and Suzuki agreed that Toyota will provide Suzuki development support for a compact, ultrahigh-efficiency powertrain, to have Toyota Kirloskar Motor Private Ltd. (“TKM”) produce models developed by Suzuki and to collaborate with respect to African markets. In addition, in March 2019, Toyota and Suzuki began considering the concrete details of collaboration in new areas, such as collaboration in the area of production and promotion of the widespread use of electrified vehicles, by bringing together Toyota’s strength in technologies for electrification and Suzuki’s strength in technologies for compact vehicles. In August 2019, the two companies agreed that Toyota will acquire 4.94% of Suzuki’s shares and that Suzuki will also acquire Toyota shares, further strengthening their relationship and promoting collaboration. As a first step of their collaboration in Africa, starting from September 2020, small passenger hatchback cars, which are designed and manufactured by Maruti Suzuki, are marketed and sold at Toyota’s distributors in South Africa and other African countries. As a second step, a compact SUV was launched in March 2021 and further lineup expansions are planned.

In December 2017, Toyota and Panasonic entered into an agreement to study the feasibility of a joint automotive prismatic battery business. Having repeatedly held discussions since then on the concrete details of their collaboration to achieve high-capacity and high-output automotive prismatic batteries that lead the industry in terms of both performance and cost, as well as to contribute to the popularization of Toyota’s and other automakers’ electrified vehicles, in January 2019, Toyota and Panasonic agreed to establish a joint venture related to the automotive prismatic battery business. Toyota and Panasonic established Prime Planet Energy & Solutions, Inc. in April 2020.

In June 2018, Toyota and Denso agreed to begin to consider consolidating the core electronic component operations of both companies within Denso, and entered into a formal agreement concerning this in April 2019. On April 1, 2020, the production and development functions of electronic components at Toyota’s Hirose Plant was consolidated within Denso. In doing so, the companies established a speedy and competitive development and production structure.

In April 2019, as part of the initiative to further promote the widespread use of BEVs, Toyota announced that it will grant royalty-free licenses on the patents it holds (including some pending applications) for vehicle electrification-related technologies, such as electric motors, power control units (PCUs), and system controls. Toyota also announced that it will provide technical support to other manufacturers developing and manufacturing electrified vehicles when they utilize Toyota’s power train systems.

Toyota, Isuzu Motors Limited (“Isuzu”) and Hino agreed on a new partnership regarding commercial vehicles in February 2021. Toyota intends to combine Toyota’s connected, autonomous / automated, shared, and electric (“CASE”) technologies with the commercial vehicle foundations cultivated by Isuzu and Hino. Through this collaboration, Toyota aims to accelerate societal implementation and dissemination of CASE technologies and services and to help address various difficulties facing the transportation industry, as well as help achieve a carbon neutral society. To promote the partnership, Isuzu, Hino, and Toyota are establishing Commercial Japan Partnership Technologies Corporation, a company for planning CASE technologies and services for commercial vehicles. Furthermore, to smoothly construct and advance the collaboration, Isuzu and Toyota agreed on a capital partnership.

In Japan, there are five major domestic manufacturers, five specialized domestic manufacturers and a growing volume of imports from major United States and European manufacturers. The prolonged economic slump in the Japanese economy and the recent increases in environmental awareness have also shifted consumer preference towards more affordable automobiles, such as compact and subcompact vehicles, and towards utility vehicles, such as mini-vans. For more than 40 years, Toyota has maintained its position as the largest automobile manufacturer in Japan. Every year since fiscal 1999, Toyota, excluding Daihatsu and Hino, has achieved a market share (excluding mini-vehicles) of over 40%, reflecting in part the success of the introduction of new models for subcompact and compact cars, mini-vans and sedans. In August 2005, Toyota launched the Lexus brand in Japan and achieved a record top market share of 25.6% in the luxury market in 2011. Toyota aims to further distinguish the Lexus brand by continuing to attract new and affluent customers including customers that typically had purchased imported vehicles.

North America

The North American region is one of Toyota's most significant markets. Toyota has reorganized its production structure and made improvements to its product lineup. In addition, Toyota is actively working to promote increased local operations independence in North America, in accordance with the Toyota Global Vision, announced in 2011.

In the North American region, of which the United States is the main market, Toyota has a wide product lineup (excluding large trucks and buses), and sold 2,313 thousand vehicles on a consolidated basis in fiscal 2021. This represents approximately 30% of Toyota's total unit sales on a consolidated basis. The United States, in particular, is the largest market in the North American region, which accounts for 88% of the retail sales of Toyota in such region. Sales figures for fiscal 2021 were 85.2% of those in the prior fiscal year.

Toyota commenced sales of the first-generation Prius hybrid model in North America in 2000. The Prius became Toyota's bestselling model behind the Corolla and Camry, having gained particular support among customers concerned with the environment. Toyota continued further expansion of its environmentally friendly vehicles with the introduction of models such as the Camry HV in 2017, the fully remodeled Avalon HV and RAV4 HV in 2018, the Corolla HV and RAV4 Prime in 2019, and Highlander HV, Venza HV and Sienna HV, as well as the second generation MIRAI in 2020.

Since the introduction of the LS and ES models under the premium brand model, Lexus, in the United States in 1989, Toyota has expanded its Lexus sales with models including the GS, IS and RX. Toyota sold 352 thousand units in 2016, 305 thousand units in 2017, 298 thousand units in 2018, when the new model UX and the fully remodeled ES were introduced, 298 thousand units in 2019, and 275 thousand units in 2020.

Toyota is continuing to revise its vehicle models and North American production capacities in response to changes in market conditions. Toyota launched the all-new Camry with the first TNGA platform in North America at the Kentucky plant in 2017 and redesigned Avalon into an all-new model in 2018. Toyota increased the production capacity of the Tacoma from 100,000 to 160,000 in Baja California, Mexico in 2018, and of the Highlander at its Indiana plant in 2019. Toyota's Mississippi plant started production of the remodeled new Corolla with the TNGA platform in 2019, and its new Mexico plant (Guanajuato) commenced operations at the end of 2019 and began producing the Tacoma. The production of Toyota-brand compact cars for sale in North America that began at Mazda's plant in Mexico through the business alliance with Mazda in June 2015 ended in November 2020.

In order to further strengthen competitiveness in North America, Toyota will continue the realignment of North American manufacturing operations going forward. As part of this effort, in addition to the production of the NEW SUV at a new plant in Alabama, Toyota announced in April 2021 that two new vehicle models will be produced at its Indiana plant. Toyota will focus its production of mid-sized vehicles in the plant in Canada, along with the plants in Indiana and Kentucky, by commencing production of the mid-sized SUV RAV4 instead of the

Corolla in Canada starting in 2019. Further, Toyota plans to begin production of the Lexus NX compact SUV at the Canada plant from 2022. Toyota also introduced the RAV4 at the Kentucky plant in January 2020 in order to catch up with the expanding SUV market. For powertrains, Toyota plans to increase the production capacity by 120,000 units per year at its West Virginia plant starting in 2021 and further increase the production capacity by 70,000 units per year in 2022. Toyota also plans to raise the production capacity of Alabama plant four-cylinder engines and V6 engines by 230,000 units by 2021.

As for Toyota's vehicle development in North America, the Toyota Technical Center spearheads the design, planning, and evaluation of vehicles and parts as to their ability to meet customer needs. Toyota will continue to promote self-reliance towards producing even better cars in the future.

In July 2017, Toyota launched its new North American headquarters in Plano, Texas and unified its North American manufacturing, sales and marketing, financial services and other functions. Toyota plans to promote collaboration and efficiencies across functions, position itself to deliver "ever-better cars" to customers and work towards realizing sustainable growth in the North America market.

Europe

Toyota's principal European markets are Germany, France, the United Kingdom, Italy, Spain and Russia. Toyota's principal competitors in Europe are Volkswagen, Renault, Ford, Opel and Peugeot, as well as Korean manufacturers Hyundai and Kia.

While competition in Europe continues to intensify, Toyota has been expanding its hybrid line-up to further strengthen its sales operations. In parallel, Toyota has entered into supply agreements with Stellantis (formerly Peugeot S.A. ("PSA")) for light commercial vehicles. To strengthen its business setup so that it is less likely to be affected by exchange rates, Toyota launched RAV4 for Russia at OOO "TOYOTA MOTOR" ("TMR") and C-HR at Toyota Motor Manufacturing Turkey Inc. ("TMMT") in 2016 in the form of local production. In addition, Toyota is actively promoting production and sales measures that meet local demand by strengthening its value chain including used car dealerships, after-sales services and finance and insurance services. In January 2021, Toyota took financial ownership of the Toyota Peugeot Citroën Automobile (TPCA) plant in Kolin (Czech Republic), which was a manufacturing joint venture with PSA and has been producing the compact A-segment models since 2005. Toyota had Toyota Motor Europe S.A./N.V. ("TME") acquire all of the TPCA shares held by PSA, making TPCA a wholly-owned subsidiary of TME from December 2020, and renamed it Toyota Motor Manufacturing Czech Republic ("TMMCZ"). In the second half of 2021, Toyota Motor Manufacturing France S.A.S. ("TMMF") will start producing Yaris Cross, a new compact SUV revealed in 2020. TMMCZ will also start manufacturing hybrids after expansion and modernization works, which will enable us to introduce TNGA and bridge part of TMMF's Yaris volume. Thus, the TNGA production system will be installed across all European factories.

In 2020, the European automotive market suffered a substantial impact due to COVID-19 pandemic containment measures, including full-scale lockdowns and other restrictions. After the end of the containment measures, the market recovered back to levels seen in the months prior to COVID-19, but the loss generated during the months of lockdowns remained a major factor in the full-year picture.

Despite the volatile business environment, in fiscal 2021, Toyota achieved an all-time sales record in terms of European market share for the Toyota and Lexus brands combined and passenger car registrations for the Toyota brand (third position). This was thanks to Toyota's solid backorder deliveries, success in capturing new customers and strong line-up, especially Corolla TS/HB HV, C-HR HV, Yaris HV and RAV4. Toyota's consolidated vehicle sales in Europe in fiscal 2021 was 959 thousand units, a decrease of 6.8% from fiscal 2020.

In terms of model change, Toyota Motor Manufacturing (UK) Ltd. ("TMUK") and TMMT implemented a model change for the Corolla in 2018 and 2019, respectively. Also, in Russia, Toyota redesigned the Camry into

an all-new model on the TNGA platform in April 2018. In February 2020, Toyota launched a new compact van range, PROACE CITY, supplied by Stellantis, as part of its plan to strengthen Toyota's line-up in the growing European light commercial vehicle market. In October of the same year, in order to build on the Stellantis-Toyota partnership and further expand its electrified line-up, Toyota launched PROACE and PROACE Verso Electric vans, its first zero-emission battery electric vehicles in Europe. Toyota's European hybrid line-up encompasses a wide variety of vehicles, from compact cars to large passenger cars and SUVs since Highlander hybrid complemented a large SUV hybrid line-up in January 2021 in order to meet the needs of customers who tend to travel longer distances with a greater percentage of motorway mileage. Additionally, in order to cater to customers seeking the ultimate fun-to-drive vehicle, Toyota launched the GR Supra, the first global model of Toyota motor sports brand Toyota GAZOO Racing, produced at BMW's Magna Steyr plant in Austria. The first vehicles were delivered to customers in July 2019. This was followed by a highly successful launch of GR Yaris in November 2020, a true road-going sports car developed directly from Toyota's championship-winning World Rally experience that is suitable for competition driving, yet affordable for many car enthusiasts.

In terms of auto parts, in October 2016, Toyota decided to produce hybrid transaxles and gasoline engines in Poland. Toyota started production of hybrid transaxles in 2018 at Toyota Motor Manufacturing Poland ("TMMP"), a production plant for transmissions and engines, and added two gasoline engines — a 1.5L in 2017 and a 2.0L in 2019 — at Toyota Motor Industries, Poland ("TMIP"), a production plant for diesel engines. In concert with the enhancement of the gasoline engine business, the two companies were integrated in April 2017. To further localize hybrid vehicle production in Europe, in June 2020, TMMP started production of a new 1.5L petrol "Dynamic Force Engine" belonging to the TNGA powertrain family, which is installed in the new generation Yaris made at TMMF, and which will also be fit into Yaris vehicles made at TMMCZ. In April 2021, TMMP also started production of a new generation electric hybrid transmission that works in concert with the 1.5L petrol "Dynamic Force Engine," as well as production of the MG1 electric motor, which forms an integral part of the electric hybrid transmission.

As part of Toyota's global vision to evolve into a mobility company, Toyota launched a new mobility brand, KINTO, in Europe in January 2020. Using a distinct and dedicated brand, Toyota aims to appeal to a new category of MaaS customers. KINTO-branded services range from full-service leasing to car sharing, carpooling and subscription. In April 2021, Toyota Fleet Mobility GmbH (TFM), headquartered in Cologne, Germany and owned 51% by Toyota Financial Services Corporation (TFSC), Japan and 49% by Toyota Motor Europe, was renamed KINTO Europe GmbH in order to regroup KINTO-branded mobility services under one roof, bring increased customer value and further unlock market potential. In parallel, local KINTO organizations began operations in main five markets — Spain, France, Italy, UK and Germany — to ensure market by market deployment of KINTO-branded services based on viability and sustainability of the business case.

For promotion of the clean hydrogen industry in Europe, Toyota is supplying and integrating its fuel cell system in various applications such as CaetanoBus, Energy Observer boat, Energy Observer Developments' maritime range extender (REXH2) and Hydrogen Power Generator (GEH2), and maritime fuel-cell systems developed by Corvus Energy. To support this rapidly-expanding interest in hydrogen technology beyond transportation, Toyota Motor Europe established a dedicated Fuel Cell Business Group in Brussels in July 2020.

Asia

Toyota's consolidated vehicle sales in Asia (including China) in fiscal 2021 was 1,222 thousand units, a decrease of 23.6% from fiscal 2020.

In light of the importance of the Asian market that is further expected to grow in the long term, Toyota aims to build an operational framework that is efficient and self-reliant, as well as a predominant position in the automotive market in Asia. Toyota has responded to increasing competition in Asia by making strategic investments in the market and developing relationships with local suppliers. Toyota believes that its existing

local presence in the market provides it with an advantage over new entrants to the market and expects to be able to promptly respond to demand for vehicles in the region.

In this region, Toyota has been further strengthening its business foundations by improving its product line-up, expanding local procurement and increasing production capacities.

Toyota's principal Asian markets are Thailand, India, Indonesia and Taiwan.

In Thailand, Toyota has three plants capable of producing approximately 800 thousand units per year, not only to meet domestic demands but to serve as a production base for regions inside and outside the ASEAN region, and produces and exports the Hilux, the Hiace, the Corolla, the Camry and the Vios. Toyota implemented a model change for the Hiace and Corolla in 2019 and began production of the Corolla Cross in 2020 to strengthen its product lineup.

In India, Toyota constructed a second plant with an annual production capacity of 70 thousand units in 2011 and has increased the production capacity as necessary up to 210 thousand units. In 2018, Toyota newly launched the Yaris compact model in such second plant. Moreover, in line with the global redesigning of the Camry, Toyota implemented a model change in India and began producing the TNGA model as well.

In Indonesia, Toyota introduced the Etios and commenced operation of a second plant in Karawang in 2013 in order to meet the diverse customer needs and the expanding market. Currently, Toyota is producing the Vios, the Yaris and the Sienta, and the initial production capacity of 70 thousand units per year has become 130 thousand units per year. Similar to the plant in Thailand, PT. Toyota Motor Manufacturing Indonesia ("TMMIN") is positioned as a production base for regions inside and outside of the ASEAN region, including the production of Innova and the Fortuner at the first plant. Toyota also constructed a passenger vehicle engine plant that commenced production in February 2016.

In 2016, Toyota began production and sales of the Sienta in Taiwan in response to diversifying demands. In March 2019, Toyota implemented a model change for Corolla in Taiwan. In October 2020, Toyota launched and began production of the Corolla Cross.

China

Toyota has been conducting operations in China through joint ventures, and its success in producing products that meet local demands and in establishing its sales and service network has significantly contributed to Toyota's profits. Based on the firm business foundation that it has established, Toyota is conducting its operations with the aim of promoting further growth and increasing profitability through further development of its sales and service network and expansion of its product lineup.

In China, Toyota has been conducting joint ventures with two major partners, namely, China FAW Group Corporation and Guangzhou Automobile Group Co., Ltd. First, with respect to the joint venture with China FAW Group Corporation, from when production and sales of the Vios started in 2002, production and sales of the Land Cruiser Prado, the Corolla, the Crown, the Coaster and the RAV4 has expanded to include such models. The joint venture has developed production bases in three regions, namely, Tianjin, Changchun and Sichuan, and in Tianjin, the joint venture completed the construction of a new production line to replace an aging existing line in the Teda area in June 2018, and introduced the new-model SUV IZOA, which is a TNGA platform vehicle. In Changchun, where a new plant was launched in 2012, the initial production capacity of 100 thousand units per year has now become 130 thousand units per year. The joint venture also increased annual production capacity of the plant in Sichuan from 30 thousand units to 50 thousand units in the spring of 2015 to increase production of the Prado, and is steadily increasing its production capacity of these three plants, which on an aggregate basis is currently approximately 690 thousand units per year. In addition, the joint venture sought to improve production efficiency by closing small, aging production lines at the Changchun East Plant of Sichuan FAW Toyota Motor Co., Ltd. in December 2016 and the Xiqing Plant of Tianjin FAW Toyota Motor Co., Ltd. in February 2017.

GAC Toyota Motor Co., Ltd. (“GAC Toyota”), a joint venture between Toyota and Guangzhou Automobile Group Co., Ltd., expanded the production and sales of the Camry, the Yaris, the Highlander, the Levin, etc. With regard to production capacity, GAC Toyota has an annual production capacity of approximately 560 thousand units in total due to starting a third plant in early 2018 in addition to the existing first and second plant. GAC Toyota redesigned the Camry in 2017 and the C-HR in 2018 into an all-new model with the TNGA platform, as well as launched new models.

In terms of auto parts, in 2014, Toyota opened a plant in Changshu in Jiangsu, China for the production of the Continuously Variable Transmission (“CVT”) as the first CVT plant outside of Japan and in September 2015, Toyota also began production of HEV Transaxles at the CVT plant. Toyota also launched a plant to produce hybrid vehicle batteries in October 2015.

Total vehicle sales in the Chinese market decreased 2% from 25.78 million in 2019 to 25.21 million in 2020. In this market, Toyota’s sales in 2020 were 1.79 million vehicles, up 11% from the previous year. In the domestically produced passenger vehicle market in mainland China (19.44 million units), Toyota had a market share of 9.2%. In 2020, sales of SUVs expanded as a result of customers’ value diversification. As for Toyota’s distribution network, Toyota has been expanding the distribution network for locally produced vehicles in cooperation with Chinese joint venture partners under Tianjin FAW Toyota Motor Co., Ltd. and Guanqi Toyota Motor Co., Ltd., and for imported vehicles, Toyota has also been expanding primarily the Lexus brand sales network. Toyota plans to further increase sales by expanding the number of dealers and the product lineup for both locally produced and imported vehicles. In addition, as the market in China develops and becomes more sophisticated, Toyota plans to promote the so-called “Value Chain” businesses, such as used cars, services, financing and insurance so as to contribute to the development of a mobility society.

South and Central America, Oceania, Africa and the Middle East

Toyota’s consolidated vehicle sales in South and Central America, Oceania, Africa and the Middle East (collectively, the “Four Regions”) in fiscal 2021 were 1,027 thousand units, a decrease of 25.2% from fiscal 2020.

In these regions, which are expected to become increasingly important to Toyota’s business strategy, Toyota aims to develop new products which meet the specific demands of each region, increase production and further promote sales.

Toyota’s principal markets in the Four Regions are Brazil and Argentina in South and Central America, Australia in Oceania, South Africa in Africa and Saudi Arabia in the Middle East.

The core models in this region are global models such as the Corolla, IMV (the Hilux) and Camry. In order to increase production of IMVs, Toyota increased annual production capacity of the plant in Argentina to 140 thousand units per year at the end of 2015. In order to expand business in Brazil, Toyota constructed a new factory in Sorocaba with an annual production capacity of 70 thousand units, and in 2012, began production and sales of compact vehicles. Starting from the beginning of 2016, Toyota increased production capacity to 110 thousand units per year and started production of the Yaris from June 2018 and the Corolla Cross from March 2021.

Moreover, in terms of auto parts, Toyota commenced first line production at a plant in Brazil for passenger vehicle engines in February 2016, and opened the second line in July 2019.

In Africa, Toyota plans to start production of the Corolla Cross, including an HEV for the first time in South Africa, by the end of 2021. Furthermore, in October 2019, Toyota added an IMV (the Hilux) to its lineup of consigned knockdown production in Kenya. Toyota also plans to start knockdown production of an IMV (the Hilux) in mid-2021 in Ghana.

Production

Toyota and its affiliated companies produce automobiles and related parts and components through more than 50 overseas manufacturing companies in 27 countries and regions besides Japan. Toyota's major manufacturing facilities include plants in Japan, the United States, Canada, the United Kingdom, France, Turkey, Czech Republic, Russia, Poland, Thailand, China, Taiwan, India, Indonesia, South Africa, Argentina and Brazil. Daihatsu brand vehicles are produced at four factories in Japan and two manufacturing companies in two other countries of Indonesia and Malaysia. Hino brand vehicles are produced at four factories in Japan and eleven manufacturing companies in eleven countries, including Indonesia and Thailand, and Toyota is planning to increase the bases in the United States and Russia. For a listing of Toyota's principal production facilities, see "Information on the Company — Property, Plants and Equipment."

In promoting a sustainable growth strategy, establishing a system capable of providing optimal supply of products in the global market is integral to Toyota's strategy.

In line with its basic policy of manufacturing in countries or regions where there is demand and where Toyota is truly competitive, Toyota will make efficient use of and maximize capacity utilization at its existing plants to respond to the expanding market and will continue to focus on making efficient capital investments as necessary. Furthermore, Toyota will continue to place top priority on safety and quality in strengthening true competitiveness with the aim of achieving sustainable growth.

In fiscal 2020, Toyota produced on a consolidated basis 4,413 thousand vehicles in Japan and 4,406 thousand vehicles overseas, and 3,948 thousand vehicles in Japan and 3,605 thousand vehicles overseas in fiscal 2021.

The following table shows Toyota's worldwide vehicle unit production by geographic market for the periods shown. These production figures do not include vehicles produced by Toyota's unconsolidated affiliated companies. The sales unit information elsewhere in this annual report includes sales of vehicles produced by these affiliated companies. Vehicles produced by Daihatsu and Hino are included in the vehicle production figures set forth below.

	Fiscal Year Ended March 31,	
	2020	2021
Units Produced		
Japan	4,413,162	3,948,385
North America	1,807,289	1,641,830
Europe	674,125	641,830
Asia	1,521,551	1,014,968
Other*	403,495	305,883
Total	8,819,622	7,552,896

* "Other" consists of Central and South America, Oceania and Africa.

Toyota closely monitors its actual units of sale, market share and units of production data and uses this information to allocate resources to existing manufacturing facilities and to plan for future expansions.

See "— Capital Expenditures and Divestitures" for a description of Toyota's recent investments in completed plant constructions and for a description of Toyota's current investments in ongoing plant constructions.

The Toyota Production System

Toyota pioneered the internationally recognized production system known as the “Toyota Production System” (“TPS”). The TPS is based on Toyota’s own concepts of efficient production of only necessary and quality products and efficient cost reduction, and has the following two principal elements:

- “*Just-in-Time*,” and
- “*Jidoka*.”

Just-in-Time is an approach in which necessary parts and components are manufactured and delivered in just the right quantity in a timely manner just as they are needed. This allows Toyota to maintain low levels of inventory while maintaining operating efficiency.

Jidoka is a production concept which involves immediate stop of work when problems arise in the production line in order to stop the production of defective items from being passed on to subsequent stages of the process, and therefore making quality assurance an inherent part of the production process. To achieve this, Toyota’s equipment is designed to detect and highlight abnormalities and to stop whenever abnormalities occur. Toyota also authorizes its machine operators and other members of its production team to stop production whenever they note anything suspicious. This helps Toyota to build quality into the production process by avoiding defects and preventing the waste that would result from producing a series of defective items.

Toyota believes that the TPS allows it to achieve mass-production efficiencies even in high-mix, low-volume production. This belief gives Toyota the flexibility to respond to changing consumer demand without significantly increasing production costs. While the TPS remains the basis of Toyota’s automobile production, the system has been expanded for use in Toyota’s parts production, logistics and customer service activities as well.

Through the TPS, issues are identified and analyzed at the actual site, the entire production process is made visible and production efficiency as well as product quality are improved through the application of measures to address the sources of problems. As one method to implement these measures, Toyota utilizes sophisticated information technologies to improve each step of its vehicle development process, from product planning to commencement of mass-production. These technologies are intended to enhance flexibility, simplification, quality, cost competitiveness and speed. Specifically, detailed virtual assembly and other simulations of manufacturing processes are conducted on computers for a new vehicle or new production equipment/systems before a prototype is made. An actual prototype is made only after defects and related issues have been identified and resolved by computer simulation, thereby minimizing the time required for rebuilding prototypes and significantly shortening the time required before starting mass production. Moreover, this system is used to prepare virtual factories and other visual aids in order to facilitate training and communication at overseas plants and enable the efficient transfer of necessary technology and skills.

In January 2018, Toyota established the TPS Group, and in order to stay true to itself, Toyota has gone back to its roots, positioning TPS as the bedrock of its management, and is moving forward with initiatives to ensure that TPS is passed on to the future as part of Toyota’s DNA. Specifically, Toyota will have the concepts of “*Just-in-Time*” and “*jidoka*,” which are the two main pillars of the TPS, spread within the entire company and have all divisions, including technical and administrative divisions, work to reduce lead time and ensure that abnormalities are made visible, through which Toyota will achieve results by both cost reduction through improved productivity ,as well as improved work quality.

Toyota is currently working towards producing even better cars across the company. With the aim of realizing “cars that offer a rewarding experience for customers” through “truly competitive manufacturing” in terms of production technology and manufacturing, Toyota is developing innovative production systems, equipment and processing technology and introducing them to its mass-production line in due course.

Distribution

Toyota's automotive sales distribution network is the largest in Japan. As of March 31, 2021, this network consisted of 268 dealers employing approximately 110 thousand personnel and operating approximately 4.6 thousand sales and service outlets. TOYOTA Mobility Tokyo Inc. is the only dealer owned by Toyota and the remainder is independent.

Toyota believes that this extensive sales network of independent local interests has been an important factor in its success in the Japanese market. A large number of the cars sold in Japan are purchased from salespersons who visit customers in their homes or offices. In recent years, however, the traditional method of sales through home visits is being replaced by showroom sales, and the percentage of automobile purchases through showrooms has been gradually increasing. Toyota expects this trend to continue even after the COVID-19 related crisis, and accordingly, is working to improve its sales activities such as customer reception and meticulous service at showrooms, as well as online sales, to increase customer satisfaction.

Sales of Toyota vehicles in Japan had been conducted through four sales channels until April 2020, but from May 2020 shifted to a framework where all of its Japanese-market vehicle models are made available through all sales outlets in Japan. In addition, Toyota introduced the Lexus brand to the Japanese market in August 2005, and currently distributes the Lexus brand vehicles through a network of 175 new-vehicle sales outlets dedicated to the Lexus brand in order to enhance its competitiveness in the domestic luxury automotive market. The following table provides information on the dealer network as of March 31, 2021.

Channel	Dealers		Outlets
	Toyota Owned	Independent	
Toyota brand	1 company	267 companies	4,574 outlets
Lexus brand	21 outlets	154 outlets	175 outlets

Outside Japan, Toyota vehicles are sold through approximately 168 distributors in approximately 203 countries and regions. Through these distributors, Toyota maintains networks of dealers. The chart below shows the number of Toyota distributors as of March 31, 2021 by country and region:

Country/Region	Number of Countries	Number of Distributors
North America	3	5
Europe	53	29
China	1	4
Asia (excluding China)	19	13
Oceania	17	15
Middle East	16	14
Africa	56	48
Central and South America	39	40

Improving Efficiency

Toyota is working on the following to create a corporate structure allowing for efficient development, production and sales that can respond flexibly to changes in the external environment:

- working with suppliers as one team to dramatically increase the efficiency of development;
- creating a production structure that can better withstand fluctuations in demand and currency exchange rates; and
- strengthening sales capabilities in line with local conditions.

Toyota also plans to improve profitability and enhance operating efficiency by continuing to pursue aggressive cost reduction programs, including:

- improving product development and production efficiencies through the re-integration and improvement of vehicle platforms and power trains as well as through the development of electronic platforms which organize electronic devices of vehicles as a package and standardize electronic structure and infrastructure;
- reinforcing and promoting Ryohin-Renka Cost Innovation (“RR-CI”) activity, which aims for the elimination of waste in all processes from design to production while ensuring the reliability and safety of each part;
- “developing a real cost-competitive structure” by working together with suppliers;
- applying advanced information technologies to improve efficiency throughout the product development and production processes;
- globally reinforcing the supply base under an open and fair purchasing policy;
- streamlining production systems; and
- improving the efficiency of domestic and international distribution.

Toyota is further improving production efficiency by installing more versatile equipment and systems, modifying vehicle body designs to allow for a greater variety of models on each production line and sharing more parts among vehicles, not simply among different models but also among different platforms.

In April 2012, Toyota announced a new development framework, the TNGA, which reconciles sweeping advances in product appeal with cost reductions. The new framework sets forth an architecture that incorporates not only the three fundamental vehicle functions of moving, turning and stopping, but also ergonomics such as driving position as well as freedom of design. Toyota plans to efficiently develop cars with high basic-performance attributes by developing parts and modules based on this architecture. The TNGA provides for handling multiple models simultaneously in grouped development projects that will increase the sharing of parts and core vehicle components. This sharing, carried out in cooperation with suppliers, will result in lowered costs, thereby allowing developmental manpower and funds to be reinvested in R&D to meet consumer preferences and R&D to meet regional needs, resulting in further product improvement.

By April 2013, Toyota established systems to rapidly promote the TNGA and carried out product development under this new way of doing business. As a result, Toyota realized high basic performance and marketability in the Prius that was introduced in Japan in December 2015. Toyota subsequently applied the TNGA initiatives to the Camry, Lexus LC and LS in 2017 and the Crown and Corolla Sport in 2018. Toyota has rolled out, and plans to continue to roll out, the results of such development to other vehicles as well.

Realizing a Smart Mobility Society that expands through connected car technologies

In the midst of rapidly changing societies, including the falling birth rate and aging populations in developed nations, an increasingly diverse range of energy sources and the evolution of IoT, among others, the automotive industry is facing a time of profound transformation that could happen only once in a hundred years. As a company responsible for the freedom of mobility, which is one aspect of social infrastructure, Toyota is firmly determined to contribute to solving social issues by changing the very ways in which people, things, and information flow through the world. Based on this commitment, Toyota is moving forward with initiatives striving to realize a smart mobility society, in which people can “enjoy freedom of movement and feel at ease and excited,” by connecting vehicles, people and communities with its connected car technologies.

Our Connected Strategy for Realizing Connected Platforms

Connecting cars is not only providing new value and services to customers, but creating new modes of use and new roles in society for cars. To stay at the forefront of this evolution, Toyota established an in-house

Connected Company in April 2016 and announced its Connected Strategy in November of the same year. This strategy comprises three pillars that we initiated almost simultaneously.

- Pillar 1 — Connect All Cars

The key to connecting all cars is on-board data communication modules (“DCMs”), which connect cars to data centers. In 2002, Toyota commercialized its DCMs and launched the G-BOOK service for Toyota vehicles (this service was replaced by T-Connect in 2014). In 2005, DCMs became a standard feature in Lexus cars, and Toyota launched the G-Link service in Japan before expanding it to North America and China. As the first step towards connecting all vehicles, in June 2018, Toyota also launched sales in Japan of the new Crown and Corolla Sport with DCMs as standard features for all vehicles. This marked the start of Toyota’s full-scale roll out of connected cars. Toyota completed installation of DCMs on virtually all passenger vehicles it sells in Japan and the United States in 2020, and will steadily equip more vehicles with DCMs in Japan and other major markets around the world going forward.

- Pillar 2 — Creation of New Value and Business Revolution

As the number of connected cars on the road increases, so does the big data they generate and Toyota is using this data to contribute to the good of customers and society while revolutionizing its own businesses. Aggregate route history maps were made publicly available after the Great East Japan Earthquake, and such data has subsequently been used in evacuation, response, and recovery operations following several natural disasters. Furthermore, by analyzing the diverse information collected from cars on the road using big data approaches, Toyota will be able to utilize that information to create and enhance services that provide safety and peace of mind. Making DCMs standard features also makes Toyota’s online services more convenient and easier to use. The voice recognition-enabled AI virtual agent understands passengers’ natural speech and performs tasks such as setting the destination for the navigation system. Toyota also has operators standing by 24 hours a day, 365 days a year, to provide a more in-depth response to customer requests. By offering both virtual (AI) and real-world (operators) services, Toyota seeks to provide what it calls “Human Connected Services.”

- Pillar 3 — Creation of New Mobility Services

Toyota will accelerate cross-industry collaboration through the Mobility Service Platform (“MSPF”). Using the MSPF, Toyota is taking an open approach and working together with all kinds of service providers to contribute to the creation of new mobility services. Toyota has already begun a range of collaborative initiatives. In May 2016, Toyota and Uber Technologies, Inc. (“Uber”) began to consider a partnership in ride-sharing. In 2017, Toyota conducted a pilot program for its Smart Key Box with the United States car-sharing company Getaround, Inc.; began a partnership with Grab Holdings Inc. (“Grab”), the leading ride-hailing service company in Southeast Asia; and began verification testing of connected taxis with the Tokyo Taxi-Hire Association. Going forward, Toyota will work to deepen these and other initiatives in order to create new mobility services and accelerate their commercialization.

The Connected Strategy has three facets: defense, *Kaizen* (improvement) and offense. Defense means to establish long-term relationships of trust with customers, and to secure and expand the existing value chains; *Kaizen* (improvement) means to rapidly improve productivity, quality, and lead time of work by changing existing work habits; and Offense means to create new value for our cars and to create our new mobility business.

As practical measures for realizing a Smart Mobility Society based on the Connected Platforms, Toyota is promoting: 1. “Connected with vehicles and roads (SAFETY) — Cooperative ITS, driving assistance functions and automated driving”; 2. “Connected with people (COMFORT) — Connected Service”; and 3. “Connected with society and the community (ECO & CONVENIENCE) — Maas (Mobility as a Service).”

Connected with vehicles and roads (SAFETY) — Cooperative ITS

Enhancing transport systems requires taking a general approach that addresses various factors that are pertinent not only to vehicles but also roads, people and public transport systems in order to ensure smooth and efficient movement of people and vehicles and to build a safe transportation environment. This covers a wide scope, including VICS and ETC (Electronic Toll Collection System), which are already standard in Japan. “Cooperative ITS,” which combines cutting edge IT and vehicle technology, is in development and has begun to be partially implemented. With the aim of achieving a safe and comfortable transportation society, Toyota is promoting initiatives to popularize and increase the sophistication of “Cooperative ITS,” which provides information that cannot be captured by car sensors to drivers through the vehicle-to-infrastructure (V2I) and vehicle-to-vehicle (V2V) bidirectional communication systems, thereby reducing accidents.

- The operation of “ETC2.0” commenced in 2009 and corresponding products are available for purchase. Mainly for use on highways, this service provides drivers with information related to road traffic and safe driving that is transmitted from road infrastructures to car navigation systems via video and voice.
- “ITS Connect,” a driving safety support system that uses a dedicated ITS frequency of 760 MHz, was introduced in the fall of 2015. Through direct and continuous exchange of information between vehicles and the road and among vehicles, this system aims to mitigate accidents near intersections, which have been difficult to mitigate to date. The system also includes Communicating Radar Cruise Control features, which supports smooth acceleration and deceleration when following behind another vehicle.

Toyota is promoting the development of systems with further enhanced functions, and will aim at the realization of automated driving in which all drivers can move safely, smoothly and freely by harmonizing ITS technology and vehicle control technology.

Connected with vehicles and roads (SAFETY) — driving assistance functions and automated driving

Toyota’s driving assistance functions offer functions that assist drivers with an aim to lessen the burden of driving, enhance safety and provide to everyone the pleasure of driving. Toyota has commercialized enhancements to various functions that assist the driver in sensing external information, avoiding danger and making appropriate maneuvers.

In 2015, Toyota commercialized the Toyota Safety Sense, a package that includes Automatic Emergency Braking (AEB) and driving support functions. In 2018, Toyota commercialized the new-generation Toyota Safety Sense (Toyota Safety Sense 2.0 in the United States), which has enhanced AEB and driving support functions. In 2020, Toyota commercialized Toyota Safety Sense 2.5 and Toyota Safety Sense 2.5+ with additional functions, such as to address accidents at intersections. The most recent Toyota Safety Sense 2.5+ has the following functions:

- “Pre-collision System” is an AEB system that detects obstacles, cars in front and crossing pedestrians during both day and night, as well as crossing bicycles in daytime, all through a sensor installed in a vehicle, and has recently been upgraded to perceive possibilities of a crash with oncoming vehicles when performing a left-hand turn or oncoming crossing pedestrians when performing a left- or right-hand turn at intersections. If a collision seems likely, it proceeds to activate warnings as well as brake assistance, which aids the driver’s operation of the brake, or the automatic braking system, which aids in avoiding the collision altogether or mitigates any damage.
- “Full-Speed Range Dynamic Radar Cruise Control” is an advanced cruise control system, using radar and a camera designed to adjust the vehicle’s speed, that helps the driver maintain, at speeds ranging from zero to a preset speed, a preset distance from the vehicle in front of the driver. When the vehicle in front of the driver starts to move, the vehicle also resumes follow-up cruising to maintain a preset distance once the driver causes her vehicle to start moving again. This technology has also added the Curve Speed Reduction Function, which estimates the size of an approaching curve using AI technologies and controls the vehicle’s speed when the driver starts to turn the steering wheel.

- “Lane Tracing Assist” is a system that, when the Dynamic Radar Cruise Control function is running, uses a camera to detect white or yellow lane markers while driving and assists the driver’s operation of the steering wheel by controlling the electric power steering in order to help keep the vehicle traveling in the middle of lane.
- “Lane Departure Alert with Steering Assist” is designed to issue an audio/visual warning if it detects an inadvertent departure outside of visibly marked lanes. The system is also designed to provide gentle corrective steering if the driver does not take corrective action. It also includes Road Edge Detection, which scans for the boundary between asphalt and the side of the road, such as grass, soil or a curb, and helps keep drivers in their desired lane.
- “Automatic High Beam” detects the headlights of oncoming vehicles or taillights of vehicles running in front and adjusts the headlight range, automatically switching to low beam or high beam, in order to avoid blinding the visions of drivers with bright lights, as well as to secure drivers’ forward vision at night.
- “Road Sign Assist” is designed to detect certain traffic signs, such as speed limit signs, stop signs, do-not-enter signs and yield signs, using a forward-facing camera, and display them on a multi-information display inside the vehicle.
- “Traffic Movement Notification” promotes attentive driving by monitoring the movement of the vehicle ahead and notifying the driver with an indication in the vehicle’s dashboard and an audible alert if the driver remains stationary after the vehicle ahead drives four or more meters away.

Toyota has completed deployment of Toyota Safety Sense on nearly all models sold in Japan, the United States and Europe at an affordable price aimed at widespread adaption. In the United States, Toyota proceeded to make this technology a standard feature on almost all of its vehicles and achieved the voluntary commitment goal to equip AEB (Automatic Emergency Braking) on 95% of vehicles for sale by 2022, as agreed under the industry’s AEB MOU, two years ahead of schedule, and equipped AEB on 97% of vehicles for sale in 2020. The accumulated global shipments of vehicles with Toyota Safety Sense installed exceeded 22 million vehicles (of which approximately 9 million vehicles were shipped to the United States) as of the end of December 2020.

In addition to the above, Toyota is globally promoting the development of “Parking Support Brake,” which detects obstacles in the front or rear of the vehicle using ultrasonic sensors mounted inside in the front and rear of the vehicle and supports avoiding collisions at low speeds and accidents caused by misapplication of the accelerator. Furthermore, to address abnormal operation of the accelerator, even when no obstacles are present, Toyota commercialized the Acceleration Suppression Function that was developed using big data. Toyota has been widely sharing the concept and algorithm of this function within the industry from the development stage in keeping with the philosophy that collaboration is essential for safety. The Acceleration Suppression Function is installed only in vehicles in Japan at present, but Toyota will examine the possibility of deployment in vehicles in other regions in the future after conducting analyses of accident circumstances and big data, as well as the study of customer needs.

Connected with people (COMFORT) — Connected Service

The driving experience can be enriched and its convenience can be improved through information communication technologies that add a new “connecting” function to the basic vehicle functions of “running, turning and stopping.” Examples of the connecting function include the following:

- Toyota is advancing enhancement of car navigation systems, such as car parking maps that display detailed information inside car parks, as well as the VICS system (Vehicle Information and Communication System) that provides real-time road traffic information such as congestion, accidents, traffic restrictions and parking. Car navigation systems play an increasingly important role in providing drivers with various types of information on safety, smooth traveling, comfort and convenience.

- T-Connect/G-BOOK is the latest information network service that merges the latest network technologies and car multimedia a step ahead of the arrival of the ubiquitous network society. T-Connect/G-BOOK provides various types of information useful for driving, as well as safety and security services that detect unusual conditions in the vehicle, thereby supporting a lifestyle with one's vehicles anytime and anywhere through a network. In 2005, Toyota started G-BOOK ALPHA and G-Link for Lexus, each with additional various features including traffic congestion forecast service. In 2007, Toyota launched G-BOOK mX, which in addition to the well-received conventional safety and security services of G-BOOK, introduced even more useful car navigation services such as "Map-on-Demand"—the world's first technology for automatically updating map data—and "Probe Communication Traffic Information" that provides drivers with highly precise information on traffic congestion. In 2014, Toyota launched T-Connect, which in addition to conventional telematics services, provides new services and functions through the distribution of applications to on-board devices, as well as destination and other information searches through the adoption of a voice recognition system. In 2018, Toyota made efforts to further enhance T-Connect and added services such as the "e-Care Driving Guidance," which diagnoses the condition of a car from the vehicle data and an operator advises the driver in the event of abnormality, and further guides the driver to a dealer if necessary, and "Tsunagaru (Connected) Car Insurance Plan," which is an insurance plan based on driving behavior data. Furthermore, by standardizing the DCM, Toyota improved online services such as the "Voice Recognition-enabled AI Virtual Agent" and "Hybrid Navi."
- In 2019, Toyota enhanced connectivity with smartphones, the ever-evolving devices that have become a part of our lives. By equipping car displays with audio functions and smartphone-linked functions, drivers can directly access their favorite smartphone functions, such as phone, messages and music as well as navigation guidance, through the display, thereby enabling them to safely use smartphone applications on the road.
- The driver monitor camera that is equipped in "Advanced Drive", the latest new advanced driving assisting technology of Toyota/Lexus Teammate, alerts the driver through means such as the monitor display when the system detects signs of drowsiness and connects the driver to an agent who speaks to the driver to suggest that the driver take a break when further drowsiness is detected.
- HELPNET is an emergency dial system that, in the event of a traffic accident or medical emergency, transmits information required for emergency rescue, such as present-location data and vehicle details, either automatically or with the touch of a button. It immediately contacts police and fire departments through the HELPNET Operation Center. This system is integrated into T-Connect/G-BOOK and G-Link to improve the quality of services. In 2018, Toyota newly developed the "D-Call Net," which is a rescue service that is interlocked with the activation of the airbag. It instantly analyzes the damages to car occupants from the car data at the time of the collision, and with the cooperation of the fire departments, dispatches helicopter ambulances if it is diagnosed that the possibility of serious injury is high. HELPNET shortens the time taken to report following an emergency situation, which contributes to decreasing the number of traffic accident fatalities and reducing the level of impact, while at the same time aiming to prevent secondary disasters and ease traffic congestion.

In addition to the above, Toyota also operates a Japanese-language web portal for automobile information, GAZOO.com. The name "GAZOO" originates from the Japanese word *gazo*, meaning images. GAZOO was established as an Internet membership service linking Toyota, its national dealer network and GAZOO members, and has provided information on new and used Toyota vehicles and related services, as well as online shopping services. GAZOO later expanded to include information on other automakers, as well as a rich blog feature as a social networking portal site on automobiles.

Furthermore, in 2010, by utilizing technology cultivated through the Internet and telematics services, Toyota developed the Toyota Smart Center ("TSC") that optimally controls electricity and links BEVs and PHEVs with homes. Toyota aims to offer new services, achieve better vehicle quality and enhance product attractiveness, as

well as contribute further to society by utilizing the vehicle information, road conditions and other parameters collected via telematics services and stored at the TSC. With regard to contribution to society, Toyota began offering the Big Data Traffic Information Service in June 2013, through which traffic information, statistics and other related information are provided to local governments, universities and businesses to support traffic flow improvement and assist disaster prevention measures. In December 2016, Toyota launched the TC Smartphone Navigation free-of-charge to users, including those other than Toyota users, to provide readily usable route history maps. Toyota plans to continue to work with new information technologies and the IT industry to establish a framework for TSC's global implementation and to realize a mobility society of the future.

In 2016, Toyota has been working actively on “connected car technology” and alliances with other companies for effective vehicle data utilization to “make ever-better cars” and for safer and securer “connected” service. In January 2016, Toyota announced a “connected vehicle framework” to increase installation of DCMs into a broader range of its vehicles starting in the United States from 2017. In April 2016, Toyota established a new company, “Toyota Connected, Inc.,” in the United States to consolidate and analyze information collected from vehicles and to develop new products, and thereby promoting “making ever-better cars” through utilizing big data.

As a further engagement in the insurance industry, Toyota established Toyota Insurance Management Solutions USA, LLC (“TIMS”), a new U.S. telematics car insurance services company, to promote analysis of big data and development of algorithms. TIMS provides telematics insurance services best suited to Toyota's customers by consolidating Toyota's data, financing and insurance knowhow.

Connected with society and the community (ECO & CONVENIENCE) — MaaS (Mobility as a Service)

In November 2016, based on the proliferation and popularity of mobility services such as car-sharing, Toyota started to establish MSPF, which has various functions to support mobility services. MSPF is a platform that aggregates and covers individual business functions, such as vehicle management systems and leasing programs, that Toyota developed and offered to mobility service providers such as ride-sharing operators when working together with them. In addition, as one example of the functions that MSPF offers, Toyota developed the smart key box (“SKB”) that enables users to lock and unlock doors and to start the engine with their smartphones — thus providing a safer and more secure way of locking/unlocking doors and starting the engine. Furthermore, Servco Pacific Inc., a Toyota dealer in Hawaii, began a car-sharing services program in July 2018.

In terms of ride-sharing, in May 2016, Toyota and Uber entered into a memorandum of understanding to explore collaboration with respect to ride-sharing. In August 2018, the scope of collaboration was expanded: Toyota and Uber will be developing vehicles utilizing the technologies of both companies and used exclusively for ride-sharing, and introducing the same into Uber's ride-share network. Technology establishment of the in-vehicle equipment and control interface is underway. Furthermore, in April 2019, in order to accelerate the development and practical realization of automated driving vehicles for ride-sharing, Toyota announced that it will invest in Uber Advanced Technologies Group (“Uber ATG”) together with Denso Corporation and SoftBank Vision Fund L.P. Uber ATG was acquired by Aurora Innovation Inc. (“Aurora”) in December 2020. In February 2021, Toyota announced that Toyota and Denso will team up with Aurora to develop and manufacture automated driving vehicles based on the mass-produced Sienna for ride-hailing companies such as Uber.

Toyota invested in May Mobility, a pioneering venture company engaged in the development of the automated driving technologies and mobility service businesses in North America. In May 2021, May Mobility announced that it would launch public road testing of automated driving vehicles that are based on the Sienna and equipped with May Mobility's autonomous driving kit (ADK).

In China, Toyota announced its collaboration with Didi Chuxing (“DiDi”) on e-Palette in January 2018. In July 2019, Toyota and DiDi agreed to expand their collaboration to include MaaS in China, pursuant to which Toyota has established a joint venture with GAC Toyota Motor Co., Ltd. (GTMC) for vehicle-related services for

ride-hailing drivers. Through this agreement, Toyota and DiDi provide automobile maintenance support utilizing MSPF and safe driving guidance to ride-hailing drivers and promote initiatives such as to reduce automobile accidents. The two companies also plan to shift to full-scale implementation of services that they have been developing in China to realize more-efficient and high-quality ride-hailing businesses.

In Southeast Asia, Toyota started to collaborate with Grab in August 2017, and commenced a pilot program in Singapore to collect driving data generated from vehicles owned by Grab. In June 2018, Toyota further expanded the collaboration with Grab and invested in Grab. Toyota moved forward with providing various connected services that use MSPF to Grab. As a specific example of such services, in December 2018 Toyota provided the total care service for vehicles to 1,500 vehicles owned by Grab. Toyota started both to provide high-efficiency maintenance reflecting TPS, as well as to cooperate with local insurance companies with the aim of providing insurance services by utilizing driving data. The two companies launched the same initiatives in Indonesia, the principal market for Grab, in 2020.

In August 2016, Toyota and Japan Federation of Hire-Taxi Associations entered into a memorandum of understanding to explore areas for collaboration, so as to develop and introduce the “Japanese taxi of the future.” In February 2018, Toyota invested in JapanTaxi Co., Ltd. Toyota and JapanTaxi agreed on business collaboration in such areas as big-data collection, connected terminals for taxis, and the joint development of vehicle-dispatch support systems to revitalize the taxi industry as a whole and improve its efficiency. Later, Toyota further developed a collaboration with Mobility Technologies Co., Ltd., which was created from JapanTaxi in April 2020 through business combinations. The two companies are advancing efforts in both tangible and intangible aspects to realize a free and seamless mobility society utilizing the mobility of taxis.

Meanwhile, in October 2018, Toyota agreed to work with SoftBank Corp. (“SoftBank”) on the realization of a Mobility Network that delivers safe and comfortable mobility to all people. In February 2019, Toyota and SoftBank established a joint venture, MONET Technologies Inc. (“MONET”). Anticipating the realization of an automated driving society, cooperation with local governments in Japan to provide next-generation on-demand mobility service began. The number of cooperating local governments has increased to more than 100 as of today. In March 2019, MONET established the Monet Consortium in an effort to promote inter-corporate cooperation that aims for the realization of mobility innovation. The Monet Consortium currently has more than 660 participants.

With the background of expanding mobility services and the tightening of data regulations in Europe, Toyota established Toyota Connected Europe, Limited in March 2018, and is promoting car-sharing businesses by utilizing MSPF in Europe in coordination with local dealers.

In January 2018, at “2018 International CES” held in Las Vegas, Nevada in the United States, Toyota announced the “e-Palette Concept,” an EV designed exclusively for Autono-MaaS, leveraging electrification, connected vehicles and automated driving technologies. The e-Palette Concept can be adapted for various services, such as passenger transportation, logistics services or retail services, and is the embodiment of Toyota’s concept of “new mobility” that supports the lifestyles of its customers. Amazon.com, Inc., DiDi Chuxing, Pizza Hut, LLC, Uber and Mazda Motor Corporation are collaborating with Toyota as initial launch partners in order to explore vehicle specifications that are even more practical and to ensure the realization of a new mobility service. Going forward, Toyota is planning to support the transportation of athletes and staff in the Olympic and Paralympic village in the 2021 Tokyo Olympic and Paralympic Games, and launch the service in the early 2020s upon conducting a pilot program with alliance partners. In December 2020, Toyota announced the e-Palette, which has made strides towards practical use, and an operations management system that supports the provision of e-Palette services, at an online event.

In March 2020, Toyota and Nippon Telegraph and Telephone Corporation (“NTT”) agreed to enter into a business and capital alliance with the aim of building a long-term and continuous cooperative relationship that enables the commercialization of smart city businesses, which can solve various issues by improving the

efficiency and sophistication of functions and services in cities and regions and create new value. The two companies will jointly build a “Smart City Platform” as a core foundation for smart cities and introduce it in various cities in Japan and worldwide.

In October 2020, Toyota and KDDI Corporation (“KDDI”) agreed on a new business and capital alliance with the purpose of further strengthening the relationship between the two companies. With a view to developing next-generation telecommunication standards, Toyota and KDDI will jointly conduct research and development focused on telecommunication platforms that enable optimal communications between towns, homes, people and cars, develop an operations and management system for next-generation connected cars and work to address social issues arising between urban and rural areas and regional communities using big data.

Financial Services

Toyota’s financial services include loan programs and leasing programs for customers and dealers. Toyota believes that its ability to provide financing to its customers is an important value-added service. In July 2000, Toyota established a wholly-owned subsidiary, TFSC, to oversee the management of Toyota’s finance companies worldwide, through which Toyota aims to strengthen the overall competitiveness of its financial business, improve risk management and streamline decision-making processes. Toyota has expanded its network of financial services, in accordance with its strategy of developing auto-related financing businesses in significant markets. Accordingly, Toyota currently operates financial services companies in 40 countries and regions, which support its automotive operations globally.

Toyota’s sales revenues from its financial services operations were ¥2,162.2 billion in fiscal 2021 and ¥2,193.1 billion in fiscal 2020. In fiscal 2021, there was major downward pressure on profit in the financing business due to a decline in sales of new cars due to the impact of COVID-19, but the business as a whole saw steady growth mainly due to higher used-vehicle prices in the United States, lower interest rates worldwide and the accumulated balance of earning assets resulting from the enhanced used-vehicle financing and other measures. Under such circumstances, as a result of Toyota’s continued collaboration with dealers in various countries and regions and efforts to expand products and services that meet customer needs, Toyota’s share of financing provided for new car sales of Toyota and Lexus vehicles in regions where TFSC operates remained at a high level of approximately 35%, and the balance of earning assets continued to steadily increase globally, with the exception of some countries. In addition, Toyota is making efforts to provide both its customers and dealers with stable financial services by diversifying its funding methods in recent years, such as issuing Green Bonds in addition to using already existing means as commercial paper, corporate bonds, bank borrowings, ABCP (Asset Backed Commercial Paper) and ABS (Asset Backed Securities). Furthermore, Toyota continued to perform detailed credit appraisals and serve customers by monitoring bad debt and loan payment extensions, and the percentage of credit losses remained low, at 0.23% and 0.29% in fiscal years 2021 and 2020, respectively. Toyota continues to work towards improving its risk management measures in connection with credit and residual value risks.

Toyota Motor Credit Corporation is Toyota’s principal financial services subsidiary in the United States. Toyota also provides financial services in 39 other countries and regions through various financial services subsidiaries, including:

- Toyota Finance Corporation in Japan;
- Toyota Credit Canada Inc. in Canada;
- Toyota Finance Australia Ltd. in Australia;
- Toyota Kreditbank GmbH in Germany;
- Toyota Financial Services (UK) PLC in the United Kingdom;
- Toyota Leasing (Thailand) Co., Ltd. in Thailand; and
- Toyota Motor Finance (China) Co., Ltd. in China.

Toyota Motor Credit Corporation provides a wide range of financial services, including retail financing, retail leasing, wholesale financing and insurance. Toyota Finance Corporation also provides a range of financial services, including retail financing, retail leasing and credit cards. Toyota's other finance subsidiaries provide services including retail financing, retail leasing and wholesale financing.

The KINTO beloved-car subscription service, which started in Japan in 2019 in response to the shift from "owning" cars to "using" cars, has been steadily enhancing its service lineup and gaining awareness. In Europe, full service leasing is being made available in wider areas. Furthermore, Toyota developed and provides customers with the payment application "TOYOTA Wallet" as a platform that contributes to improving the convenience of customers' daily payments and creating a foundation for a mobility society.

Finance receivables for all of Toyota's dealer and customer financing operations were ¥19,205.7 billion as of March 31, 2021, representing an increase of 12.7% as compared to the previous year. The majority of Toyota's financial services are provided in North America. As of March 31, 2021, 54.6% of Toyota's finance receivables were derived from financing operations in North America, 13.5% from Asia, 13.2% from Europe, 8.3% from Japan and 10.4% from other areas.

Approximately 45% of Toyota's unit sales in the United States during fiscal 2021 included a finance or lease arrangement with Toyota. Because the majority of Toyota's financial services operations are related to the sale of Toyota vehicles, a decrease in vehicle unit sales may lead to a contraction of Toyota's financial services operations.

The worldwide financial services market is highly competitive. Toyota's competitors in retail financing and retail leasing include commercial banks, credit unions and other finance companies. Commercial banks and other automobile finance subsidiary companies serving their parent automobile companies are competitors of Toyota's wholesale financing activities. Competitors in Toyota's insurance operations are primarily national and regional insurance companies.

For information on Toyota's finance receivables and operating leases, please see "Operating and Financial Review and Prospects — Operating Results — Financial Services Operations."

Retail Financing

Toyota's finance subsidiaries acquire new and used vehicle installment contracts primarily from Toyota dealers. Installment contracts acquired must first meet specified credit standards. Thereafter, the finance company retains responsibility for installment payment collections and administration. Toyota's finance subsidiaries acquire security interests in the vehicles financed and can generally repossess vehicles if customers fail to meet their contractual obligations. Almost all retail financings are non-recourse, which relieves the dealers from financial responsibility in the event of repossession. In most cases, Toyota's finance subsidiaries require their retail financing customers to carry automobile insurance on financed vehicles covering the interests of both the finance company and the customer.

Toyota has historically sponsored, and continues to sponsor, special lease and retail programs by subsidizing below market lease and retail contract rates.

Retail Leasing

In the area of retail leasing, Toyota's finance subsidiaries acquire new vehicle lease contracts originated primarily through Toyota dealers. Lease contracts acquired must first meet specified credit standards after which the finance company assumes ownership of the leased vehicle. The finance company is generally permitted to take possession of the vehicle upon a default by the lessee. Toyota's finance subsidiaries are responsible for contract collection and administration during the lease period. The residual value is normally estimated at the

time the vehicle is first leased. Vehicles returned to the finance subsidiaries at the end of their leases are sold by auction. For example, in the United States, vehicles are sold through a network of auction sites, as well as through the Internet. In most cases, Toyota's finance subsidiaries require lessees to carry automobile insurance on leased vehicles covering the interests of both the finance company and the lessee.

Wholesale Financing

Toyota's finance subsidiaries also provide wholesale financing primarily to qualified Toyota dealers to finance inventories of new Toyota vehicles and used vehicles of Toyota and others. The finance companies acquire security interests in vehicles financed at wholesale. In cases where additional security interests would be required, the finance companies take dealership assets or personal assets, or both, as additional security. If a dealer defaults, the finance companies have the right to liquidate any assets acquired and seek legal remedies.

Toyota's finance subsidiaries also make term loans to dealers for business acquisitions, facilities refurbishment, real estate purchases and working capital requirements. These loans are typically secured with liens on real estate, other dealership assets and/or personal assets of the dealers.

Insurance

Toyota provides insurance services in the United States through Toyota Motor Credit Corporation's wholly-owned subsidiary, Toyota Motor Insurance Services, Inc. ("TMIS") and its wholly-owned insurance company subsidiaries. Their principal activities include marketing, underwriting and claims administration. TMIS also provides coverage related to vehicle service agreements through Toyota dealers to customers. In addition, TMIS also provides coverage and related administrative services to affiliated companies of Toyota Motor Credit Corporation. Toyota dealers in Japan and in other countries and regions also engage in vehicle insurance sales.

Other Financial Services

Toyota Finance Corporation launched its credit card business in April 2001 and began issuing Lexus credit cards in 2005 when the Lexus brand was introduced in Japan. As of March 31, 2021, Toyota Finance Corporation has 16.3 million card holders (including Lexus credit card holders).

All Other Operations

In addition to its automotive operations and financial services operations, Toyota is involved in a number of other non-automotive business activities. Sales revenues for these activities totaled ¥1,052.3 billion in fiscal 2021 and ¥1,504.9 billion in fiscal 2020.

Information Technology

See "— Automotive Operations — Realizing a Smart Mobility Society that expands through connected car technologies" for a description of Toyota's information technology.

Governmental Regulation, Environmental and Safety Standards

Toyota is inevitably required to comply with the regulations applied to its products relating to the emission levels, fuel economy, noise, safety and so on. In addition, Toyota is subject to laws in various jurisdictions regulating the levels of pollutants generated by its plants. Toyota has incurred significant costs in complying with these laws and regulations and expects to incur significant compliance costs in the future. Toyota's management views leadership in environmental protection as an important competitive factor in the marketplace.

International Harmonization of Vehicle Regulations

The World Forum for Harmonization of Vehicle Regulations (WP.29) of the United Nations Economic Commission for Europe (UNECE) has developed certain international rules and regulations such as the UN Regulations (UNR) under the 1958 Agreement and the Global Technical Regulations (GTR) under the 1998 Agreement and has been working to promote international harmonization of the technical prescriptions for the construction and approval of wheeled vehicles. The UNR has been adopted in jurisdictions such as Japan, EU and Russia, and each participating party's type approvals are mutually recognized under the 1958 Agreement. The parties to the 1998 Agreement include the U.S., China and India in addition to Japan, the EU and Russia, and 21 Global Technical Regulations have been established to date. As the progress of the international harmonization of technical prescriptions will lead to the reduction of the variations in product specifications from country to country, it is expected to lead to greater efficiency in Toyota's product development.

Vehicle Emissions

Japanese Standards

The Air Pollution Control Act of Japan and the Road Transport Vehicle Act and the Act Concerning Special Measures for Total Emission Reduction of Nitrogen Oxides and Particulate Matter from Automobiles in Specified Areas regulate vehicle emissions in Japan. In recent years, in addition to the strengthened regulations on particulate matters emitted from gasoline-fueled vehicles, as can be seen from the adoption of the Worldwide Harmonized Light Vehicles Test Procedure (WLTP) driving cycles and the introduction of the Real Driving Emission (RDE), more stringent regulations have been decided to be introduced to match the European Standards. Moreover, both the Noise Regulation Act and the Road Transport Vehicle Act provide for noise reduction standards on automobiles in Japan.

U.S. Federal Standards

The federal Clean Air Act directs the Environmental Protection Agency ("EPA") to establish and enforce air quality standards, including emission control standards on passenger vehicles, light-duty trucks and heavy-duty vehicles. Manufacturers are not permitted to sell vehicles in the United States that do not meet the standards. In March 2014, the EPA finalized new "Tier 3" tailpipe emission and evaporative emission standards for passenger vehicles, light-duty trucks, medium-duty passenger vehicles and some heavy-duty vehicles. Under the rule, tailpipe emission standards for volatile organic compounds, carbon monoxide, nitrogen oxides, and particulate matter, as well as standards for evaporative emissions and guaranteed useful life (which relates to a vehicle's ability to meet emission limits over time), would become increasingly stringent in phases from 2017 to 2025. The rule would bring federal emission standards for these pollutants in line with California's emission standards.

The new Tier 3 rule also required reductions in gasoline's sulfur content beginning in 2017.

California Standards

Under the federal Clean Air Act, the State of California has been permitted to establish its own vehicle emission control standards if it receives a waiver from the EPA that allow the California standards to preempt less-stringent federal standards. The EPA granted such a preemption waiver to California in January 2013. The waiver provides a legal basis for California's mandate for zero-emission vehicles. Pursuant to the mandate, the CARB requires that a specified percentage of a manufacturer's passenger vehicles and light-duty trucks sold in California be "zero-emission vehicles" (vehicles producing no emissions of regulated pollutants), as well as permits certain advanced technology vehicles such as PHEVs, and alternative fuel vehicles that meet "partial zero-emission vehicles requirements," to be granted partial qualification as BEVs or FCEVs. Toyota's MIRAI qualifies as a zero-emission vehicle. The current Prius Prime has been certified as a partial zero-emission vehicle. Toyota intends to continue to develop additional advanced technologies and alternative fuel technologies that will allow other vehicles to qualify as zero-emission vehicles or partial-zero-emission vehicles.

In January 2012, the CARB adopted the Advanced Clean Cars (“ACC”) program. The ACC program, developed in coordination with the EPA and the federal National Highway Traffic Safety Administration (“NHTSA”), includes Low-Emission Vehicle (LEV) regulations, known as the LEV III regulations, that reduce emissions of smog-causing pollutants (volatile organic compounds, carbon monoxide, nitrogen oxides and particulate matter) and greenhouse gases from cars and light-duty trucks for model years 2015 to 2025. The regulations also include standards for evaporative emissions and guaranteed useful life.

California has adopted regulations that require that On-Board Diagnostics (“OBD”) systems be incorporated into the computers of vehicles sold in California. OBD systems monitor components that can affect the emission performance of a vehicle and, if a problem with a component is detected, illuminates a warning light on the vehicle’s instrument panel. The systems also store the malfunction information in the computer to facilitate repairs. California’s OBD regulations are the most stringent in the world.

Other States’ Standards

Thirteen states (Colorado, Connecticut, Delaware, Maine, Maryland, Massachusetts, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, Vermont and Washington) have adopted regulations substantially similar to California’s low-emission vehicle requirement, and 12 of these have adopted California’s zero-emission vehicle requirement. In September 2019, the Governors of Minnesota and New Mexico indicated that they planned to adopt California’s low vehicle emissions requirement as well.

Canadian Standards

Canada has finalized vehicle emission standards equivalent to the federal standards in the United States in October 2014, in response to the strengthening of the federal vehicle emission standards in the United States applicable to model years 2017 to 2025. Furthermore, certain Canadian provinces are currently considering enacting their own regulations. On January 11, 2018, the Ministry of Sustainable Development, Environment and the Fight against Climate Change of the Province of Quebec issued regulations on zero-emission vehicles including BEVs, FCVs and PHEVs, among others. In November 2018, the premier of British Columbia announced that the government would introduce legislation concerning zero-emission vehicles (indicating the phase-in introduction starting from model year 2020). Canada also adopted a more stringent fuel rule, which is based on the fuel rule in the United States, that reduces refineries’ annual average sulfur concentration of gasoline to 10mg/kg from 2017 with a new addition of credit system to secure compliance.

European Standards

In 2007, the European Parliament adopted more stringent emission standards for passenger vehicles and light commercial vehicles. The effective date for phasing in these stricter standards for passenger vehicles was September 2014 for Euro 6. For light commercial vehicles, the effective date was September 2015 for Euro 6.

The primary focus of Euro 6 is to limit further emissions of diesel-powered vehicles and bring them down to a level equivalent to gasoline-powered vehicles. The EU is now implementing the Real Driving Emission (“RDE”) regulations, which require manufacturers to conduct on-road emissions tests using portable emissions testers to demonstrate compliance. Since September 2017, manufacturers have been required to reduce the divergence between the regulatory limit tested in laboratory conditions and the values of RDE tests, and this divergence factor was made more stringent for all new vehicles effective January 2021. The EU is now also implementing the Worldwide harmonized Light vehicles Test Procedure (WLTP), which was introduced on September 1, 2017. The On-Board Diagnostics (OBD) regulations have also been tightened in terms of both subject parts and regulatory values. Effective January 1, 2019, the EU implemented an improved WLTP that purports to eliminate test flexibilities and introduces on-board fuel and energy consumption monitoring devices.

Chinese Standards

The next-generation emissions regulations for passenger vehicles, or Level 6 Emissions Regulations (China 6), were issued as GB18352.6-2016 at the end of 2016, pursuant to which tighter requirements will be

implemented in two steps, depending on the regulated subjects and the implementation timing. Specifically, China 6a will apply to all models to be sold or registered in July 2020 and beyond, and China 6b will apply to all models to be sold or registered in July 2023 and beyond. China 6b will also introduce the RDE Regulations adopted under Euro 6. The On-Board Diagnostics (OBD) regulations have also been tightened in terms of both subject parts and regulatory values. With respect to fuels in the market, the quality standards and the implementation from January 2019 for China 6 gasoline fuel and China 6 diesel fuel have been provided in GB17930-2016 and GB19147-2016 so as to keep up with the implementation timing of China 6 emissions regulations. Moreover, for areas where the air quality improvement is an urgent necessity, China 6 is scheduled to be implemented from July 2019 ahead of the implementation throughout China.

For heavy-duty diesel-powered commercial vehicles, pursuant to GB17691-2005, the China V Emissions Regulations are being implemented from July 2017. With the establishment of GB17691-2018, which provides next-level China VI Emissions Regulations (China VI), it has been decided that China VIa will be implemented from July 2021 and China VIb from July 2023 (these regulations will apply to gas-fueled vehicles and public vehicles for urban areas earlier than those dates). For heavy-duty gasoline-powered commercial vehicles, pursuant to GB14762-2008, Level IV Emissions Regulations (China IV) apply to new models after July 2012. After the first day the regulation is implemented to a new model, all new models released during the following one-year period also become subject to the regulation. Tightening of the next-generation emissions regulations (China V and China VI) is currently considered for heavy-duty gasoline-powered commercial vehicles.

Standards of Other Countries or Regions

In particular, in India, given the worsening air pollution, in December 2015, the Supreme Court banned the registration of diesel cars with engines that are two liters or larger in the National Capital Region, including the Delhi metropolitan area. In August 2016, the ban on registration was lifted on the condition that a deposit equal to 1% of the vehicle's retail price is to be paid to the Environment Pollution Control Authority. Furthermore, the government accelerated the implementations of BS-6 (equivalent to EURO6) to 2020. Moreover, Thailand has also decided to introduce regulations equivalent to Euro 5 and Euro 6.

Vehicle Fuel Economy

Japanese Standards

The Act on Rationalizing Energy Use requires automobile manufacturers to improve their vehicles to meet specified fuel economy standards. Fuel economy standards are established according to the types of vehicles, and are required to be met by either fiscal 2011 (April 2010-March 2011), fiscal 2016 (April 2015-March 2016), fiscal 2021 (April 2020-March 2021), fiscal 2023 (April 2022-March 2023), fiscal 2026 (April 2025-March 2026) or fiscal 2031 (April 2030-March 2031). From 2020, if the WLTP mode is applied as a vehicle emissions test cycle, fuel economy test must be also conducted based on the WLTP mode.

U.S. Standards

The Federal Motor Vehicle Information and Cost Savings Act requires automobile manufacturers to comply with CAFE standards. A manufacturer is subject to substantial civil penalties if, in any model year, its vehicles do not meet the CAFE standards. Manufacturers that exceed the CAFE standards earn credits determined by the difference between the average fuel economy performance of their vehicles and the CAFE standards. Credits earned for the five model years preceding the current model year, and credits projected to be earned for the next three model years, can be used to meet CAFE standards in a current model year.

In December 2011, the EPA and the NHTSA issued a joint proposed rule to further reduce greenhouse gas emissions and improve fuel economy for passenger vehicles, light-duty trucks and medium-duty passenger vehicles for model years 2017 through 2025. Pursuant to the rule, which was finalized in August 2012, these vehicles are required to meet an estimated combined average emission level of 163 grams of carbon dioxide per

mile in model year 2025, equivalent to 54.5 miles per gallon if these requirements are met through improvements in fuel economy standards. At the same time, the NHTSA issued CAFE standards for passenger vehicles and light-duty trucks that would require manufacturers to meet an estimated combined average fuel economy level of 49.6 miles per gallon in model year 2025.

On August 24, 2018, the EPA and the NHTSA proposed the Safer Affordable Fuel Efficient (“SAFE”) rule, which was meant to replace the rule enacted in 2012 with less stringent greenhouse gas emission standards and CAFE standards. On September 27, 2019, the EPA and the NHTSA issued Part 1 of the final SAFE rule, which is also referred to as the One National Program rule. The One National Program rule withdraws California’s waiver to issue its own, more stringent greenhouse gas emission standards under the LEV III program. The One National Program rule also calls into question the validity of California’s zero emission vehicle mandate (and the other state laws adopting it). On March 31, 2020, the EPA and NHTSA issued Part 2 of the final SAFE rule, which calls for a 1.5% annual increase in the stringency of greenhouse gas emissions and CAFE standards for cars and light trucks for model years 2021 through 2026, as opposed to the 5% annual increase called for in the prior rule enacted in 2012. The EPA and NHTSA project that average fuel economy for 2026 model year vehicles will be 40.4 miles per gallon, compared with 46.7 miles per gallon projected for 2025 model year vehicles under the previous rule enacted in 2012.

California has pledged, despite the SAFE rule, to maintain its more stringent greenhouse gas emission standards under the LEV III program as well as its zero-emissions vehicle mandate. On November 15, 2019, California, 22 other states, the District of Columbia, and the cities of Los Angeles and New York filed suit in the U.S. Court of Appeals for the District of Columbia to challenge the revocation, pursuant to the One National Program rule, of California’s waiver.

On January 20, 2021, President Biden issued an Executive Order that directs the EPA and NHTSA to review the SAFE rule and make a recommendation regarding whether the rule should be suspended, revised, or rescinded; and on February 8, 2021, the U.S. Court of Appeals for the District of Columbia granted the Biden Administration’s motion to hold the litigation in abeyance. It is expected that, by July 2021, the EPA will present a proposal for fuel economy and emission standards that are more stringent than the standards under the SAFE rule. Four other automakers had reached a voluntary, non-legally binding agreement with California to increase fuel efficiency by 3.7% each year (rather than 1.5% under the SAFE rule). It is unclear whether the EPA will adopt this new California compromise standard or promulgate more stringent standards. Whatever the outcome, Toyota plans to meet applicable fuel economy and emissions standards by further developing fuel-efficient technology, alternative fuel technology and other advanced technology.

European Standards

In the EU, the average carbon dioxide emissions limit for light commercial vehicles is currently 147 grams per kilometer and for passenger vehicles 95 grams per kilometer. Manufacturers failing to meet their targets incur penalties of €95 from the first gram of exceedance onwards in 2019 and beyond. Starting in 2021, these emissions targets are tested using the WLTP.

In April 2019, the European Parliament and the Council adopted new carbon dioxide standards for cars and light commercial vehicles for the period after 2020. Average emissions of the EU fleet of new cars and light commercial vehicles in 2025 must be 15% lower than in 2021, and by 2030, emissions must be reduced further to 37.5% and 31% of 2021 levels for cars and light commercial vehicles, respectively. From 2025, a crediting system will be introduced to relax a manufacturer’s specific carbon dioxide emissions targets where the manufacturer produces numbers of “zero and low-emission vehicles” above specified benchmarks.

To achieve a climate-neutral EU by 2050 and an intermediate target of at least 55% net reduction in greenhouse gas emissions by 2030, the European Commission is preparing a revision of these carbon dioxide emissions targets as part of its “Fit for 55%” package, although these revisions have not yet been proposed.

An EU directive on motor vehicle air conditioning units requires manufacturers to replace the refrigerants with that having a lower global warming impact for all newly registered vehicles starting in January 2017.

Chinese Standards

Fuel consumption regulations are being implemented pursuant to the Chinese National Standards (“GB”), and the manufacture and sale of vehicle models not meeting these regulations are prohibited. For light-duty passenger vehicles, GB27999-2011 was issued. In these Level 3 Fuel Consumption Regulations for passenger cars, the regulation framework was substantially revised, such as the introduction of new regulations requiring automobile manufacturers to meet standards of corporate average fuel consumption across models in addition to existing regulations requiring each model to meet consumption standards. Furthermore, in order to achieve the national target for average fuel efficiency for 2020, the following more stringent fuel consumption regulations have been enacted and enforced. First, GB19578-2014, which has been enacted to strengthen regulations for each model, is being applied to new models after January 2016. Second, GB27999-2014, which has been enacted as Level 4 Fuel Consumption Regulations for passenger vehicles to strengthen corporate average regulations, has been in effect since 2016. In addition, Level 5 Fuel Consumption Regulations for passenger vehicles are being examined as more stringent next-generation fuel consumption regulations. For light-duty commercial vehicles, GB20997-2015 was enacted, which further applied Level 3 Fuel Consumption Regulations to all new vehicles from January 2018 and is currently being enforced.

With respect to large commercial vehicles, pursuant to GB30510-2014, Level 2 Fuel Consumption Regulations apply to new vehicles from July 2014 and are currently being enforced. In addition, in an effort to further strengthen fuel consumption regulations, GB30510-2018 was enacted, pursuant to which Level 3 Fuel Consumption Regulations are scheduled to be applied to new vehicles from July 2019.

Vehicle Safety

Japanese Standards

Japan has been participating in the 1958 Agreement of the UN and has a number of technical standards that are harmonized with the UN Regulations.

Furthermore, unique to Japan, the safety standards for automated driving systems were established in March 2020, requiring, in addition to a certain level of performance of automated driving system, the installation of an event data recorder and cyber security measures against unauthorized access. In addition, a certification program was introduced in April 2020 with respect to the system to control sudden acceleration by mixing up the gas and brake pedals as well as the collision damage mitigation brake system.

In addition, fuel-cell vehicles using compressed hydrogen are subject to the approval and control under the High Pressure Gas Safety Act in addition to the Road Vehicles Act.

U.S. Standards

In the U.S., in light of the Executive Order issued by President Trump on January 30, 2017, few safety standards providing new technical requirements have been issued. With respect to automated driving vehicles, on January 8, 2020 the Trump Administration and the U.S. Department of Transportation released Ensuring American Leadership in Automated Vehicle Technologies: Automated Vehicles 4.0 (“AV 4.0”). AV 4.0 unified efforts across 38 Federal departments, independent agencies, commissions, and Presidential Executive Offices in providing high level guidance to state and local governments and other stakeholders. AV 4.0 also established Federal principles for the development and integration of automated vehicles. California and many other states, despite AV 4.0, have adopted different approval systems so that automated vehicles must be compliant with regulations and systems that vary from state to state. On December 23, 2020, California issued its first autonomous vehicle deployment permit.

European Standards

In December 2019, the EU issued the revised General Safety Regulation to tighten the requirements concerning safety and the protection of vehicle occupants and vulnerable road users. This revised General Safety Regulation will make certain vehicle safety equipment mandatory in stages starting 2022, including: advanced emergency braking, emergency lane keeping systems, driver drowsiness and attention warning, intelligent speed assistance, reversing detection systems, tire pressure monitoring systems, and data recorders in case of an accident (“event data recorders”). In relation to this, various UN Regulations are being developed, but it is provided that the equipment for which UN Regulations have not been developed, the EU will establish its own technical standards.

Furthermore, a major overhaul of the EU-type approval framework for motor vehicles was issued in May 2018. The new regulation purports to raise the quality and independency of vehicle type-approval and testing, to increase checks of vehicles that are already on the EU market, and to strengthen European Commission oversight of the framework. It became mandatory for all new vehicle models as of September 1, 2020. Automated driving vehicles must obtain exemption under this framework.

United Nations Standards

The United Nations restructured the existing working parties and established the Working Party on Automated/Autonomous and Connected Vehicles (GRVA) that is dedicated to the development of regulations on automated driving. The GRVA is developing regulations covering functional safety requirements, new evaluation test method requirements, cybersecurity, software updates, data recording for automated driving vehicles and data recording in case of an accident. The new regulations on cyber security, software updates and automated lane keeping system came into effect in January 2021.

Chinese Standards

Vehicle safety regulations in China were in general established having regard to the UN regulations. However, China’s own national technical standards on functions such as batteries, motors, and the charging and remote surveillance of BEVs have been made mandatory. Fuel-cell vehicles are subject to the supervising regulations on the safety of high pressure gas in addition to the vehicle type approval requirement. Moreover, in accordance with the Made in China 2025 policy, more than 100 standards for intelligent connected vehicles (ICV) are being developed (including automation, telecommunication and security).

Environmental Matters

Japanese Standards

Toyota’s automotive operations in Japan are subject to substantial environmental regulation under laws such as the Air Pollution Control Act, the Water Pollution Prevention Act, the Noise Regulation Act and the Vibration Control Act. Under these laws, if a business entity establishes or alters any facility that is regulated by these laws, the business entity is required to give prior notice to regulators, and if a business entity discharges, uses or stores substances that are environmental burdens or causes noise or vibration from such facility, the business entity is also required to comply with the applicable standards. Toyota is also subject to local regulations, which in some cases impose more stringent obligations than the Japanese central government requirements. Toyota has complied with these regulations. Under the Waste Management and Public Cleansing Act, producers of industrial waste must dispose of industrial waste in the manner prescribed in the same act. Toyota has also complied with the same act.

The Soil Contamination Countermeasures Act of Japan requires that land owners conduct contamination testing and submit a report at the time they cease to use hazardous substances, such as in connection with the sale of a former factory, or if there is a possibility of health hazards due to land contamination. If it is found that land

contamination exceeds a certain level, the relevant prefectural authority designates the area as considered to be contaminated, orders the land owner to submit a plan for decontamination (such plan must describe the measures to be taken in the area, the reasons therefor, and the deadline for implementing such measures, etc.), and has the land owner take such measures in accordance with such plan. Toyota is suitably managing its land in accordance with the same law. In addition, under the Act on Recycling, etc. of End-of-Life Vehicles, vehicle manufacturers are required to take back and recycle specified materials (automotive shredder residues, air bags and fluorocarbons) of end-of-life vehicles and the provisions concerning such obligations of vehicle manufacturers became effective in January 2005. Toyota has coordinated with relevant parties to establish a vehicle take-back and recycle system throughout Japan. As a result, in fiscal 2020, Toyota achieved a recycling/recovery rate of 96% for automobile shredder residue (the legal requirement being 70%) and 95% for air bags (the legal requirement being 85%) and reached the targets set forth in this law.

U.S. Standards

Toyota's assembly, manufacturing and other operations in the United States are subject to a wide range of environmental regulation under the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Pollution Prevention Act of 1990 and the Toxic Substances Control Act. Toyota is also subject to a variety of state legislation that parallels, and in some cases imposes more stringent obligations than, federal requirements. These federal and state regulations impose severe restrictions on air- and water-borne discharges of pollution from Toyota facilities, and stringent requirements governing the handling of hazardous materials at Toyota facilities and the disposal of wastes from Toyota operations. Toyota is subject to many similar requirements in its operations in Europe, Canada and other countries.

Pursuant to the Clean Air Act, the EPA has promulgated National Ambient Air Quality Standards ("NAAQS") for six "criteria" pollutants, including for ozone and particulate matter. The Clean Air Act requires that the EPA review and possibly revise these NAAQS every five years. On December 14, 2012, the EPA made the annual health-based particulate matter NAAQS more stringent. On October 1, 2015, the EPA made the annual health-based and welfare-based ozone NAAQS more stringent. The revised annual health-based particulate matter NAAQS and the revised annual health-based and welfare-based ozone NAAQS, as well as any future NAAQS revisions, could lead to additional pollution control requirements on the industry, including on Toyota's manufacturing operations.

Toyota expects growing pressure in the next several years to further reduce emissions from motor vehicles and manufacturing facilities.

European Standards

In 2014, the EU adopted a regulation to reduce noise produced by cars, vans, buses, coaches and light and heavy trucks. Noise limit values must ultimately be lowered by four A-weighted decibels for vehicles other than trucks, and three A-weighted decibels for trucks. Compliance must be achieved in three steps over a ten to 12-year period.

The European Commission is currently reviewing the EU Directive on End-of-Life Vehicles with a public consultation process. The Commission expects to present a legislative proposal for revisions to this directive in 2022.

Toyota believes that its operations are materially in compliance with environmental regulatory requirements concerning its facilities and products in each of the markets in which it operates. Toyota continuously monitors these requirements and takes necessary operational measures to ensure that it remains in material compliance with all of these requirements.

Toyota believes that environmental regulatory requirements have not had a material adverse effect on its operations. However, compliance with environmental regulations and standards has increased costs and is

expected to lead to higher costs in the future. Therefore, Toyota recognizes that effective environmental cost management will become increasingly important. Moreover, innovation and leadership in the area of environmental protection are becoming increasingly important to remain competitive in the market. As a result, Toyota has proceeded with the development and production of environmentally friendly technologies, such as hybrid electric vehicles, PHEVs, FCEVs, BEVs and high fuel efficiency, low emission engines.

In addressing environmental issues, based on an assessment of the environmental impact of its products through their entire life cycles, from production through sales, disposal and recycling, Toyota, as a manufacturer, strives to take all possible measures from development stage and continues to work towards technological innovations to make efficient use of resources and to reduce the burden on the environment.

Disclosure of Iranian Activities under Section 13(r) of the Securities Exchange Act of 1934

None.

Research and Development

The overriding goals of Toyota’s technology and product development activities are to minimize the negative aspects of cars, such as traffic accidents and impact on the environment, and maximize the positive aspects, such as driving pleasure, comfort and convenience. By achieving these sometimes conflicting goals to a high degree, Toyota seeks to open the door to the automobile society of the future. To ensure efficient progress in research and development activities, Toyota coordinates and integrates all research and development phases, from basic research and advanced research to forward-looking technology and product development. With respect to long-term basic research in areas such as energy, the environment, information technology, telecommunications and materials, projects are regularly reviewed and evaluated in consultation with outside experts to achieve research and development cost control. With respect to forward-looking, leading-edge technology and product development, Toyota establishes cost-performance benchmarks on a project-by-project basis to ensure efficient development investment.

The chart below provides an overview of Toyota’s R&D at each phase.

Basic research	Phase to discover development theme Research on basic vehicle-related technology
Forward-looking and leading-edge technology development	Phase requiring technological breakthroughs such as components and systems Development of leading-edge components and systems that are more advanced than those of competitors
Product development	Phase mainly for development of new models Development of all-new models and existing-model upgrades

Toyota is promoting research and development into the early commercialization of next generation environmentally friendly, energy-efficient and safe-vehicle technology. Toyota is also moving forward with the development of innovative technologies such as electrification, connected vehicles and automated driving so as to realize a mobility society of the future that enables everyone to enjoy freedom of movement beyond the conventional concept of vehicles. To this end, Toyota is focusing on the following areas:

- further improvements in hybrid technologies, including in functions and cost, and contributions to the environment through advancements;
- improvement in internal combustion engine fuel economy technology as well as improvement in technology in connection with more stringent emission standards;
- development of BEVs, FCEVs and other alternative fuel vehicles;

- development of advanced safety technology designed to promote driving and vehicle safety;
- development of automated driving technologies
- connected car technologies; and
- development of technology to bring about more comfortable travel (driving).

For a detailed discussion of the company’s research and development infrastructure, see “Operating and Financial Review and Prospects — Research and Development, Patents and Licenses.”

Components and Parts, Raw Materials and Sources of Supply

Toyota purchases parts, components, raw materials, equipment and other supplies from multiple competing suppliers located around the world. Toyota works closely with its suppliers to pursue optimal procurement. Toyota believes that this policy encourages technological innovation, cost reduction and other measures to strengthen its vehicle competitiveness. Toyota plans to continue purchases based on the same principle and does not anticipate any difficulty in obtaining stable supplies in the foreseeable future. For example, in 2019, Japan suffered major flooding caused by Typhoon Hagibis, but the operations of Toyota were spared from its impact thanks to utmost efforts with all Toyota suppliers to realize early restoration of damaged local areas and suppliers, as well as alternative production by other suppliers. In 2020, the impact of COVID-19 spread globally and has had an effect on the operations of some of Toyota’s automobile plants. In order to minimize the impact, Toyota continues to study alternative production methods, working together with all of its suppliers.

Because Toyota had more than 50 overseas operations in 27 countries and regions as of March 31, 2021, procurement of parts and components is being carried out not only locally in the country of the production site but also from third countries. As a result, the distribution network has become increasingly complex. In order to realize timely and efficient distribution while minimizing costs, Toyota is promoting efforts to optimize each stage of the supply chain. To this end, Toyota has developed a standardized system of global distribution and is supporting the operation of the system at each production base. The use of the global distribution system aims at implementing parts procurement that meets changes in vehicle production in a timely manner. These varying efforts, combined together, have led to maximized customer satisfaction, as well as to building a good working relationship with Toyota’s suppliers.

Toyota aims to share information and collaborate among the procurement divisions in each of the regions throughout the world in order to procure parts and materials from the most competitive suppliers among Toyota factories located in various areas worldwide. At the same time, Toyota carries out streamlining efforts together with suppliers in each country in order to achieve sustainable growth. Toyota has been working on cost reduction measures, referred to as RR-CI and VA activities. Through RR-CI activities, which are conducted in conjunction with TNGA, Toyota aims to ensure cost competitiveness through such means as thorough localization, sharing parts and components and manufacturing reforms, together with producing products matching customers’ needs in each region and vehicle category, and relentlessly reinforcing activities from a medium- to long-term perspective based on benchmarks as the third phase of RR-CI. Toyota has been continuously working on VA (value analysis) activities for the various types of vehicles already on sale in collaboration with in-house vehicle companies. In pursuit of cost reduction, Toyota focuses on “developing a real cost-competitive structure” by working together with suppliers.

In the raw material market during 2020, while prices declined from the beginning of the year, the impact of COVID-19 changed the demand structure. Market prices surged in the second half of the year against the backdrop of multiple factors on the supply side such as the sharp recovery in demand and the tight container transportation market. The prices of precious metals (palladium and rhodium) particularly soared due to the sharp recovery in demand as well as the impact of COVID-19 and a mine accident. During fiscal 2022, raw material prices are expected to experience the most significant increase since the period from calendar years 2007 to 2008. Toyota is therefore accelerating initiatives such as the replacement of raw materials with those that are less subject to price pressure and reduction of raw material usage.

Intellectual Property

Toyota holds numerous Japanese and foreign patents, trademarks, design patents and some utility model registrations. It also has a number of applications pending for Japanese and foreign patents. While Toyota considers all of its intellectual property to be important, it does not consider any specific subset of its patents, trademarks, design patents or utility model registrations to be so important that their expiration or termination would materially affect Toyota's business.

Capital Expenditures and Divestitures

Set forth below is a chart of Toyota's principal capital expenditures between April 1, 2019 and March 31, 2021, the approximate total costs of such activity, as well as the location and method of financing of such activity, presented on a "by subsidiary" basis and as reported in Toyota's annual Japanese securities report filed with the director of the Kanto Local Finance Bureau.

Description of Activity	Total Cost (Yen in billions)	Location	Primary Method of Financing
<i>Japan</i>			
Investment primarily in technology and products by Toyota Motor Corporation	696.0	Japan	Internal funds, financing from issuance of bonds, etc.
Investment primarily in technology and products by Daihatsu Motor Co., Ltd.	97.6	Japan	Internal funds
Investment primarily in technology and products by Toyota Auto Body Co., Ltd.	69.0	Japan	Internal funds
Investment primarily in technology and products by Primearth EV Energy Co., Ltd.	64.7	Japan	Internal funds
Investment primarily in technology and products by Toyota Motor Kyushu, Inc.	64.7	Japan	Internal funds
Investment primarily in technology and products by Prime Planet Energy & Solutions, Inc.	48.2	Japan	Internal funds
Investment primarily in technology and products by Hino Motors, Ltd.	42.1	Japan	Internal funds
<i>Outside of Japan</i>			
Investment primarily to promote localization by Toyota Motor Manufacturing, Indiana, Inc.	172.3	United States	Internal funds
Investment primarily to promote localization by Toyota Motor Manufacturing Texas, Inc.	64.0	United States	Internal funds
Investment primarily to promote localization by Toyota Motor Europe NV/SA	54.2	Belgium	Internal funds
Investment primarily to promote localization by Toyota Motor Thailand Co., Ltd.	53.0	Thailand	Internal funds
Investment primarily to promote localization by Toyota Motor Manufacturing, Kentucky, Inc.	47.1	United States	Internal funds
Investment primarily to promote localization by Toyota do Brazil Ltda.	39.7	Brazil	Internal funds
Investment primarily to establish office facilities by Toyota Motor North America, Inc.	37.6	United States	Internal funds
Investment primarily in leased automobiles by Toyota Motor Credit Corporation	3,774.2	United States	Internal funds, financing from issuance of bonds, etc.

Set forth below is information with respect to Toyota’s material plans to construct, expand or improve its facilities between April 2021 and March 2022, presented on a “by subsidiary” basis and as reported in Toyota’s annual Japanese securities report filed with the director of the Kanto Local Finance Bureau.

Description of Activity	Total Cost (Yen in billions)	Location	Primary Method of Financing
<i>Japan</i>			
Investment primarily in manufacturing facilities by Toyota Motor Corporation	360.0	Japan	Internal funds
Investment primarily in manufacturing facilities by Prime Planet Energy & Solutions, Inc.	49.2	Japan	Internal funds
<i>Outside of Japan</i>			
Investment primarily in manufacturing facilities by Toyota Motor Manufacturing, Texas, Inc.	109.6	United States	Internal funds
Investment primarily in manufacturing facilities by Toyota Motor Manufacturing, Canada, Inc.	80.9	Canada	Internal funds
Investment primarily in manufacturing facilities by Toyota Motor Europe NV/SA	52.8	Belgium	Internal funds
Investment primarily in manufacturing facilities by Toyota Motor Manufacturing, West Virginia, Inc.	40.9	United States	Internal funds

Set forth below is additional information with respect to Toyota’s material plans to construct, expand or improve its facilities.

In Mexico, Toyota established a new plant (TMMGT) with annual capacity of 100 thousand units in Guanajuato, which started operations in December 2019. In the United States, Toyota will establish a new joint-manufacturing plant with Mazda in 2021. Toyota also plans to start new production lines of hybrid transaxles with annual capacity of 240,000 units in its West Virginia plant during 2020 and 2021. In Alabama, Toyota will increase annual engine production capacity by 230,000 units by the end of 2021.

Toyota does not collect information on the amount of expenditures already paid for each plant under construction because Toyota believes that it is difficult and it would require unreasonable effort or expense to identify and categorize each expenditure item with reasonable accuracy as past and future expenditures. Toyota’s construction projects consist of numerous expenditures, each of which is continually being adjusted and incurred in variable and constantly changing amounts as part of the overall work-in-progress.

Seasonality

Toyota does not consider its seasonality material in the sense of significantly higher sales during any certain period of the year as compared to other periods of the year.

Legal Proceedings

Toyota and other automakers have been named in certain class actions filed in Mexico, Canada, Australia, Israel and Brazil, as well as some other actions by states or territories of the United States relating to Takata airbag issues. The actions in Mexico, Australia, Israel and Brazil are being litigated. The actions by states or territories of the United States have been resolved. As previously disclosed, Toyota entered into a consent decree on January 14, 2021 with the U.S. EPA, the Department of Justice (“DOJ”) and the Civil Division of the U.S. Attorney’s Office for the Southern District of New York (“SDNY”) to resolve investigations stemming from a self-reported process gap in fulfilling certain emissions defect information reporting requirements. Under the consent decree, Toyota agreed to pay, and has paid, a \$180 million civil penalty and to comply with certain

additional periodic reporting requirements. The U.S. District Court for the Southern District of New York approved the consent decree on April 2, 2021.

In April 2020, Toyota reported possible anti-bribery violations related to a Thai subsidiary to the SEC and the DOJ, and is cooperating with their investigations. Investigations by governmental authorities related to these matters could result in the imposition of civil or criminal penalties, fines or other sanctions, or litigation. Toyota cannot predict the scope, duration or outcome of these matters at this time.

Toyota also has various other pending legal actions and claims, including without limitation personal injury and wrongful death lawsuits and claims in the United States, and is subject to government investigations from time to time.

Beyond the amounts accrued with respect to all aforementioned matters, Toyota is unable to estimate a range of reasonably possible loss, if any, for the pending legal matters because (i) many of the proceedings are in evidence gathering stages, (ii) significant factual issues need to be resolved, (iii) the legal theory or nature of the claims is unclear, (iv) the outcome of future motions or appeals is unknown and/or (v) the outcomes of other matters of these types vary widely and do not appear sufficiently similar to offer meaningful guidance. Therefore, for all of the aforementioned matters, which Toyota is in discussions to resolve, any losses that are beyond the amounts accrued could have an adverse effect on Toyota's financial position, results of operations or cash flows.

4.C ORGANIZATIONAL STRUCTURE

As of March 31, 2021, Toyota Motor Corporation had 209 Japanese subsidiaries and 335 overseas subsidiaries. The following table sets forth for each of Toyota Motor Corporation’s principal subsidiaries, the country of incorporation and the percentage ownership interest and the voting interest held by Toyota Motor Corporation.

Name of Subsidiary	Country of Incorporation	Percentage Ownership Interest	Percentage Voting Interest
Toyota Financial Services Corporation	Japan	100.00	100.00
Hino Motors, Ltd.	Japan	50.21	50.28
Toyota Motor Kyushu, Inc.	Japan	100.00	100.00
Daihatsu Motor Co., Ltd.	Japan	100.00	100.00
TOYOTA Mobility Tokyo Inc.	Japan	100.00	100.00
Toyota Finance Corporation	Japan	100.00	100.00
Toyota Mobility Parts Co., Ltd.	Japan	54.08	54.08
Toyota Auto Body Co., Ltd.	Japan	100.00	100.00
Toyota Motor East Japan, Inc.	Japan	100.00	100.00
Daihatsu Motor Kyushu Co., Ltd.	Japan	100.00	100.00
Cataler Corporation	Japan	56.51	57.31
Toyota Motor Engineering & Manufacturing North America, Inc.	United States	100.00	100.00
Toyota Motor Manufacturing, Kentucky, Inc.	United States	100.00	100.00
Toyota Motor North America, Inc.	United States	100.00	100.00
Toyota Motor Credit Corporation	United States	100.00	100.00
Toyota Motor Manufacturing, Indiana, Inc.	United States	100.00	100.00
Toyota Motor Manufacturing, Texas, Inc.	United States	100.00	100.00
Toyota Motor Sales, U.S.A., Inc.	United States	100.00	100.00
Toyota Motor Manufacturing de Baja California, S. de R.L. de C.V.	Mexico	100.00	100.00
Toyota Motor Manufacturing Canada Inc.	Canada	100.00	100.00
Toyota Credit Canada Inc.	Canada	100.00	100.00
Toyota Canada Inc.	Canada	51.00	51.00
Toyota Motor Europe NV/SA	Belgium	100.00	100.00
Toyota Motor Manufacturing France S.A.S.	France	100.00	100.00
Toyota Kreditbank GmbH	Germany	100.00	100.00
Toyota Motor Finance (Netherlands) B.V.	Netherlands	100.00	100.00
Toyota Motor Manufacturing (UK) Ltd.	United Kingdom	100.00	100.00
Toyota Financial Services (UK) PLC	United Kingdom	100.00	100.00
Toyota (GB) PLC	United Kingdom	100.00	100.00
Toyota Motor Manufacturing Turkey Inc.	Turkey	90.00	90.00
OOO “TOYOTA MOTOR”	Russia	100.00	100.00
Toyota Motor (China) Investment Co., Ltd.	China	100.00	100.00
Toyota Motor Finance (China) Co., Ltd.	China	100.00	100.00
PT. Toyota Motor Manufacturing Indonesia	Indonesia	95.00	95.00
Toyota Motor Asia Pacific Pte Ltd.	Singapore	100.00	100.00
Toyota Leasing (Thailand) Co., Ltd.	Thailand	87.43	87.43
Toyota Motor Thailand Co., Ltd.	Thailand	86.43	86.43
Toyota Daihatsu Engineering & Manufacturing Co., Ltd.	Thailand	100.00	100.00
Toyota Motor Corporation Australia Ltd.	Australia	100.00	100.00
Toyota Finance Australia Ltd.	Australia	100.00	100.00
Toyota Argentina S.A.	Argentina	100.00	100.00
Toyota do Brasil Ltda.	Brazil	100.00	100.00
Toyota South Africa Motors (Pty) Ltd.	South Africa	100.00	100.00

4.D PROPERTY, PLANTS AND EQUIPMENT

As of March 31, 2021, Toyota and its affiliated companies produced automobiles and related components through more than 50 overseas manufacturing organizations in 27 countries and regions besides Japan. The facilities are located principally in Japan, the United States, Canada, the United Kingdom, France, Turkey, Czech Republic, Russia, Poland, Thailand, China, Taiwan, India, Indonesia, South Africa, Argentina and Brazil.

In addition to its manufacturing facilities, Toyota's properties include sales offices and other sales facilities in major cities, repair service facilities and research and development facilities.

The following table sets forth information, as of March 31, 2021, with respect to Toyota's principal facilities and organizations, all of which are owned by Toyota Motor Corporation or its subsidiaries. However, small portions, all under approximately 20%, of some facilities are on leased premises.

Facility or Subsidiary Name	Location	Land Area (thousand square meters)	Number of Employees	Principal Products or Functions
Japan (Toyota Motor Corporation)				
Toyota Technical Center				Research and
Shimoyama	Toyota City, Aichi Pref.	5,573	44	Development
Tahara Plant	Tahara City, Aichi Pref.	4,032	6,642	Automobiles
Toyota Head Office and Technical				Research and
Center	Toyota City, Aichi Pref.	2,767	23,098	Development
Higashi-Fuji Technical Center	Susono City, Shizuoka Pref.	2,720	2,994	Research and Development
Motomachi Plant	Toyota City, Aichi Pref.	1,575	7,893	Automobiles
Takaoka Plant	Toyota City, Aichi Pref.	1,317	4,132	Automobiles
Kamigo Plant	Toyota City, Aichi Pref.	895	3,035	Automobile parts
Kinu-ura Plant	Hekinan City, Aichi Pref.	808	2,882	Automobile parts
Honsha Plant	Toyota City, Aichi Pref.	623	2,068	Automobile parts
Nagoya Office	Nagoya City, Aichi Pref.	5	2,358	Office
Japan (Subsidiaries)				
Daihatsu Motor Co., Ltd.	Ikeda City, Osaka, etc.	7,762	11,422	Automobiles
TOYOTA Mobility Tokyo Inc.	Minato-ku, Tokyo, etc.	371	6,826	Sales facilities
Hino Motors, Ltd.	Hino City, Tokyo, etc.	6,303	12,784	Automobiles
Toyota Motor Kyushu, Inc.	Miyawaka City, Fukuoka Pref., etc.	1,928	8,545	Automobiles
Toyota Auto Body Co., Ltd.	Kariya City, Aichi Pref., etc.	2,266	12,224	Automobiles
Outside Japan (Subsidiaries)				
Toyota Motor Manufacturing, Indiana, Inc.	Indiana, U.S.A.	4,359	5,804	Automobiles
Toyota Motor Manufacturing, Kentucky, Inc.	Kentucky, U.S.A.	5,161	7,660	Automobiles
Toyota Motor Thailand Co., Ltd.	Samutprakan, Thailand	4,414	9,237	Automobiles
Toyota Motor Manufacturing Canada, Inc.	Ontario, Canada	4,752	7,430	Automobiles
Toyota Motor North America, Inc.	Texas, U.S.A.	722	1,640	Office

Toyota is constantly engaged in upgrading, modernizing and revamping the operations of its manufacturing facilities based on its assessment of market needs and prospects. To respond flexibly to fluctuations in demand in each of its production operations throughout the world, Toyota continually reviews and implements appropriate

production measures such as revising takt time and adjusting days of operation. As a result, Toyota believes it would require unreasonable effort to track the exact productive capacity and the extent of utilization of each of its manufacturing facilities with a reasonable degree of accuracy.

As of March 31, 2021, property, plant and equipment having a net book value of approximately ¥754.1 billion was pledged as collateral securing indebtedness incurred by Toyota Motor Corporation's consolidated subsidiaries. Toyota believes that there does not exist any material environmental issues that may affect the company's utilization of its assets.

Toyota considers all its principal manufacturing facilities and other significant properties to be in good condition and adequate to meet the needs of its operations.

See “— Business Overview — Capital Expenditures and Divestitures” for a description of Toyota's material plans to construct, expand or improve facilities.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

5.A OPERATING RESULTS

Financial information discussed in this section is derived from Toyota's consolidated financial statements that appear elsewhere in this annual report. The financial statements have been prepared in accordance with IFRS, as issued by the IASB.

Overview

The business segments of Toyota include automotive operations, financial services operations and all other operations. Automotive operations are Toyota's most significant business segment, accounting for 88% of Toyota's total revenues before the elimination of intersegment revenues for fiscal 2021. Toyota's primary markets based on vehicle unit sales for fiscal 2021 were: Japan (27.8%), North America (30.3%), Europe (12.5%) and Asia (16.0%).

Automotive Market Environment

The worldwide automotive market is highly competitive and volatile. The demand for automobiles is affected by a number of factors including social, political and general economic conditions; introduction of new vehicles and technologies; and costs incurred by customers to purchase or operate vehicles. These factors can cause consumer demand to vary substantially in different geographic markets and for different types of automobiles.

During fiscal 2021, automotive markets too saw figures fall substantially from fiscal 2020 in many regions mainly due to the effects of the suspension of operations at factories and the suspension of business at dealers worldwide reflecting the impact of the COVID-19 pandemic, with the exception of some regions such as China where the impact of the pandemic was limited.

The following table sets forth Toyota’s consolidated vehicle unit sales by geographic market based on location of customers for the past two fiscal years.

	<u>Thousands of units</u>	
	<u>Year Ended March 31,</u>	
	<u>2020</u>	<u>2021</u>
Japan	2,240	2,125
North America	2,713	2,313
Europe	1,029	959
Asia	1,600	1,222
Other*	1,372	1,027
Overseas total	<u>6,715</u>	<u>5,521</u>
Total	<u>8,955</u>	<u>7,646</u>

* “Other” consists of Central and South America, Oceania, Africa and the Middle East, etc.

During fiscal 2021, Toyota’s consolidated vehicle unit sales in Japan decreased due to weak market conditions as compared to the prior fiscal year. During fiscal 2021, overseas vehicle unit sales decreased, particularly in North America, Asia and Other, where the contraction of automotive markets was especially pronounced.

Toyota’s share of total vehicle unit sales in each market is influenced by the quality, safety, reliability, price, design, performance, economy and utility of Toyota’s vehicles compared with those offered by other manufacturers. The timely introduction of new or redesigned vehicles is also an important factor in satisfying customer needs. Toyota’s ability to satisfy changing customer preferences can affect its revenues and earnings significantly.

The profitability of Toyota’s automotive operations is affected by many factors. These factors include:

- vehicle unit sales volumes,
- the mix of vehicle models and options sold,
- the level of parts and service sales,
- the levels of price discounts and other sales incentives and marketing costs,
- the cost of customer warranty claims and other customer satisfaction actions,
- the cost of research and development and other fixed costs,
- the prices of raw materials,
- the ability to control costs,
- the efficient use of production capacity,
- the adverse effect on production due to the reliance on various suppliers for the provision of supplies,
- the adverse effect on market, sales and productions of natural calamities as well as the outbreak and spread of epidemics and interruptions of social infrastructure, and
- changes in the value of the Japanese yen and other currencies in which Toyota conducts business.

Changes in laws, regulations, policies and other governmental actions can also materially impact the profitability of Toyota’s automotive operations. These laws, regulations and policies include those attributed to environmental matters, vehicle safety, fuel economy and emissions that can add significantly to the cost of vehicles.

Many governments also impose local content requirements, impose tariffs and other trade barriers, and enact price or exchange controls that can limit an automaker's operations and can make the repatriation of profits unpredictable. Changes in these laws, regulations, policies and other governmental actions may affect the production, licensing, distribution or sale of Toyota's products, cost of products or applicable tax rates. From time-to-time when potential safety problems arise, Toyota issues vehicle recalls and takes other safety measures including safety campaigns relating to its vehicles. The recalls and other safety measures described above have led to a number of claims and lawsuits against Toyota. For a more detailed description of these claims and lawsuits, see "Information on the Company — Business Overview — Legal Proceedings" and note 25 to the consolidated financial statements.

The worldwide automotive industry is in a period of global competition which may continue for the foreseeable future, and in general the competitive environment in which Toyota operates is likely to intensify. Toyota believes it has the resources, strategies and technologies in place to compete effectively in the industry as an independent company for the foreseeable future.

Financial Services Operations

The competition in the worldwide automobile financial services industry is intensifying. As competition increases, margins on financing transactions may decrease and market share may also decline as customers obtain financing for Toyota vehicles from alternative sources.

Toyota's financial services operations mainly include loans and leasing programs for customers and dealers. Toyota believes that its ability to provide financing to its customers is an important value added service. Therefore, Toyota has expanded its network of finance subsidiaries in order to offer financial services in many countries.

Toyota's competitors for retail financing and retail leasing include commercial banks, credit unions and other finance companies. Meanwhile, commercial banks and other captive automobile finance companies also compete against Toyota's wholesale financing activities.

Toyota's total receivables related to financial services increased during fiscal 2021 mainly due to the impact of changes in exchange rates. Also, vehicles and equipment on operating leases increased during fiscal 2021 mainly due to the impact of changes in exchange rates.

For a detail on receivables related to financial services and vehicles and equipment on operating leases, see notes 9 and 13 to the consolidated financial statements.

Toyota's receivables related to financial services are subject to collectability risks. These risks include consumer and dealer insolvencies and insufficient collateral values (less costs to sell) to realize the full carrying values of these receivables. See notes 4 and 20 to the consolidated financial statements for additional information.

Toyota continues to originate leases to finance new Toyota vehicles. These leasing activities are subject to residual value risk. Residual value losses could be incurred when the lessee of a vehicle does not exercise the option to purchase the vehicle at the end of the lease term. See note 3 to the consolidated financial statements for additional information.

Toyota enters into interest rate swap agreements and cross currency interest rate swap agreements to convert its fixed-rate debt to variable-rate functional currency debt. A portion of the derivative instruments are entered into to hedge interest rate risk from an economic perspective and are not designated as a hedge of specific assets or liabilities on Toyota's consolidated statement of financial position and accordingly, unrealized gains or losses related to derivatives that are not designated as a hedge are recognized currently in operations. See discussion in "Quantitative and Qualitative Disclosures about Market Risk" and notes 21 and 22 to the consolidated financial statements.

The fluctuations in funding costs can affect the profitability of Toyota's financial services operations. Funding costs are affected by a number of factors, some of which are not in Toyota's control. These factors include general economic conditions, prevailing interest rates and Toyota's financial strength. Funding costs increased during fiscal 2020 mainly as a result of higher interest rates. Funding costs decreased during fiscal 2021 mainly as a result of lower interest rates.

Toyota launched its credit card business in Japan in April 2001. As of March 31, 2020, Toyota had 15.9 million cardholders, an increase of 0.1 million cardholders compared with March 31, 2019. As of March 31, 2021, Toyota had 16.4 million cardholders, an increase of 0.5 million cardholders compared with March 31, 2020. Credit card receivables as of March 31, 2020 increased by ¥6.1 billion from March 31, 2019 to ¥481.7 billion, and that as of March 31, 2021 increased by ¥2.4 billion from March 31, 2020 to ¥484.1 billion.

Other Business Operations

Toyota's other business operations consist of information technology related businesses (including information technology and telecommunications and GAZOO), housing (including the manufacture and sale of prefabricated homes) and other businesses. During fiscal 2020, TMC and Panasonic Corporation ("Panasonic") established a new joint venture, Prime Life Technologies Corporation ("Prime Life Technologies"), relating to the town development business. Prime Life Technologies became Toyota's affiliated company, and Toyota Housing Corporation ("THC") as well as Misawa Homes Co., Ltd. ("Misawa Homes") became subsidiaries of Prime Life Technologies, causing THC and Misawa Homes to no longer be Toyota's consolidated subsidiary companies. See note 6 to the consolidated financial statements for additional information.

Toyota does not expect its other business operations to materially contribute to Toyota's consolidated results of operations.

Currency Fluctuations

Toyota is affected by fluctuations in foreign currency exchange rates. Toyota is exposed to fluctuations in the value of the Japanese yen against the U.S. dollar and the euro as well as the Australian dollar, the Russian ruble, the Canadian dollar, the British pound and others. Toyota's consolidated financial statements, which are presented in Japanese yen, are affected by foreign currency exchange fluctuations through both translation risk and transaction risk.

Translation risk is the risk that Toyota's consolidated financial statements for a particular period or for a particular date will be affected by changes in the prevailing exchange rates of the currencies in those countries in which Toyota does business compared with the Japanese yen. Even though the fluctuations of currency exchange rates to the Japanese yen can be substantial, and, therefore, significantly impact comparisons with prior periods and among the various geographic markets, the translation risk is a reporting consideration and does not reflect Toyota's underlying results of operations. Toyota does not hedge against translation risk.

Transaction risk is the risk that the currency structure of Toyota's costs and liabilities will deviate from the currency structure of sales proceeds and assets. Transaction risk relates primarily to sales proceeds from Toyota's non-domestic operations from vehicles produced in Japan.

Toyota believes that the location of its production facilities in different parts of the world has significantly reduced the level of transaction risk. As part of its globalization strategy, Toyota has continued to localize production by constructing production facilities in the major markets in which it sells its vehicles. In fiscal 2020 and 2021, Toyota produced 69.0% and 69.7%, respectively, of its non-domestic sales outside Japan. In North America, 67.6% and 65.3% of vehicles sold in fiscal 2020 and 2021, respectively, were produced locally. In Europe, 74.4% and 71.9% of vehicles sold in fiscal 2020 and 2021, respectively, were produced locally. Localizing production enables Toyota to locally purchase many of the supplies and resources used in the production process, which allows for a better match of local currency revenues with local currency expenses.

Toyota also enters into foreign currency transactions and other hedging instruments to address a portion of its transaction risk. This has reduced, but not eliminated, the effects of foreign currency exchange rate fluctuations, which in some years can be significant. See notes 21 and 22 to the consolidated financial statements for additional information.

Generally, a weakening of the Japanese yen against other currencies has a positive effect on Toyota's revenues, operating income and net income attributable to Toyota Motor Corporation. A strengthening of the Japanese yen against other currencies has the opposite effect. In fiscal 2020 and 2021, the Japanese yen was on average stronger against the U.S. dollar in comparison to fiscal 2019 and 2020, respectively. The Japanese yen was at the end of fiscal 2020 stronger against the U.S. dollar in comparison to the end of fiscal 2019, but was at the end of fiscal 2021 weaker against the U.S. dollar in comparison to the end of fiscal 2020. In fiscal 2020, the Japanese yen was on average stronger against the euro in comparison to the previous fiscal year, but in fiscal 2021, was on average weaker against the euro in comparison to the previous fiscal year. The Japanese yen was at the end of fiscal 2020 stronger against the euro in comparison to the end of fiscal 2019, but was at the end of fiscal 2021 weaker against the euro in comparison to the end of fiscal 2020. See note 20 to the consolidated financial statements for additional information.

Segmentation

Toyota's most significant business segment is its automotive operations. Toyota carries out its automotive operations as a global competitor in the worldwide automotive market. Management allocates resources to, and assesses the performance of, its automotive operations as a single business segment on a worldwide basis and assesses financial and non-financial data such as vehicle unit sales, production volume, market share information, vehicle model plans and plant location costs to allocate resources within the automotive operations. Toyota does not manage any subset of its automotive operations, such as domestic or overseas operations or parts, as separate management units.

Geographic Breakdown

The following table sets forth Toyota's sales revenues in each geographic market based on the country location of TMC or the subsidiaries that transacted the sale with the external customer for the past two fiscal years.

	Yen in millions	
	Year ended March 31,	
	2020	2021
Japan	9,503,238	8,587,193
North America	10,419,869	9,325,950
Europe	3,133,227	2,968,289
Asia	4,785,489	4,555,897
Other*	2,024,724	1,777,266

* "Other" consists of Central and South America, Oceania, Africa and the Middle East.

Results of Operations — Fiscal 2021 Compared with Fiscal 2020

	Yen in millions			
	Year ended March 31,		2021 v. 2020 Change	
	2020	2021	Amount	Percentage
Sales revenues:				
Japan	¥ 16,441,852	¥ 14,948,931	¥ (1,492,921)	(9.1)%
North America	10,642,034	9,491,803	(1,150,231)	(10.8)
Europe	3,355,357	3,134,489	(220,868)	(6.6)
Asia	5,293,231	5,045,295	(247,936)	(4.7)
Other*	2,114,111	1,872,895	(241,216)	(11.4)
Intersegment elimination/unallocated amount	(7,980,038)	(7,278,820)	701,218	—
Total	29,866,547	27,214,594	(2,651,954)	(8.9)
Operating income (loss):				
Japan	1,585,276	1,149,217	(436,059)	(27.5)
North America	253,205	401,361	148,156	58.5
Europe	143,817	107,971	(35,846)	(24.9)
Asia	363,547	435,940	72,393	19.9
Other*	84,001	59,847	(24,154)	(28.8)
Intersegment elimination/unallocated amount	(30,613)	43,413	74,026	—
Total	2,399,232	2,197,748	(201,484)	(8.4)
Operating margin	8.0%	8.1%	0.1%	
Income before income taxes	2,792,942	2,932,354	139,412	5.0
Net margin from income before income taxes	9.4%	10.8%	1.4%	
Net income attributable to Toyota Motor Corporation				
Corporation	2,036,140	2,245,261	209,121	10.3
Net margin attributable to Toyota Motor Corporation				
Corporation	6.8%	8.3%	1.5%	

* “Other” consists of Central and South America, Oceania, Africa and the Middle East.

Sales Revenues

Toyota had sales revenues for fiscal 2021 of ¥27,214.5 billion, a decrease of ¥2,651.9 billion, or 8.9%, compared with the prior fiscal year. The decrease resulted mainly from the ¥2,080.0 billion impact of decreased vehicle unit sales and changes in sales mix and the ¥560.0 billion unfavorable impact of changes in exchange rates.

The table below shows Toyota's sales revenues from external customers by product category and by business.

	Yen in millions			
	Year ended March 31,		2021 v. 2020 Change	
	2020	2021	Amount	Percentage
Vehicles	¥ 22,647,701	¥ 20,509,606	¥ (2,138,095)	(9.4)%
Parts and components for production	1,197,089	1,287,053	89,964	7.5
Parts and components for after service	2,170,448	2,049,187	(121,261)	(5.6)
Other	755,141	752,000	(3,141)	(0.4)
Total Automotive	26,770,379	24,597,846	(2,172,533)	(8.1)
All Other	923,314	479,553	(443,761)	(48.1)
Total sales of products	27,693,693	25,077,398	(2,616,295)	(9.4)
Financial Services	2,172,854	2,137,195	(35,659)	(1.6)
Total sales revenues	¥ 29,866,547	¥ 27,214,594	¥ (2,651,954)	(8.9)%

Toyota's sales revenues include sales revenues from sales of products, consisting of sales revenues from automotive operations and all other operations, which decreased by 9.4% during fiscal 2021 compared with the prior fiscal year to ¥25,077.3 billion, and sales revenues from financial services operations which decreased by 1.6% during fiscal 2021 compared with the prior fiscal year to ¥2,137.1 billion. The decrease in sales revenues from sales of products is mainly due to a decrease in Toyota vehicle unit sales of 1,309 thousand vehicles compared with the prior fiscal year.

The following table shows the number of financing contracts by geographic region at the end of fiscal 2021 and 2020, respectively.

	Number of financing contracts in thousands			
	Year ended March 31,		2021 v. 2020 Change	
	2020	2021	Amount	Percentage
Japan	2,414	2,660	246	10.2%
North America	5,394	5,553	159	2.9
Europe	1,318	1,412	94	7.1
Asia	1,864	1,992	128	6.9
Other*	926	881	(45)	(4.9)
Total	11,916	12,498	582	4.9%

* "Other" consists of Central and South America, Oceania and Africa.

Geographically, sales revenues (before the elimination of intersegment revenues) for fiscal 2021 decreased by 9.1% in Japan, 10.8% in North America, 6.6% in Europe, 4.7% in Asia, and 11.4% in Other compared with the prior fiscal year. Excluding the impact of changes in exchange rates of ¥560.0 billion, sales revenues in fiscal 2021 would have decreased by 9.1% in Japan, 8.5% in North America, 5.5% in Europe, and 3.5% in Asia, as well as would have increased by 0.1% in Other compared with the prior fiscal year.

The following is a discussion of sales revenues in each geographic market (before the elimination of intersegment revenues).

Japan

	Thousands of units			
	Year ended March 31,		2021 v. 2020 Change	
	2020	2021	Amount	Percentage
Toyota's consolidated vehicle unit sales*	4,284	3,853	(431)	(10.0)%

* including number of exported vehicle unit sales

	Yen in millions			
	Year ended March 31,		2021 v. 2020 Change	
	2020	2021	Amount	Percentage
Sales revenues:				
Sales of products	16,197,556	14,674,496	(1,523,060)	(9.4)%
Financial services	244,296	274,435	30,139	12.3
Total	<u>16,441,852</u>	<u>14,948,931</u>	<u>(1,492,921)</u>	<u>(9.1)%</u>

Sales revenues in Japan decreased due primarily to the 431 thousand vehicles decrease in vehicle unit sales compared with the prior fiscal year. For fiscal 2020 and 2021, exported vehicle unit sales were 2,044 thousand units and 1,728 thousand units, respectively.

North America

	Thousands of units			
	Year ended March 31,		2021 v. 2020 Change	
	2020	2021	Amount	Percentage
Toyota's consolidated vehicle unit sales	2,713	2,313	(400)	(14.8)%

	Yen in millions			
	Year ended March 31,		2021 v. 2020 Change	
	2020	2021	Amount	Percentage
Sales revenues:				
Sales of products	9,089,289	7,995,051	(1,094,238)	(12.0)%
Financial services	1,552,745	1,496,752	(55,993)	(3.6)
Total	<u>10,642,034</u>	<u>9,491,803</u>	<u>(1,150,231)</u>	<u>(10.8)%</u>

Sales revenues in North America decreased due primarily to the 400 thousand vehicles decrease in vehicle unit sales compared with the prior fiscal year.

Europe

	Thousands of units			
	Year ended March 31,		2021 v. 2020 Change	
	2020	2021	Amount	Percentage
Toyota's consolidated vehicle unit sales	1,029	959	(70)	(6.8)%

	Yen in millions			
	Year ended March 31,		2021 v. 2020 Change	
	2020	2021	Amount	Percentage
Sales revenues:				
Sales of products	3,206,943	2,976,259	(230,683)	(7.2)%
Financial services	148,414	158,229	9,815	6.6
Total	<u>3,355,357</u>	<u>3,134,489</u>	<u>(220,868)</u>	<u>(6.6)%</u>

Sales revenues in Europe decreased due primarily to the 70 thousand vehicles decrease in vehicle unit sales compared with the prior fiscal year.

Asia

	Thousands of units			
	Year ended March 31,		2021 v. 2020 Change	
	2020	2021	Amount	Percentage
Toyota's consolidated vehicle unit sales	1,600	1,222	(378)	(23.6)%

	Yen in millions			
	Year ended March 31,		2021 v. 2020 Change	
	2020	2021	Amount	Percentage
Sales revenues:				
Sales of products	5,120,384	4,874,746	(245,638)	(4.8)%
Financial services	172,847	170,549	(2,298)	(1.3)
Total	<u>5,293,231</u>	<u>5,045,295</u>	<u>(247,936)</u>	<u>(4.7)%</u>

Sales revenues in Asia decreased due primarily to the 378 thousand vehicles decrease in vehicle unit sales compared with the prior fiscal year.

Other

	Thousands of units			
	Year ended March 31,		2021 v. 2020 Change	
	2020	2021	Amount	Percentage
Toyota's consolidated vehicle unit sales	1,372	1,027	(345)	(25.2)%

	Yen in millions			
	Year ended March 31,		2021 v. 2020 Change	
	2020	2021	Amount	Percentage
Sales revenues:				
Sales of products	1,941,859	1,719,132	(222,728)	(11.5)%
Financial services	172,252	153,764	(18,488)	(10.7)
Total	<u>2,114,111</u>	<u>1,872,895</u>	<u>(241,216)</u>	<u>(11.4)%</u>

Sales revenues in Other decreased due primarily to the 345 thousand vehicles decrease in vehicle unit sales compared with the prior fiscal year.

Operating Costs and Expenses

	Yen in millions			
	Year ended March 31,		2021 v. 2020 Change	
	2020	2021	Amount	Percentage
Operating costs and expenses				
Cost of products sold	23,103,596	21,199,890	(1,903,706)	(8.2)%
Cost of financial services	1,381,755	1,182,330	(199,424)	(14.4)
Selling, general and administrative	2,981,965	2,634,625	(347,339)	(11.6)
Total	<u>27,467,315</u>	<u>25,016,845</u>	<u>(2,450,470)</u>	<u>(8.9)%</u>

	Yen in millions	
	2021 v. 2020 Change	
Changes in operating costs and expenses:		
Effect of changes in vehicle unit sales and sales mix		(1,330,000)
Effect of changes in exchange rates		(305,000)
Effect of decrease of cost of financial services		(175,500)
Effect of cost reduction efforts		(150,000)
Increase or decrease in expenses and expense reduction efforts		(70,000)
Other		<u>(419,970)</u>
Total		<u>(2,450,470)</u>

Operating costs and expenses decreased by ¥2,450.4 billion, or 8.9%, to ¥25,016.8 billion during fiscal 2021 compared with the prior fiscal year.

Cost Reduction Efforts

During fiscal 2021, continued cost reduction efforts together with suppliers contributed to a reduction of operating costs and expenses by ¥150.0 billion. This was due to ¥80.0 billion in cost reduction efforts concerning design related costs due mainly to ongoing value engineering activities, and ¥70.0 billion in cost reduction efforts at plants and logistics departments.

These cost reduction efforts related to ongoing value engineering and value analysis activities, the use of common parts resulting in a reduction of part types and other manufacturing initiatives designed to reduce the costs of vehicle production. The amount of the effect of cost reduction efforts includes the impact of fluctuation in the price of steel, precious metals, non-ferrous alloys including aluminum, plastic parts and other production materials and parts.

Cost of Products Sold

Cost of products sold decreased by ¥1,903.7 billion, or 8.2%, to ¥21,199.8 billion during fiscal 2021 compared with the prior fiscal year. This decrease mainly reflected the impact of changes in vehicle unit sales and sales mix, the impact of deconsolidation of certain entities due to changes in ownership interest, the favorable impact of fluctuations in foreign currency translation rates, and the impact of cost reduction efforts.

Cost of Financial services

Cost of financial services decreased by ¥199.4 billion, or 14.4%, to ¥1,182.3 billion during fiscal 2021 compared with the prior fiscal year. The decrease resulted mainly from the decrease in expenses related to residual value losses and the decrease in funding costs resulting from lower interest rates.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by ¥347.3 billion, or 11.6%, to ¥2,634.6 billion during fiscal 2021 compared with the prior fiscal year. This decrease mainly reflected the impact of deconsolidation of certain entities due to changes in ownership interest, the decrease in advertising costs, and the favorable impact of fluctuations in foreign currency translation rates.

Operating Income

	<u>Yen in millions</u>
	<u>2021 v. 2020 Change</u>
Changes in operating income and loss:	
Effect of marketing activities	(210,000)
Effect of cost reduction efforts	150,000
Effect of changes in exchange rates	(255,000)
Increase or decrease in expenses and expense reduction efforts	70,000
Other	43,516
Total	<u>(201,484)</u>

Toyota's operating income decreased by ¥201.4 billion, or 8.4%, to ¥2,197.7 billion during fiscal 2021 compared with the prior fiscal year. This decrease was due to the ¥255.0 billion unfavorable impact of changes in exchange rates and the ¥210.0 billion impact of marketing activities, partially offset by the ¥150.0 billion increase in cost reduction efforts and the ¥70.0 billion increase in expenses and expense reduction efforts.

Marketing efforts and marketing activities include changes in vehicle unit sales and sales mix, sales expenses and other. "Other" includes valuation gains and losses from interest rate swaps etc.

The unfavorable impact of changes in exchange rates was due mainly to the ¥210.0 billion impact of overseas transactions such as imports and exports denominated in foreign currencies.

During fiscal 2021, operating income (before elimination of intersegment profits) compared with the prior fiscal year decreased by ¥436.0 billion, or 27.5%, in Japan, ¥35.8 billion, or 24.9%, in Europe, and ¥24.1 billion, or 28.8%, in Other, and increased by ¥148.1 billion, or 58.5%, in North America, and ¥72.3 billion, or 19.9%, in Asia.

The following is a description of operating income in each geographic market.

Japan

	<u>Yen in millions</u>
	<u>2021 v. 2020 Change</u>
Changes in operating income and loss:	
Effect of marketing activities	(475,000)
Effect of cost reduction efforts	125,000
Effect of changes in exchange rates	(170,000)
Increase or decrease in expenses and expense reduction efforts	65,000
Other	18,941
Total	<u>(436,059)</u>

North America

	<u>Yen in millions</u>
	<u>2021 v. 2020 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	150,000
Effect of cost reduction efforts	10,000
Effect of changes in exchange rates	(20,000)
Increase or decrease in expenses and expense reduction efforts	(50,000)
Other	58,156
Total	<u>148,156</u>

Europe

	<u>Yen in millions</u>
	<u>2021 v. 2020 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	15,000
Effect of cost reduction efforts	0
Effect of changes in exchange rates	(50,000)
Increase or decrease in expenses and expense reduction efforts	15,000
Other	(15,846)
Total	<u>(35,846)</u>

Asia

	<u>Yen in millions</u>
	<u>2021 v. 2020 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	20,000
Effect of cost reduction efforts	20,000
Effect of changes in exchange rates	10,000
Increase or decrease in expenses and expense reduction efforts	10,000
Other	12,393
Total	<u>72,393</u>

Other

	<u>Yen in millions</u>
	<u>2021 v. 2020 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	80,000
Effect of cost reduction efforts	(5,000)
Effect of changes in exchange rates	(25,000)
Increase or decrease in expenses and expense reduction efforts	(40,000)
Other	<u>(34,154)</u>
Total	<u>(24,154)</u>

Other Income and Expenses

Share of profit (loss) of investments accounted for using the equity method during fiscal 2021 increased by ¥40.7 billion, or 13.1%, to ¥351.0 billion compared with the prior fiscal year. This increase was due mainly to an increase during fiscal 2021 in net income attributable to the shareholders of companies accounted for by the equity method.

Other finance income increased by ¥129.3 billion, or 42.3%, to ¥435.2 billion during fiscal 2021 compared with the prior fiscal year. This increase was due mainly to an increase during fiscal 2021 in profit on securities revaluation.

Other finance costs increased by ¥0.3 billion, or 0.8%, to ¥47.5 billion during fiscal 2021 compared with the prior fiscal year.

Foreign exchange gain (loss), net increased by ¥109.7 billion to ¥15.1 billion during fiscal 2021 compared with the prior fiscal year. Foreign exchange gains and losses include the differences between the value of foreign currency denominated assets and liabilities recognized through transactions in foreign currencies translated at prevailing exchange rates and the value at the date the transaction settled during the fiscal year, including those settled using forward foreign currency exchange contracts, or the value translated by appropriate year-end exchange rates. The ¥109.7 billion increase in foreign exchange gain (loss), net was due mainly to the losses recorded in fiscal 2020 resulting from the Japanese yen being stronger against foreign currencies at the maturity dates of the foreign currency loans than at the dates of the lending.

Other income (loss), net increased by ¥61.3 billion, to ¥19.2 billion in losses during fiscal 2021 compared with the prior fiscal year.

Income Taxes

The provision for income taxes decreased by ¥31.8 billion, or 4.7%, to ¥649.9 billion during fiscal 2021 compared with the prior fiscal year. This decrease was due mainly to the increased proportion of income before income taxes of foreign subsidiaries where statutory tax rates are low. The average effective tax rate for fiscal 2021 was 22.2%.

Net Income Attributable to Non-controlling Interests

Net income attributable to non-controlling interests decreased by ¥37.8 billion, or 50.5%, to ¥37.1 billion during fiscal 2021 compared with the prior fiscal year. This decrease was due mainly to a decrease during fiscal 2021 in net income of consolidated subsidiaries.

Net Income Attributable to Toyota Motor Corporation

Net income attributable to Toyota Motor Corporation increased by ¥209.1 billion, or 10.3%, to ¥2,245.2 billion during fiscal 2021 compared with the prior fiscal year.

Other Comprehensive Income, Net of Tax

Other comprehensive income, net of tax increased by ¥1,521.1 billion to ¥1,012.4 billion for fiscal 2021 compared with the prior fiscal year. This increase resulted from exchange differences on translating foreign operations gains of ¥403.6 billion in fiscal 2021 compared with losses of ¥362.0 billion in the prior fiscal year. This was due mainly to the weakening of the yen against the U.S. dollar and the euro, net changes in revaluation of financial assets measured at fair value through other comprehensive income gains of ¥303.9 billion in fiscal 2021 compared with losses of ¥130.4 billion in the prior fiscal year, due mainly to changes in prices of marketable stocks in stock exchange markets, and remeasurements of defined benefit plans gains in fiscal 2021 of ¥216.2 billion compared with losses of ¥43.3 billion in the prior fiscal year, due mainly to changes in fair value of plan assets.

Segment Information

The following is a discussion of the results of operations for each of Toyota's operating segments. The amounts presented are prior to intersegment elimination.

	Yen in millions			
	Year ended March 31,		2021 v. 2020 Change	
	2020	2021	Amount	Percentage
Automotive:				
Sales revenues	26,799,743	24,651,552	(2,148,191)	(8.0)%
Operating income	2,013,134	1,607,161	(405,973)	(20.2)
Financial Services:				
Sales revenues	2,193,170	2,162,237	(30,933)	(1.4)
Operating income	283,742	495,593	211,851	74.7
All Other:				
Sales revenues	1,504,920	1,052,365	(452,555)	(30.1)
Operating income	103,356	85,350	(18,006)	(17.4)
Intersegment elimination/unallocated amount:				
Sales revenues	(631,286)	(651,560)	(20,274)	—
Operating income	(999)	9,645	10,645	—

Automotive Operations Segment

The automotive operations segment is Toyota's largest operating segment by sales revenues. Sales revenues for the automotive segment decreased during fiscal 2021 by ¥2,148.1 billion, or 8.0%, to ¥24,651.5 billion compared with the prior fiscal year. The decrease mainly reflects the ¥2,080.0 billion unfavorable impact of changes in vehicle unit sales and sales mix and the ¥560.0 billion unfavorable impact of changes in exchange rates.

Operating income from the automotive operations decreased by ¥405.9 billion, or 20.2%, to ¥1,607.1 billion during fiscal 2021 compared with the prior fiscal year. This decrease in operating income was due mainly to the ¥375.0 billion effect of marketing activities and the ¥255.0 billion unfavorable impact of changes in exchange rates, partially offset by the ¥150.0 billion impact of cost reduction efforts and the ¥70.0 billion decrease in expenses and expense reduction efforts.

Financial Services Operations Segment

Sales revenues for the financial services operations decreased during fiscal 2021 by ¥30.9 billion, or 1.4%, to ¥2,162.2 billion compared with the prior fiscal year. This decrease was due mainly to the unfavorable impact of changes in exchange rates.

Operating income from financial services operations increased by ¥211.8 billion, or 74.7%, to ¥495.5 billion during fiscal 2021 compared with the prior fiscal year. This increase was due primarily to the decrease in expenses related to credit losses and residual value losses, and the recording of valuation gains on interest rate swaps stated at fair value in sales finance subsidiaries.

All Other Operations Segment

Sales revenues for Toyota's other operations segments decreased by ¥452.5 billion, or 30.1%, to ¥1,052.3 billion during fiscal 2021 compared with the prior fiscal year. This was mainly due to the full-year impact of THC and Misawa Homes no longer being Toyota's consolidated subsidiary companies as of January 2020.

Operating income from Toyota's other operations segments decreased by ¥18.0 billion, or 17.4%, to ¥85.3 billion during fiscal 2021 compared with the prior fiscal year. This decrease includes the negative impact caused by THC and Misawa Homes no longer being Toyota's consolidated subsidiary companies.

Related Party Transactions

See note 33 to the consolidated financial statements for further discussion.

Basic Concept Regarding the Selection of Accounting Standards

TMC has adopted IFRS for its consolidated financial statements in order to improve the international comparability of its financial information in the capital markets, among other reasons, beginning with the first quarter of the fiscal year ended March 31, 2021.

Outlook

The automotive industry facing a once-in-a-century transformational period, we have once again returned to our founding philosophy and summarized the spirit we have maintained since the Toyoda Precepts into the "Toyota Philosophy" as our guidepost in an era when the future is difficult to be predicted. We have defined our mission as "Producing Happiness for All," and have been clearly indicating our view that we pursue the customers' happiness as always, even if the products we produce have changed. We believe that taking action to realize our vision of "Creating Mobility for All" translates into taking care of our "home planet," just as we do for our hometown or home country, and leads to sustained efforts to achieve the aims of the SDGs to "make a better world" while ensuring that "no one will be left behind." Taking the foregoing external factors and other factors into account, Toyota expects that sales revenues for fiscal 2022 will increase compared with fiscal 2021 due mainly to the increase in vehicle unit sales. Toyota expects that operating income will increase in fiscal 2022 compared with fiscal 2021 due mainly to the increase in vehicle unit sales, partially offset by the unfavorable impact of market fluctuation. Toyota expects that income before income taxes and net income attributable to Toyota Motor Corporation will also increase in fiscal 2022 compared with fiscal 2021.

For the purposes of this outlook discussion, Toyota is assuming an average exchange rate of ¥105 to the U.S. dollar and ¥125 to the euro. Exchange rate fluctuations can materially affect Toyota's operating results. In particular, a strengthening of the Japanese yen against the U.S. dollar can have a material adverse effect on Toyota's operating results. See "Operating and Financial Review and Prospects — Operating Results — Overview — Currency Fluctuations" for further discussion.

The foregoing statements are forward-looking statements based upon Toyota's management's assumptions and beliefs regarding exchange rates, market demand for Toyota's products, economic conditions and others. See "Cautionary Statement With Respect To Forward-Looking Statements". Toyota's actual results of operations could vary significantly from those described above as a result of unanticipated changes in the factors described above or other factors, including those described in "Risk Factors".

5.B LIQUIDITY AND CAPITAL RESOURCES

Historically, Toyota has funded its capital expenditures as well as its research and development activities through cash generated by operations.

In fiscal 2022, Toyota expects to sufficiently fund its capital expenditures as well as its research and development activities through cash and cash equivalents on hand, cash generated by operations, the issuance of corporate bonds, and debt financing. Toyota will use its funds to efficiently invest in maintenance and replacement of conventional manufacturing facilities and the introduction of new products, and will focus on investment in areas contributing to strengthening competitiveness and future growth for realization of a new mobility society. See "Information on the Company — Business Overview — Capital Expenditures and Divestitures" for information regarding Toyota's material capital expenditures and divestitures for fiscal 2020 and 2021, and information concerning Toyota's principal capital expenditures and divestitures currently in progress.

Toyota funds its financing programs for customers and dealers, including loans and leasing programs, from both cash generated by operations and borrowings by its sales finance subsidiaries. Toyota seeks to expand its ability to raise funds locally in markets throughout the world by expanding its network of finance subsidiaries.

Net cash provided by operating activities increased by ¥328.6 billion to ¥2,727.1 billion for fiscal 2021, compared with ¥2,398.4 billion for fiscal 2020.

This increase was primarily attributable to the ¥513.1 billion increase in accrued trade accounts payable due to the increase of purchases during the quarter ended March 31, 2021, partially offset by an increase in accrued trade account receivable of ¥252.5 billion due to the increase of sales during the quarter ended March 31, 2021.

Net cash used in investing activities increased by ¥2,559.5 billion to ¥4,684.1 billion for fiscal 2021, compared with ¥2,124.6 billion for fiscal 2020. The increase was primarily attributable to the ¥1,988.3 billion increase in time deposits, which is largely attributable to funds raised through debt financing that was conducted taking into account the risk that COVID-19 will have a prolonged impact.

Net cash provided by financing activities was ¥2,739.1 billion for fiscal 2021, compared with ¥362.8 billion for fiscal 2020, a ¥2,376.3 billion change. The change was primarily attributable to the ¥3,965.6 billion increase in funding by long-term debt.

Total capital expenditures for property, plant and equipment, including vehicles and equipment on operating leases, were ¥3,609.6 billion during fiscal 2021, remaining largely unchanged from the ¥3,582.4 billion in total capital expenditures during the prior fiscal year.

Toyota expects investments in property, plant and equipment, excluding vehicles and equipment on operating leases, to be approximately ¥1,350.0 billion during fiscal 2022.

Cash and cash equivalents were ¥5,100.8 billion as of March 31, 2021. Most of Toyota's cash and cash equivalents are held in Japanese yen or in U.S. dollars.

Liquid assets, which Toyota defines as cash and cash equivalents, time deposits, public and corporate bonds and its investment in monetary trust funds increased during fiscal 2021, by ¥3,583.7 billion, or 33.7%, to ¥14,212.2 billion as of March 31, 2021.

Trade accounts and notes receivable, less allowance for doubtful accounts increased during fiscal 2021 by ¥310.3 billion, or 11.7%, to ¥2,958.7 billion. This increase was due mainly to increased revenue from sales during the quarter ended March 31, 2021.

Inventories increased during fiscal 2021 by ¥354.1 billion, or 14.0%, to ¥2,888.0 billion. This increase was due mainly to an increase in unit prices attributable to rising prices in the precious metal market.

Total finance receivables, net increased during fiscal 2021 by ¥2,166.3 billion, or 12.7%, to ¥19,205.7 billion. This increase was due mainly to an increase in the impact of changes in exchange rates. Finance receivables were geographically distributed as follows: in North America 54.6%, in Asia 13.5%, in Europe 13.2%, in Japan 8.3% and in Other 10.4%.

Other financial assets increased during fiscal 2021 by ¥3,254.2 billion, or 32.4%. This increase was due mainly to an increase in time deposits and other factors.

Property, plant and equipment increased during fiscal 2021 by ¥877.1 billion, or 8.3%. This increase was due mainly to capital expenditures.

Accounts and notes payable increased during fiscal 2021 by ¥547.9 billion, or 15.7%. This increase was due mainly to an increase in production volume during the quarter ended March 31, 2021.

Income taxes payable increased during fiscal 2021 by ¥138.6 billion, or 65.3%. This increase was mainly due to a decrease in tax expenses associated with the U.S. tax reform in the prior fiscal year.

Toyota's total borrowings increased during fiscal 2021 by ¥4,318.6 billion, or 20.2%. Toyota's short-term borrowings consist of loans with a weighted-average interest rate of 1.37% and commercial paper with a weighted-average interest rate of 0.16%. Short-term borrowings decreased during fiscal 2021 by ¥955.5 billion, or 18.0%, to ¥4,339.8 billion. Toyota's long-term debt consists of unsecured and secured loans, medium-term notes, unsecured and secured notes etc. with weighted-average interest rates ranging from 1.25% to 6.34%, and maturity dates ranging from 2021 to 2048. The current portion of long-term debt increased during fiscal 2021 by ¥3,016.1 billion, or 66.0%, to ¥7,584.3 billion and the non-current portion increased by ¥2,464.2 billion, or 23.1%, to ¥13,133.8 billion. The increase in total borrowings resulted mainly from debt financing that was conducted taking into account the risk that COVID-19 will have a prolonged impact. As of March 31, 2021, approximately 49% of long-term debt was denominated in U.S. dollars, 16% in Japanese yen, 12% in euros, 6% in Australian dollars, 3% in Canadian dollars, and 14% in other currencies. Toyota hedges interest rate risk exposure of fixed-rate borrowings by entering into interest rate swaps. There are no material seasonal variations in Toyota's borrowings requirements.

As of March 31, 2021, Toyota's total interest bearing debt was 109.6% of Toyota Motor Corporation shareholders' equity, compared with 103.5% as of March 31, 2020.

The following table provides information on credit ratings of Toyota's short-term borrowing and long-term debt from Standard & Poor's Ratings Group (S&P), Moody's Investors Services (Moody's), and Rating and Investment Information, Inc. (R&I), as of May 31, 2021. A credit rating is not a recommendation to buy, sell or hold securities. A credit rating may be subject to withdrawal or revision at any time. Each rating should be evaluated separately of any other rating.

	S&P	Moody's	R&I
Short-term borrowing	A-1+	P-1	—
Long-term debt	A+	A1	AAA

Toyota's net defined benefit liability (asset) of Japanese plans decreased during fiscal 2021 by ¥256.6 billion, or 47.6%, to ¥282.9 billion. The net defined benefit liability (asset) of foreign plans increased

during fiscal 2021 by ¥1.4 billion, or 0.4%, to ¥340.3 billion. The amounts of net defined benefit liability (asset) will be funded through future cash contributions by Toyota or in some cases will be settled on the retirement date of each covered employee. The decrease in net defined benefit liability (asset) of the Japanese plans reflects mainly an increase in plan assets that resulted from an increase in stock prices. See note 24 to the consolidated financial statements for further discussion.

Toyota's treasury policy is to maintain controls on all exposures, to adhere to stringent counterparty credit standards, and to actively monitor marketplace exposures. Toyota remains centralized, and is pursuing global efficiency of its financial services operations through Toyota Financial Services Corporation.

The key element of Toyota's financial strategy is maintaining a strong financial position that will allow Toyota to fund its research and development initiatives, capital expenditures and financial services operations efficiently even if earnings are subject to short-term fluctuations. Toyota believes that it maintains sufficient liquidity for its present requirements, and that by maintaining its high credit ratings, it will continue to be able to access funds from external sources in large amounts and at relatively low costs. Toyota's ability to maintain its high credit ratings is subject to a number of factors, some of which are not within Toyota's control. These factors include general economic conditions in Japan and the other major markets in which Toyota does business, as well as Toyota's successful implementation of its business strategy.

5.C RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Toyota's research and development is dedicated to capturing the increasingly diverse and sophisticated market through the development of attractive, affordable, high-quality products for customers worldwide. The intellectual property that R&D generates is a vital management resource that Toyota utilizes and protects to maximize its corporate value. For a more detailed discussion of the company's research and development objectives and policies, see "Information on the Company — Business Overview — Research and Development."

Toyota's research and development expenditures were approximately ¥10,904 billion in fiscal 2021 and ¥1,110.3 billion in fiscal 2020.

Toyota presents research and development expenditures as a supplemental measure that demonstrates the amount of research and development expenditures undertaken during the relevant reporting period. Toyota defines research and development expenditures as research and development cost, plus research and development-related expenditures that were recognized as intangible assets, less amortization expenses for such assets. This measure has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for an analysis of Toyota's research and development cost as reported under IFRS.

For details of the research and development cost recorded in the consolidated statement of income, see note 28 to the consolidated financial statements.

Toyota operates a global research and development organization with the primary goal of building automobiles that meet the needs of customers in every region of the world. In Japan, research and development operations are led by Toyota and Toyota Central Research & Development Laboratories, Inc., which works closely with Daihatsu Motor Co., Ltd., Hino Motors, Ltd., Toyota Auto Body Co., Ltd., Toyota Motor East Japan, Inc., and many other Toyota group companies. Overseas, Toyota has a worldwide network of technical centers as well as design and motorsports research and development centers.

Toyota established Toyota Research Institute, Inc. ("TRI") in January 2016 to accelerate research and development of artificial intelligence technology, which has significant potential to support future industrial technologies. In July 2017, Toyota Research Institute, Inc. invested \$100 million to launch a venture capital fund designed to provide financing to startup companies, and is making investments in newly established promising startup companies in the four areas of artificial intelligence, robotics, autonomous mobility, and data and cloud

technology. In May 2019, Toyota invested another \$100 million to launch the second venture capital fund, and is making investments.

In Japan, Toyota established a new company, TRI-AD, in March 2018 to further accelerate its efforts in advanced development for automated driving technology and related technologies. Its key objectives include creating a smooth software pipeline from research to commercialization, leveraging data-handling capabilities, strengthening collaboration in development within the Toyota group, including TRI, to accelerate development, and recruiting and employing top-level engineers globally, while cultivating and coordinating strong talent within the Toyota group. In January 2021, TRI-AD was reorganized into Woven Planet Group comprising four companies—Woven Planet Holdings, Inc., which is responsible for decision-making for the entire group and creates new business opportunities; Woven Core, Inc., which assumed the business of TRI-AD and is responsible for the development of automated driving technologies; Woven Alpha, Inc., which is responsible for the development of new projects such as Woven City and Arene, a software platform; and Woven Capital, L.P. with a total investment value of \$800 million, which invests in growth-stage companies in areas such as autonomous driving mobility, artificial intelligence, and smart city.

Toyota also established a technical development center in Otemachi, Tokyo, Japan in October 2018 as a site for development of key IT technologies that will support automated driving in collaboration with Woven Core, as well as promotion of collaboration with venture companies and creation of new value by utilizing big data.

The following table provides information on Toyota’s principal research and development facilities.

Facility	Principal Activity
<i>Japan</i>	
Toyota Technical Center	Product planning, style, design, prototype production and vehicle evaluation
Higashi-Fuji Technical Center	Advanced development
Tokyo Design Research & Laboratory	Advanced styling designs
Woven Core, Inc.	Development of artificial intelligence technology with a focus on automated driving technology
Woven Alpha, Inc.	Development of Woven City and software platform technologies
Otemachi Office	Development of key IT technologies, creation of new values by utilizing big data and collaboration with venture companies
Shibetsu Proving Ground	Evaluation
Toyota Central R&D Labs., Inc.	Basic research
<i>United States</i>	
Toyota Motor Engineering and Manufacturing North America, Inc.	Product planning, design and evaluation of vehicles manufactured in North America
Caltly Design Research, Inc.	Design
Toyota Research Institute of North America (TRI-NA)	Advanced research relating to “energy and environment,” “safety” and “mobility infrastructure”
Toyota Research Institute, Inc.	Research and development of artificial intelligence technology
<i>Europe</i>	
Toyota Motor Europe NV/SA	Planning and evaluation of vehicles manufactured in Europe
Toyota Europe Design Development S.A.R.L.	Design
Toyota Motorsport GmbH	Development of motor sports vehicles
<i>Asia Pacific</i>	
Toyota Daihatsu Engineering and Manufacturing Co., Ltd.	Planning and evaluation of vehicles manufactured in Australia and Asia
<i>China</i>	
Toyota Motor Engineering and Manufacturing (China) Co., Ltd.	Environmental technology design and evaluation in China
FAW Toyota Research & Development Co., Ltd	Design, evaluation and certification of vehicles manufactured in China
GAC Toyota Motor Co., Ltd. R&D Center	Design, evaluation and certification of vehicles manufactured in China
BYD Toyota EV Technology Co., Ltd.	Design and evaluation of BEVs

Toyota carefully analyzes patents and the need for patents in each area of research to formulate more effective research and development strategies. Toyota identifies research and development projects in which it should build a strong global patent portfolio.

In addition, Toyota wishes to contribute to sustainable mobility by promoting the spread of technologies with environmental and safety benefits. This is why Toyota takes an open stance to patent licensing and grants licenses when appropriate terms are met. In April 2019, from the perspective of contributing to the widespread use of electrified vehicles, taking its existing basic policy on intellectual property a step further, Toyota decided to grant royalty-free licenses through the end of 2030 on approximately 23,740 domestic and foreign patents it independently holds for vehicle electrification-related technologies that it has developed in its hybrid vehicle development.

For a further discussion of Toyota's intellectual property, see "Information on the Company — Business Overview — Intellectual Property."

5.D TREND INFORMATION

For a discussion of the trends that affect Toyota's business and operating results, see "— Operating Results" and "— Liquidity and Capital Resources."

5.E OFF-BALANCE SHEET ARRANGEMENTS

Toyota uses its securitization program as part of its funding through special-purpose entities for its financial services operations. Toyota is considered as the primary beneficiary of these special-purpose entities and therefore consolidates them. Toyota has not entered into any off-balance sheet securitization transactions during fiscal 2021.

Lending Commitments

Credit Facilities with Credit Card Holders

Toyota's financial services operations issue credit cards to customers. As customary for credit card businesses, Toyota maintains credit facilities with holders of credit cards issued by Toyota. These facilities are used upon each holder's requests up to the limits established on an individual holder's basis. Although loans made to customers through these facilities are not secured, for the purposes of minimizing credit risks and of appropriately establishing credit limits for each individual credit card holder, Toyota employs its own risk management policy which includes an analysis of information provided by financial institutions in alliance with Toyota. Toyota periodically reviews and revises, as appropriate, these credit limits. Outstanding credit facilities with credit card holders were ¥186.8 billion as of March 31, 2021.

Credit Facilities with Dealers

Toyota's financial services operations maintain credit facilities with dealers. These credit facilities may be used for business acquisitions, facilities refurbishment, real estate purchases, and working capital requirements. These loans are typically collateralized with liens on real estate, vehicle inventory, and/or other dealership assets, as appropriate. Toyota obtains a personal guarantee from the dealer or corporate guarantee from the dealership when deemed prudent. Although the loans are typically collateralized or guaranteed, the value of the underlying collateral or guarantees may not be sufficient to cover Toyota's exposure under such agreements. Toyota evaluates the credit facilities according to the risks assumed in entering into the credit facility. Toyota's financial services operations also provide financing to various multi-franchise dealer organizations, referred to as dealer groups, often as part of a lending consortium, for wholesale inventory financing, business acquisitions, facilities refurbishment, real estate purchases, and working capital requirements. Toyota's outstanding credit facilities with dealers totaled ¥3,655.4 billion as of March 31, 2021.

Guarantees

Toyota enters into certain guarantee contracts with its dealers to guarantee customers' payments of their installment payables that arise from installment contracts between customers and Toyota dealers, as and when

requested by Toyota dealers. Guarantee periods are set to match the maturity of installment payments, and as of March 31, 2021, ranged from one month to 8 years. However, they are generally shorter than the useful lives of products sold. Toyota is required to execute its guarantee primarily when customers are unable to make required payments.

The maximum potential amount of future payments as of March 31, 2021 is ¥3,710.3 billion. Liabilities for these guarantees of ¥18.4 billion have been provided as of March 31, 2021. Under these guarantee contracts, Toyota is entitled to recover any amounts paid by it from the customers whose obligations it guaranteed.

5.F TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Contractual Obligations and Commitments

For information regarding the amounts of non-derivative financial liabilities and derivative financial liabilities by a remaining contract maturity period, see note 20 to the consolidated financial statements. In addition, as part of Toyota's normal business practices, Toyota enters into long-term arrangements with suppliers for purchases of certain raw materials, components and services. These arrangements may contain fixed/minimum quantity purchase requirements. Toyota enters into such arrangements to facilitate an adequate supply of these materials and services.

The following tables summarize Toyota's contractual obligations and commercial commitments as of March 31, 2021.

	Yen in millions				
	Total	Payments Due by Period			
		Less than 1 year	1 to 3 years	3 to 5 years	5 years and after
Contractual Obligations:					
Short-term debt	4,339,890	4,339,890	—	—	—
Long-term debt	21,079,033	7,631,457	7,894,787	3,826,167	1,726,622
Class share	240,712	240,712	—	—	—
Commitments for the purchase of property, plant, other assets and services (note 31) ..	359,214	217,371	99,201	26,505	16,137
Total	<u>26,018,849</u>	<u>12,429,430</u>	<u>7,993,988</u>	<u>3,852,672</u>	<u>1,742,759</u>
Commercial Commitments (note 31):					
Maximum potential exposure to guarantees given in the ordinary course of business ...	3,710,352	915,515	1,613,630	1,012,040	169,168
Total	<u>3,710,352</u>	<u>915,515</u>	<u>1,613,630</u>	<u>1,012,040</u>	<u>169,168</u>

* "Long-term debt" represents future principal payments.

Toyota expects to contribute ¥39,392 million domestically and ¥16,604 million overseas to its post-employment benefit plans in fiscal 2022.

5.G SAFE HARBOR

All information that is not historical in nature disclosed under "— Off-Balance Sheet Arrangements" and "— Tabular Disclosure of Contractual Obligations" is deemed to be a forward-looking statement. See "Cautionary Statement Concerning Forward-Looking Statements" for additional information.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A DIRECTORS AND SENIOR MANAGEMENT

In March 2011, Toyota announced its “Toyota Global Vision.” With respect to its framework for executing its operations, Toyota, with the aim of realizing the Toyota Global Vision, has been continuing its efforts to respond swiftly to the external environment, which is changing faster than ever. Following the introduction of “region-based operations,” the “business unit system” and the “in-house company system” in 2011, 2013 and 2016, respectively, for the purpose of further accelerating decision-making and operational execution, Toyota further clarified that members of the board of directors are responsible for decision-making and management oversight and that operating officers are responsible for operational execution. Furthermore, in 2018, Toyota changed the commencement of operating officers’ terms of office from April to January, reduced corporate strategy functions and restructured the Japan Sales Business Group based on regions rather than sales channels in an effort to enable decision-making closer to customers and the field, in order to further accelerate execution in full coordination with each site. In 2019, in order to further advance Toyota’s “acceleration of management” and the development of a diverse and talented workforce, the executive structure was changed to be composed only of senior managing officers and people of higher rank, and a new classification called “senior professional/senior management” (*kanbushoku*) grouped and replaced the following titles or ranks: managing officers, executive general managers, (sub-executive managerial level) senior grade 1 and senior grade 2 managers, and grand masters. From the perspective of appointing the right people to the right positions, senior professionals/senior management were positioned in a wide range of posts, from those of chief officer, deputy chief officer, plant general manager, and senior general manager to group manager, to deal with management issues as they arise and to strengthen their development as part of a diverse and talented workforce through on-site learning and problem-solving (*genchi genbutsu*). In April 2020, Toyota consolidated the posts of executive vice president and operating officer into the post of operating officer. In July 2020, Toyota further clarified the roles of operating officers. Members of management who, together with the president, have cross-functional oversight of the entire company, have been redefined as “operating officers.” In-house company presidents, regional CEOs, and chief officers, as on-site leaders of business implementation elements, have been given authority while being consolidated into the classification of “senior professional/senior management.” The roles of operating officers and senior professionals/senior management are to be determined where and as needed, and persons appointed as operating officers and senior professionals/senior management will change in accordance with the challenges faced and the path that should be taken, as the company exercises greater flexibility in making appointments. Based on its basic policy of appointing the right people to the right positions, Toyota has been swiftly and continuously innovating. Toyota will further press forward the tide of such innovations, aiming for a corporate structure capable of carrying out management from a viewpoint that is optimal for a global company.

In order to convey top management’s aspirations and the company’s direction to all stakeholders, Toyota communicates what Toyota is really like through “Toyota Times.”

Toyota believes that it is critical to appoint individuals who are capable of contributing to decision-making aimed at sustainable growth into the future in keeping with the spirit of the Toyoda Precepts, which set forth its founding philosophy. Moreover, these individuals should be able to play a significant role in transforming Toyota into a “mobility company” through responding to social transformation by using CASE external partnerships based on trust and friendship and internal two-way interactive teamwork, while working in furtherance of the Sustainable Development Goals, formally adopted by the United Nations in September 2015 (the “SDGs”), and towards solutions for other social challenges. Toyota maintains its board of directors and senior management at an adequate size, and ensures they are overall balanced and diverse, including from the perspective of gender and nationality. Three outside members of the board of directors have been appointed in order to further reflect the opinions of those from outside the company in management’s decision-making process. Toyota has six audit & supervisory board members, three of whom are outside audit & supervisory board members. In order to be prepared in the event Toyota lacks the number of audit & supervisory board members required by law, one substitute audit & supervisory board member has been appointed pursuant to Article 329, Paragraph 3 of the Companies Act.

Set forth below are brief summaries of Toyota's members of the board of directors and audit & supervisory board members.

<u>Name (Date of birth)</u>	<u>Position</u>	<u>Brief career summary and important concurrent duties</u>	<u>Number of shares</u>
Takeshi Uchiyamada (August 17, 1946)	Chairman of the Board of Directors	1969 Joined Toyota Motor Corporation ("TMC") 1998 Member of the Board of Directors of TMC 2001 Managing Director of TMC 2003 Senior Managing Director of TMC 2005 Executive Vice President of TMC 2012 Vice Chairman of TMC 2013 Chairman of TMC (to present) (important concurrent duties) Director of JTEKT Corporation Director of Mitsui & Co., Ltd.	85,039 shares
Shigeru Hayakawa (September 15, 1953)	Vice Chairman of the Board of Directors	1977 Joined Toyota Motor Sales Co., Ltd. 2007 Managing Officer of TMC 2007 Toyota Motor North America, Inc. President 2009 Retired from Toyota Motor North America, Inc. President 2012 Senior Managing Officer of TMC 2015 Member of the Board of Directors and Senior Managing Officer of TMC 2017 Vice Chairman of TMC (to present) (important concurrent duties) Representative Director of Institute for International Economic Studies	43,491 shares
Akio Toyoda (May 3, 1956)	President, Member of the Board of Directors	1984 Joined TMC 2000 Member of the Board of Directors of TMC 2002 Managing Director of TMC 2003 Senior Managing Director of TMC 2005 Executive Vice President of TMC 2009 President of TMC (to present) (important concurrent duties) Chairman and CEO of Toyota Motor North America, Inc. Chairman of TOWA REAL ESTATE Co., Ltd. Chairman of the Japan Automobile Manufacturers Association, Inc. Director of DENSO Corporation Representative Director of ROOKIE Racing, Inc.	4,792,561 shares

Name (Date of birth)	Position	Brief career summary and important concurrent duties	Number of shares
Koji Kobayashi (October 23, 1948)	Member of the Board of Directors, Operating Officer	1972 Joined TMC 2004 Executive Director of DENSO CORPORATION (“DENSO”) 2007 Senior Executive Director, Member of the Board of Directors of DENSO 2010 Executive Vice President of DENSO 2015 Vice Chairman of DENSO 2016 Advisor of TMC 2017 Senior Advisor of TMC 2018 Operating Officer (Executive Vice President) of TMC 2018 Member of the Board of Directors of DENSO 2018 Retired as Member of the Board of Directors of DENSO 2018 Member of the Board of Directors of TMC 2020 Member of the Board of Directors and Operating Officer of TMC (to present)	34,971 shares
James Kuffner (January 18, 1971)	Member of the Board of Directors, Operating Officer	1999 Postdoctoral Research Fellow at the Japan Society for the Promotion of Science 2002 Research Scientist of the Robotics Institute at Carnegie Mellon University 2005 Assistant Professor of the Robotics Institute at Carnegie Mellon University 2008 Associate Professor of the Robotics Institute at Carnegie Mellon University 2009 Adjunct Associate Professor of the Robotics Institute at Carnegie Mellon University 2009 Research Scientist at Google Inc. 2013 Engineering Director of Google Inc. 2016 Chief Technology Officer of Toyota Research Institute, Inc. 2018 Chief Executive Officer of Toyota Research Institute - Advanced Development, Inc. (to present) 2018 Executive Advisor at Toyota Research Institute, Inc. (to present) 2020 Senior Fellow at TMC 2020 Member of the Board of Directors, Operating Officer of TMC (to present) 2021 Toyota Research Institute - Advanced Development, Inc. changed its corporate name to Woven Core, Inc. and was reorganized into the Woven Planet Group.	111 shares

Name (Date of birth)	Position	Brief career summary and important concurrent duties	Number of shares
		2021 Chief Executive Officer and Representative Director of Woven Planet Holdings, Inc. (to present) (important concurrent duties) Chief Executive Officer and Representative Director of Woven Planet Holdings, Inc. Representative Director of Woven Core, Inc. President and Representative Director of Woven Alpha, Inc.	
Kenta Kon (August 2, 1968)	Member of the Board of Directors, Operating Officer	1991 Joined TMC 2018 Managing Officer of TMC 2019 Operating Officer of TMC 2021 Member of the Board of Directors, Operating Officer of TMC (to present) (important concurrent duties) Director of Hino Motors, Ltd.	4,817 shares
Ikuro Sugawara (March 6, 1957)	Outside Member of the Board of Directors	1981 Joined Ministry of International Trade and Industry 2010 Director-General of the Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry 2012 Director-General of the Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry 2013 Director-General of the Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry 2015 Vice-Minister of Ministry of Economy, Trade and Industry 2017 Retired from the Ministry of Economy, Trade and Industry 2017 Special Advisor to the Cabinet 2018 Retired from Special Advisor to the Cabinet 2018 Outside Member of the Board of Directors of TMC (to present)	—
Sir Philip Craven (July 4, 1950)	Outside Member of the Board of Directors	1989 President of the International Wheelchair Basketball Federation 2001 President of the International Paralympic Committee 2002 Retired as President of the International Wheelchair Basketball Federation 2017 Retired as President of the International Paralympic Committee 2018 Outside Member of the Board of Directors of TMC (to present)	—
Teiko Kudo (May 22, 1964)	Outside Member of the Board of Directors	1987 Joined the Sumitomo Bank, Limited 2014 Executive Officer of Sumitomo Mitsui Banking Corporation	1,441 shares

Name (Date of birth)	Position	Brief career summary and important concurrent duties	Number of shares
		<p>2017 Managing Executive Officer of Sumitomo Mitsui Banking Corporation</p> <p>2018 Outside Member of the Board of Directors of TMC (to present)</p> <p>2020 Senior Managing Executive Officer of Sumitomo Mitsui Banking Corporation</p> <p>2020 Senior Managing Executive Officer of Sumitomo Mitsui Financial Group, Inc.</p> <p>2021 Director and Senior Managing Executive Officer of Sumitomo Mitsui Banking Corporation (to present)</p> <p>2021 Senior Managing Corporate Executive Officer of Sumitomo Mitsui Financial Group, Inc. (to present)</p> <p>(important concurrent duties)</p> <p>Senior Managing Corporate Executive Officer of Sumitomo Mitsui Financial Group, Inc.</p> <p>Director Senior Managing Executive Officer of Sumitomo Mitsui Banking Corporation</p>	
Haruhiko Kato (July 21, 1952)	Full-time Audit & Supervisory Board Member	<p>1975 Joined Ministry of Finance</p> <p>2007 Director-General of the Tax Bureau, Ministry of Finance</p> <p>2009 Commissioner of National Tax Agency</p> <p>2010 Retired from Commissioner of National Tax Agency</p> <p>2011 Senior Managing Director of Japan Securities Depository Center, Inc.</p> <p>2011 President of Japan Securities Depository Center, Inc.</p> <p>2013 Member of the Board of Directors of TMC (to present)</p> <p>2015 President and CEO of Japan Securities Depository Center, Inc.</p> <p>2018 Retired as Member of the Board of Directors of TMC</p> <p>2019 Director of Japan Securities Depository Center, Inc.</p> <p>2019 Audit & Supervisory Board Member of TMC (to present)</p> <p>2019 Retired as Director of Japan Securities Depository Center, Inc.</p>	—
Masahide Yasuda (April 1, 1949)	Full-time Audit & Supervisory Board Member	<p>1972 Joined TMC</p> <p>2000 General Manager of Overseas Parts Division of TMC</p> <p>2007 President of Toyota Motor Corporation Australia Ltd.</p> <p>2014 Chairman of Toyota Motor Corporation Australia Ltd.</p>	9,793 shares

<u>Name (Date of birth)</u>	<u>Position</u>	<u>Brief career summary and important concurrent duties</u>	<u>Number of shares</u>
		2017 Retired as Chairman of Toyota Motor Corporation Australia Ltd. 2018 Audit & Supervisory Board Member of TMC (to present)	
Katsuyuki Ogura (January 25, 1963)	Full-time Audit & Supervisory Board Member	1985 Joined TMC 2015 General Manager of Affiliated Companies Finance Dept. of TMC 2018 General Manager of Audit & Supervisory Board Office of TMC 2019 Audit & Supervisory Board Member of TMC (to present) (important concurrent duties) Outside Audit & Supervisory Board Member of Aichi Steel Corporation	4,405 shares
Yoko Wake (November 18, 1947)	Outside Audit & Supervisory Board Member	1970 Joined the Fuji Bank, Limited 1973 Retired from the same 1977 Assistant Lecturer of Faculty of Business and Commerce of Keio University 1982 Associate Professor of the same 1993 Professor of the same 2011 Outside Audit & Supervisory Board Member of TMC (to present) 2013 Professor Emeritus of Keio University (to present) (important concurrent duties) Professor Emeritus of Keio University	—
Hiroshi Ozu (July 21, 1949)	Outside Audit & Supervisory Board Member	2012 Prosecutor-General 2014 Retired from Prosecutor-General 2014 Registered as Attorney 2015 Outside Audit & Supervisory Board Member of TMC (to present) (important concurrent duties) Attorney Outside Corporate Auditor of Mitsui & Co., Ltd. Audit & Supervisory Board Member (External) of Shiseido Company, Limited	89 shares
Nobuyuki Hirano (October 23, 1951)	Outside Audit & Supervisory Board Member	1974 Joined Mitsubishi Bank 2001 Executive Officer of The Bank of Tokyo-Mitsubishi, Ltd. 2004 Executive Officer of Mitsubishi UFJ Financial Group, Inc. 2005 Managing Executive Officer of The Bank of Tokyo-Mitsubishi, Ltd. 2005 Director of Mitsubishi UFJ Financial Group, Inc.	493 shares

Name (Date of birth)	Position	Brief career summary and important concurrent duties	Number of shares
		2006 Managing Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd.	
		2008 Senior Managing Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd.	
		2009 Managing Executive Officer of Mitsubishi UFJ Financial Group, Inc.	
		2010 Deputy President of Mitsubishi UFJ Financial Group, Inc.	
		2012 President of The Bank of Tokyo-Mitsubishi UFJ, Ltd.	
		2012 Director of Mitsubishi UFJ Financial Group, Inc.	
		2013 President & CEO of Mitsubishi UFJ Financial Group, Inc.	
		2015 Director, President & Group CEO of Mitsubishi UFJ Financial Group, Inc.	
		2016 Chairman of the Board of Directors of Bank of Tokyo-Mitsubishi UFJ, Ltd.	
		2018 Outside Audit & Supervisory Board Member of TMC (to present)	
		2019 Director, Chairman of Mitsubishi UFJ Financial Group, Inc.	
		2019 Member of the Board of Directors of MUFG Bank, Ltd.	
		2021 Retired as Member of the Board of Directors of MUFG Bank, Ltd.	
		2021 Director of Mitsubishi UFJ Financial Group, Inc. (to present)	
		(important concurrent duties)	
		Director of Mitsubishi UFJ Financial Group, Inc.	
		Director of Morgan Stanley	
		Audit and Supervisory Committee Member of Mitsubishi Heavy Industries, Ltd.	

1. Mr. Akio Toyoda, who is President and Member of the Board of Directors, concurrently serves as Operating Officer (President).
2. Mr. Koji Kobayashi, Dr. James Kuffner and Mr. Kenta Kon who are Members of the Board of Directors, concurrently serve as Operating Officers.

None of the persons listed above was selected as a member of board of directors, audit & supervisory board member or member of senior management pursuant to an arrangement or understanding with Toyota's major shareholders, customers, suppliers or others.

Set forth below is a brief summary of Toyota's substitute audit & supervisory board member.

<u>Name (Date of birth)</u>	<u>Position</u>	<u>Brief career summary and important concurrent duties</u>	<u>Number and kind of shares</u>
Ryuji Sakai (August 7, 1957)	Substitute Audit & Supervisory Board Member	1985 Registered as attorney and joined Nagashima & Ohno 1990 Wilson Sonsini Goodrich & Rosati 1995 Partner of Nagashima & Ohno 2000 Partner of Nagashima Ohno & Tsunematsu (to present) (important concurrent duties) Attorney Outside Audit & Supervisory Board Member of Kobayashi Pharmaceutical Co., Ltd.	—

6.B COMPENSATION

Decision Making Policy and Process

Toyota believes that it is critical to appoint individuals who are capable of contributing to decision-making aimed at sustainable growth into the future in keeping with the spirit of the Toyoda Precepts, which set forth its founding philosophy. Moreover, these individuals should be able to play a significant role in transforming TMC into a “mobility company” and contribute to the solutions of social issues, including by contributing to the realization of the SDGs, through responding to social transformation by using CASE external partnerships based on trust and friendship and internal two-way interactive teamwork. Toyota's director compensation system is an important means through which to promote various initiatives and is determined based on the following policy.

- It should be a system that encourages members of the board of directors to work to improve the medium- to long-term corporate value of Toyota
- It should be a system that can maintain compensation levels that will allow Toyota to secure and retain talented personnel
- It should be a system that motivates members of the board of directors to promote management from the same viewpoint as our shareholders with a stronger sense of responsibility as corporate managers

The board of directors decides by resolution the policy for determining remuneration for and other payments to each member of the board of directors. Remuneration is effectively linked to corporate performance while reflecting individual job responsibilities and performance. Remuneration standards in each member's home country are also taken into account when determining remuneration levels and payment methods. Remuneration for outside members of the board of directors and audit & supervisory board members consists only of fixed payments. As a result, this remuneration is not readily impacted by business performance, helping to ensure independence from management.

Based on the resolution of the 115th Ordinary General Shareholders' Meeting held on June 13, 2019 concerning remuneration for the members of the board of directors of Toyota, the maximum cash compensation was set at 3.0 billion yen per year (of which, the maximum amount payable to outside members of the board of directors is 0.3 billion yen per year), and the maximum share compensation was set at 4.0 billion yen per year. The number of members of the board of directors as of the conclusion of the 115th Ordinary General Shareholders' Meeting was nine (including three outside members of the board of directors).

The amount of remuneration for audit & supervisory board members of Toyota was set at 30 million yen or less per month at the 104th Ordinary General Shareholders' Meeting held on June 24, 2008. The number of audit & supervisory board members as of the conclusion of the 104th Ordinary General Shareholders' Meeting was seven.

The amount of remuneration for each member of the board of directors of the Company and the remuneration system are decided by the board of directors and the “Executive Compensation Meeting,” a majority of the members of which are outside members of the board of directors, to ensure the independence of the decision. The Executive Compensation Meeting consists of chairman of the board of directors Takeshi Uchiyamada (Chairman) and director Koji Kobayashi, and outside members of the board of directors Ikuro Sugawara, Sir Philip Craven and Teiko Kudo.

The board of directors resolves the policy for determining remuneration for and other payments to each member of the board of directors and the executive remuneration system as well as the total amount of remuneration for a given fiscal year. The board of directors also resolves to delegate the determination of the amount of remuneration for each member of the board of directors to the Executive Compensation Meeting.

The Executive Compensation Meeting reviews the remuneration system for members of board of directors and senior management on which it will consult with the board of directors and determines the amount of remuneration for each member of the board of directors, taking into account factors such as corporate performance as well as individual job responsibilities and performance, in accordance with the policy for determining remuneration for and other payments to each member of the board of directors established by the board of directors. The board of directors considers that such decisions made by the Executive Compensation Meeting are in line with the policy on determining remuneration and other payments for each member of the board of directors.

Remuneration for audit & supervisory board members is determined by the audit & supervisory board within the scope determined by resolution of the shareholders’ meeting.

Executive Compensation Meetings were held in May 2020 and March and April 2021 to discuss and determine the amount of remuneration for fiscal 2021 and other relevant matters.

Furthermore, preliminary examination meetings, consisting only of outside members of the board of directors, were held on a total of five occasions in August, September and October 2020 and February and March 2021 to discuss matters for the Executive Compensation Meetings. Remuneration for the members of the board of directors were determined with the unanimous consent of the Executive Compensation Meeting.

The principal topics discussed at Executive Compensation Meetings included:

- Remuneration level for each position and job responsibility
- Evaluation of benchmarks and actual results of fiscal 2021
- Evaluation of individual performance
- Determination of the amount of remuneration for each member of the board of directors

Method of Determining Performance-based Remuneration (Bonus and Share Compensation)

Directors with Japanese citizenship (excluding outside members of the board of directors)

Toyota sets the total amount of remuneration (“Annual Total Remuneration”) received by each member of the board of directors in a year based on consolidated operating income, the fluctuation of the share price of Toyota and individual performance evaluation. The balance after deducting fixed remuneration, or monthly remuneration, from Annual Total Remuneration constitutes performance-based remuneration.

Toyota determines the annual total remuneration level appropriate for each position and job responsibility by referring to the benchmarking result of remuneration for officers of companies located in Japan.

Concept of Each Item

Consolidated operating income	Indicator for evaluating Toyota's efforts based on business performance
Fluctuation of the share price	Corporate value indicator for shareholders and investors to evaluate Toyota's efforts
Individual performance evaluation	Qualitative evaluation of performance of each member of the board of directors

Method and Reference Value for Evaluating Indicators and Evaluation Result for Fiscal 2021

	Evaluation Weight	Evaluation Method	Reference Value	Evaluation Result for Fiscal 2021
Consolidated operating income	50%	Evaluate the degree of attainment of consolidated operating income in fiscal 2021, using required income (set in 2011) for Toyota's sustainable growth as reference value	¥1 trillion	150%
Fluctuation of the Company's share price	50%	Comparatively evaluate the fluctuation of Toyota's share price up to the end of fiscal 2021, using the share price of Toyota and the Nikkei stock average at the end of fiscal 2020 as reference values	Company's share price: ¥6,501 Nikkei average: ¥18,917	

Method of Setting Annual Total Remuneration

Annual Total Remuneration is set using a theoretical formula that takes into account the benchmarking results of remuneration for members of the board of directors. Annual Total Remuneration is set for each member of the board of directors based on consolidated operating income and the fluctuation of the share price of Toyota, and then adjusted based on individual performance evaluation. Individual performance evaluation is set within the range of 25% above or below Annual Total Remuneration for each position, taking into account various factors such as initiatives in keeping with the spirit of the Toyoda Precepts which set forth Toyota's founding philosophy, trust from his or her peers and contribution to the promotion of human resources development. The amount of the annual total remuneration for each member of the board of directors is calculated based on such individual performance evaluation.

Directors with foreign citizenship (excluding outside members of the board of directors)

Fixed remuneration and performance-based remuneration are set based on the remuneration levels and structures that allow Toyota to secure and retain talented personnel. Fixed remuneration is set, taking into account each member's job responsibilities and the remuneration standards of such member's home country. Performance-based remuneration is set based on consolidated operating income, the fluctuation of the share price of Toyota and individual performance, taking into account each member's job responsibilities and the remuneration standards of such member's home country. The concept of each item is the same as that for directors with Japanese citizenship (excluding outside members of the board of directors). There are cases where Toyota provides income tax compensation for certain members of the board of directors in light of the difference in income tax rates with those of his or her home country.

Compensation

The aggregate amount of remuneration, including bonuses, accrued for all members of the board of directors and audit & supervisory board members as a group by Toyota for services in all capacities was ¥3,226 million during fiscal 2021.

Toyota Motor Corporation and its subsidiaries have not set aside or accrued any amounts to provide pension, retirement or similar benefits to members of the board of directors and audit & supervisory board members of Toyota Motor Corporation.

Toyota's Annual Securities Report filed with the Kanto Local Bureau of Finance on June 24, 2021, contained the following information concerning compensation in fiscal 2021 on a consolidated basis for members of the board of directors and audit & supervisory board members whose total compensation exceeded ¥100 million during such period:

- Takeshi Uchiyamada, Member of the Board of Directors: ¥222 million (¥110 million in base compensation, ¥61 million in bonus and ¥50 million in share compensation (5,000 shares))
- Shigeru Hayakawa, Member of the Board of Directors: ¥140 million (¥66 million in base compensation, ¥41 million in bonus and ¥33 million in share compensation (3,000 shares))
- Akio Toyoda, Member of the Board of Directors: ¥442 million (¥185 million in base compensation, ¥25 million in bonus and ¥231 million in share compensation (23,000 shares))
- Koji Kobayashi, Member of the Board of Directors: ¥134 million (¥72 million in base compensation, ¥12 million in bonus and ¥49 million in share compensation (4,000 shares))
- Didier Leroy, Member of the Board of Directors: ¥1,451 million (¥83 million in base compensation, ¥619 million in bonus and ¥747 million in other) *Other refers to income tax compensation that was granted to Mr. Leroy, with respect to his remuneration during the period in which he served as a member of the Board of Directors. Mr. Leroy retired on June 11, 2020.
- Shigeki Terashi, Member of the Board of Directors: ¥138 million (¥75 million in base compensation and ¥63 million in bonus)
- James Kuffner, Member of the Board of Directors: ¥284 million (¥255 million in base compensation and ¥28 million in bonus)

The amounts above were recorded as expenses in fiscal 2021.

6.C BOARD PRACTICES

Toyota's articles of incorporation provide for a board of directors of not more than 20 members and for not more than seven audit & supervisory board members. Shareholders elect the members of the board of directors and audit & supervisory board members at the general shareholders' meeting. The normal term of office of a member of the board of directors is one year and that of an audit & supervisory board member is four years. Members of the board of directors and audit & supervisory board members may serve any number of consecutive terms.

The board of directors may appoint one Chairman of the Board of Directors and one President, as well as one or more Vice Chairmen of the Board and Executive Vice Presidents. The board of directors elects, pursuant to its resolutions, one or more Representative Directors. Each Representative Director represents Toyota generally in the conduct of its affairs. The board of directors has the ultimate responsibility for the administration of Toyota's affairs. None of Toyota's members of the board of directors is party to a service contract with Toyota or any of its subsidiaries that provides for benefits upon termination of employment.

Under the provisions of the Companies Act, if Toyota decides the terms of an agreement promising that Toyota will compensate a director for all or part of certain expenses incurred by the director, such a decision must be made by a resolution of the board of directors. Under the provisions of the Companies Act, if Toyota decides the terms of an insurance agreement to be executed with an insurer, under which a director is the insured, and which promises that the insurer will compensate for damage arising from the director being held liable in relation to the execution of his or her duties or from a liability claim filed against the director, such decision must be made by a resolution of the board of directors.

Under the Companies Act and Toyota's articles of incorporation, Toyota may, by a resolution of its board of directors, exempt members of the board of directors (including former members of the board of directors) from their liabilities to Toyota arising in connection with their failure to execute their duties within the limits stipulated by laws and regulations. In addition, Toyota may enter into a liability limitation agreement with each member of the board of directors (excluding executive members of the board of directors, among others) which limits the maximum amount of their liabilities owed to Toyota arising in connection with their failure to execute their duties to an amount equal to the minimum liability limit amount prescribed in the laws and regulations.

Under the Companies Act, Toyota must have at least three audit & supervisory board members. At least half of the audit & supervisory board members are required to be an "outside" audit & supervisory board member, which is any person who satisfies all of the following requirements:

(a) the person has never been a member of the board of directors, accounting counselor (in the case that an accounting counselor is a legal entity, an employee of such entity who is in charge of its affairs), executive officer, manager or employee of Toyota or its subsidiaries during the ten year period before becoming an outside audit & supervisory board member;

(b) if the person was an audit & supervisory board member of Toyota or any of its subsidiaries at any time during the ten year period before becoming an outside audit & supervisory board member, such person has not been a member of the board of directors, accounting counselor (in the case that an accounting counselor is a legal entity, an employee of such entity who is in charge of its affairs), executive officer, manager or employee of Toyota or any of its subsidiaries during the ten year period before becoming an audit & supervisory board member of Toyota or any of its subsidiaries; and

(c) the person is not a spouse or relative within the second degree of kinship of any member of the board of directors or manager or other key employee of Toyota.

The audit & supervisory board members may not at the same time be a member of the board of directors, an accounting counselor (in case that an accounting counselor is a judicial person, a member of such judicial person who is in charge of its affairs), executive officers, general managers or employees of Toyota or any of its subsidiaries. Together, these audit & supervisory board members form the audit & supervisory board. The audit & supervisory board members have the duty to examine the financial statements and business reports which are submitted by the board of directors to the general shareholders' meeting. The audit & supervisory board members also monitor the administration of Toyota's affairs by the members of the board of directors. Audit & supervisory board members are not required to be, and Toyota's audit & supervisory board members are not, certified public accountants. They are required to participate in meetings of the board of directors but are not entitled to vote.

Under the Companies Act and Toyota's articles of incorporation, Toyota may, by a resolution of its board of directors, exempt audit & supervisory board members (including former audit & supervisory board members) from their liabilities to Toyota arising in connection with their failure to execute their duties within the limits stipulated by laws and regulations. In addition, Toyota may enter into a liability limitation agreement with each audit & supervisory board member which limits the maximum amount of their liabilities owed to Toyota arising in connection with their failure to execute their duties to an amount equal to the minimum liability limit amount prescribed in the laws and regulations.

Toyota does not have a remuneration committee. However, members of Toyota’s Executive Compensation Meeting discuss remuneration for members of the board of directors.

The Executive Compensation Meeting reviews the remuneration system for members of the board of directors and senior management and determines the amount of remuneration for each member of the board of directors, taking into account factors such as corporate performance as well as individual job responsibilities and performance. The members of the meeting are Takeshi Uchiyamada, the Chairman of the Board of Directors, and Koji Kobayashi, Ikuro Sugawara, Sir Philip Craven and Teiko Kudo, each, a Member of the Board of Directors.

6.D EMPLOYEES

The total number of Toyota employees, on a consolidated basis, was 366,283 as of March 31, 2021 and 361,907 as of March 31, 2020. The following tables set forth a breakdown of persons employed by business segment and by geographic location as of March 31, 2021.

Segment	Number of Employees	Location	Number of Employees
Automotive	325,328	Japan	204,397
Financial services	12,393	North America	51,774
All other	23,457	Europe	24,251
Unallocated	5,105	Asia	66,471
		Other*	19,390
Total	366,283	Total	366,283

* “Other” consists of Central and South America, Oceania, Africa and the Middle East.

Most regular employees of Toyota Motor Corporation and its consolidated subsidiaries in Japan, other than management, are required to become members of the labor unions that compose the Federation of All Toyota Workers’ Unions. Approximately 87% of Toyota Motor Corporation’s regular employees in Japan are members of this union.

In Japan, basic wages and other working conditions are negotiated annually. In addition, in accordance with Japanese national custom, each employee is also paid a semi-annual bonus. Bonuses are negotiated at the time of wage negotiations and are based on Toyota’s financial results, prospects and other factors. The average wage increase for all union members, excluding bonuses, in Japan was approximately 2.52% in fiscal 2021.

In general, Toyota considers its labor relations with all of its workers to be good. However, Toyota is currently a party to, and otherwise from time to time experiences, labor disputes in some of the countries in which it operates. Toyota does not expect any disputes to which it is currently a party to materially affect Toyota’s consolidated financial position.

Toyota’s average number of temporary employees on a consolidated basis was 80,009 during fiscal 2021.

6.E SHARE OWNERSHIP

For information on the number of shares of Toyota’s common stock held by each member of the board of directors and audit & supervisory board member as of June 2021, see “— Directors and Senior Management.”

None of Toyota’s shares of common stock entitles the holder to any preferential voting rights. As of March 31, 2021, Toyota does not have any stock option plan for which stock options or stock acquisition rights are exercisable or will become exercisable in the future.

Toyota's board of directors resolves the share compensation within the maximum share compensation amount of 4.0 billion yen per year established at the 115th Ordinary General Shareholders' Meeting held on June 13, 2019. The overview of the share compensation is as follows.

Eligible persons	Members of the board of directors of Toyota (excluding outside members of the board of directors)
Total amount of the share compensation	Maximum of 4.0 billion yen per year
Amount of the share compensation payable to each member of the board of directors	Set each year considering factors such as corporate results, duties, and performance
Type of shares to be allotted and method of allotment	Issue or disposal of common stock (with transfer restrictions under an allotment agreement)
Total number of shares to be allotted	Maximum of 800,000 shares per year in total to eligible members of the board of directors
Amount to be paid	Determined by the board of directors of Toyota based on the closing price of Toyota's common stock on the Tokyo Stock Exchange on the business day prior to each resolution of the board of directors, within a range that is not particularly advantageous to eligible members of the board of directors
Transfer restriction period	A period of three to fifty years from the allotment date, which is determined by the board of directors of Toyota in advance
Conditions for removal of transfer restrictions	Restrictions will be removed upon the expiration of the transfer restriction period. However, restrictions will also be removed in the case of expiration of the term of office, death, or other legitimate reasons.
Gratis acquisition by Toyota	Toyota will be able to acquire all allotted shares without consideration in the case of violations of laws and regulations or other reasons specified by the board of directors of Toyota during the transfer restriction period.

Members of the board of directors of Toyota with foreign citizenship are not eligible for the share compensation.

Toyota also has an employee stock ownership association in Japan for employees and full time and part time company advisors. Members of the employee stock ownership association set aside certain amounts from their monthly salary and bonuses to purchase Toyota's common stock through the employee stock ownership association. As of March 31, 2021, the employee stock ownership association held 15,235,285 shares of Toyota's common stock.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A MAJOR SHAREHOLDERS

As of March 31, 2021, 3,262,997,492 shares of Toyota's common stock (of which 467,048,832 shares were treasury stock and 2,795,948,660 shares were outstanding) and 47,100,000 First Series Model AA Class Shares of Toyota (of which 24,387,006 shares were treasury stock and 22,712,994 shares were outstanding) were issued. Toyota resolved at its board of directors meeting held on December 14, 2020 to exercise Toyota's cash call option to acquire all outstanding Model AA Class Shares and, subject to such acquisition, to cancel all Model

AA Class Shares pursuant to the Companies Act. Toyota completed the acquisition of all outstanding Model AA Class Shares on April 2, 2021 and cancelled them on April 3, 2021. Information concerning beneficial ownership of Toyota’s common stock in the table below was prepared from information known to Toyota or that could be ascertained from public filings, including filings made by Toyota’s shareholders regarding their ownership of Toyota’s common stock under the Financial Instruments and Exchange Law of Japan.

Under the Financial Instruments and Exchange Law, any person who becomes, beneficially and solely or jointly, a holder, including, but not limited to, a deemed holder who manages shares for another holder pursuant to a discretionary investment agreement, of more than 5% of the total issued shares of a company listed on a Japanese stock exchange (including ADSs representing such shares) must file a report concerning the shareholding with the director of the relevant local finance bureau. A similar report must be filed, with certain exceptions, if the percentage of shares held by a holder, solely or jointly, of more than 5% of the total issued shares of a company increases or decreases by 1% or more, or if any change to a material matter set forth in any previously filed reports occurs.

Based on information known to Toyota or that can be ascertained from public filings, the following table sets forth the beneficial ownership of holders of 5% or more of Toyota’s common stock as of the most recent practicable date.

<u>Name of Beneficial Owner</u>	<u>Number of Shares of Common Stock (in thousands)</u>	<u>Percentage of Outstanding Voting Shares of Common Stock</u>
Toyota Industries Corporation	238,466	8.55

According to The Bank of New York Mellon, depository for Toyota’s ADSs (the “Depository”), as of March 31, 2021, 54,467,360 shares of Toyota’s common stock were held in the form of ADRs and there were 1,764 ADR holders of record and 297,103 beneficial owners in the United States. According to Toyota’s register of shareholders, as of March 31, 2021, there were 512,745 holders of common stock and First Series Model AA Class Shares of record worldwide. As of March 31, 2021, there were 497 record holders of Toyota’s common stock with addresses in the United States, whose shareholdings represented approximately 9.5% of the issued common stock on that date. Because some of these shares were held by brokers or other nominees, the number of record holders with addresses in the United States might not fully show the number of beneficial owners in the United States.

None of Toyota’s shares of common stock entitles the holder to any preferential voting rights.

Toyota cancelled all of the First Series Model AA Class Shares on April 3, 2021, and as such, there are no holders of First Series Model AA Class Shares.

To the extent known to Toyota, Toyota is not owned or controlled, directly or indirectly, by another corporation, any foreign government or any natural or legal person.

Toyota knows of no arrangements the operation of which may at a later time result in a change of control.

Toyota resolved at its board of directors meeting held on May 12, 2021 to split each share of common stock of Toyota as of September 30, 2021, the record date, into five shares, effective October 1, 2021. Toyota decided to do so in order to create an environment in which Toyota shares are more accessible to a broader base of investors by reducing the price per investment unit. In conjunction with the stock split, in accordance with Article 184, Paragraph 2 of the Companies Act, Toyota will amend its articles of incorporation to increase the total number of shares of common stock which Toyota is authorized to issue from 10,000,000,000 to 50,000,000,000 on October 1, 2021, the effective date of the stock split.

7.B RELATED PARTY TRANSACTIONS

Business Relationships

Toyota purchases materials, supplies and services, among others, from numerous suppliers throughout the world in the ordinary course of business, including Toyota's affiliated companies accounted for by the equity method and those firms with which certain members of Toyota's board of directors are affiliated. Toyota purchased materials, supplies and services, among others, from these affiliated entities in the amount of ¥6,035.2 billion in fiscal 2021. Toyota also sells its products and services, among others, to Toyota's affiliated companies accounted for by the equity method and firms with which certain members of Toyota's board of directors are affiliated. Toyota sold products and services, among others, to these affiliated entities in the amount of ¥1,637.5 billion in fiscal 2021. See note 33 of Toyota's consolidated financial statements for additional information regarding Toyota's investments in and transactions with affiliated companies.

Loans

Toyota regularly has trade accounts and other receivables by, and accounts payable to, Toyota's affiliated companies accounted for by the equity method and firms with which certain members of Toyota's board of directors are affiliated. Toyota had outstanding trade accounts and other receivables by these affiliated entities in the amount of ¥310.4 billion as of March 31, 2021. Toyota had outstanding trade accounts and other payables to these affiliated entities in the amount of ¥856.6 billion as of March 31, 2021.

Toyota, from time to time, provides short- to medium-term loans to its affiliated companies, as well as loans under a loan program established by certain subsidiaries to assist their executives and members of the board of directors with the purchase of homes. As of March 31, 2021, an aggregate amount of ¥127.8 billion in loans was outstanding to its affiliated companies accounted for by the equity method. Toyota believes that each of these loans was entered into in the ordinary course of business.

Other

For the year ended March 31, 2021, Akio Toyoda, President of TMC, invested ¥5,000 million in Woven Planet Holdings, Inc., a consolidated subsidiary of TMC.

7.C INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

8.A CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

- 1-3. Consolidated Financial Statements. Toyota's audited consolidated financial statements are included under "Item 18 — Financial Statements." Except for Toyota's consolidated financial statements included under Item 18, no other information in this annual report has been audited by Toyota's auditors.
4. Not applicable.
5. Not applicable.
6. Export Sales. See "Operating and Financial Review and Prospects — Operating Results — Overview — Geographic Breakdown."
7. Legal and Arbitration Proceedings. See "Information on the Company — Business Overview — Legal Proceedings."
8. Dividend Policy. See "Key Information — Selected Financial Data — Dividend Information."

8.B SIGNIFICANT CHANGES

Except as disclosed in this annual report, there have been no significant changes since the date of Toyota's latest annual financial statements.

ITEM 9. THE OFFER AND LISTING

9.A LISTING DETAILS

Shares of Toyota common stock are traded on the Tokyo Stock Exchange and the Nagoya Stock Exchange under the ticker symbol "7203" in Japan, and on the London Stock Exchange under the ticker symbol "TYT." Toyota's American Depositary Shares, or ADSs, each representing two shares of Toyota common stock, are listed on the New York Stock Exchange, or NYSE, under the ticker symbol "TM."

9.B PLAN OF DISTRIBUTION

Not applicable.

9.C MARKETS

The primary trading market for Toyota's common stock is the Tokyo Stock Exchange. The common stock is also listed on the Nagoya Stock Exchange and on the London Stock Exchange.

Since September 29, 1999, American Depositary Shares, each equal to two shares of Toyota's common stock and evidenced by American Depositary Receipts, have been traded and listed on the New York Stock Exchange through a sponsored ADR facility operated by The Bank of New York Mellon, as Depositary. Prior to that time, Toyota's ADSs were listed on the Nasdaq SmallCap Market through five unsponsored ADR facilities.

9.D SELLING SHAREHOLDERS

Not applicable.

9.E DILUTION

Not applicable.

9.F EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A SHARE CAPITAL

Toyota resolved at its board of directors meeting held on May 12, 2021 to split each share of common stock of Toyota as of September 30, 2021, the record date, into five shares, effective October 1, 2021. Toyota decided to do so in order to create an environment in which Toyota shares are more accessible to a broader base of investors by reducing the price per investment unit.

In conjunction with the stock split, in accordance with Article 184, Paragraph 2 of the Companies Act, Toyota will amend its articles of incorporation to increase the total number of shares of common stock which Toyota is authorized to issue from 10,000,000,000 to 50,000,000,000 on October 1, 2021, the effective date of the stock split.

10.B MEMORANDUM AND ARTICLES OF ASSOCIATION

Except as otherwise stated, set forth below is information relating to Toyota's common stock, including brief summaries of the relevant provisions of Toyota's articles of incorporation and share handling regulations, as currently in effect, and of the Companies Act, Act Concerning Book-Entry Transfer of Corporate Bonds, Shares and Other Securities (the "Book-Entry Transfer Act") and related legislation.

General

Toyota's authorized number of shares as of March 31, 2021 was 10,000,000,000 shares, with the total number of authorized shares per class being 10,000,000,000 for common stock, 50,000,000 for First Series Model AA Class Shares, 50,000,000 for Second Series Model AA Class Shares, 50,000,000 for Third Series Model AA Class Shares, 50,000,000 for Fourth Series Model AA Class Shares and 50,000,000 for Fifth Series Model AA Class Shares, and the total number of shares authorized to be issued with respect to First Series Model AA Class Shares through Fifth Series Model AA Class Shares not to exceed 150,000,000 shares. Of the authorized common stock, 3,262,997,492 shares have been issued. In conjunction with the cancellation of all of the Model AA Class Shares on April 3, 2021, Toyota's articles of incorporation were amended at the 117th Ordinary General Shareholders' Meeting held in June 2021, resulting in Toyota's authorized number of shares being 10,000,000,000 shares.

Toyota does not issue share certificates for its shares. In accordance with the Companies Act, the Book-Entry Transfer Act and Toyota's articles of incorporation, Toyota's common stock are recorded or registered on (i) Toyota's register of shareholders and (ii) transfer account books of the Japan Securities Depository Center, Inc. ("JASDEC") which is a book-entry transfer institution, and securities firms, banks or other account management institutions. The transfer of common stock will generally become effective once the transfer is recorded in the transferee's account. There are no restrictions imposed by Toyota's articles of incorporation or share handling regulations on the transfer of common stock. In order to assert shareholders' rights against Toyota, a shareholder must generally have his or her name and address recorded or registered on Toyota's register of shareholders. A holder of common stock can assert minority shareholders' rights (shareholders' rights for which Toyota has not set a record date) against Toyota if JASDEC provides an individual shareholder notice to Toyota upon the shareholder's request. The shareholder of deposited shares underlying the ADSs is the Depository for the ADSs. Accordingly, holders of ADSs will not be able directly to assert shareholders' rights.

A holder of common stock must have a transfer account to transfer shares. Holders of common stock who do not have a transfer account with JASDEC must have an account with an account management institution that directly or indirectly has a transfer account with JASDEC. Once Toyota decides on the record date for its shareholders' meeting or makes a request to JASDEC based on justifiable grounds, JASDEC will promptly provide to Toyota names, addresses and other information with respect to the holders of Toyota's common stock who are recorded on the transfer account books of JASDEC or account management institutions. Upon receiving such information, Toyota will record or register such information received from JASDEC on its register of shareholders. Accordingly, holders of common stock recorded or registered on Toyota's register of shareholders will be treated as holders of common stock of Toyota and may exercise rights, such as voting rights, and will receive dividends (if any) and notices to holders of common stock directly from Toyota. Holders of common stock wishing to assert minority shareholders' rights against Toyota must request an individual shareholder notice to JASDEC or the account management institution at which the shareholder has opened a transfer account. In response to such request, JASDEC will provide the individual shareholders notice to Toyota. A holder of common stock may assert his or her minority shareholders' rights against Toyota for a period of four weeks after the date the individual shareholder notice is provided to Toyota. The shares held by a person who is deemed to hold additional shares according to the transfer account books are aggregated for these purposes.

Corporate Purpose

Article 2 of Toyota's articles of incorporation states that its purpose is to engage in the following businesses:

- the manufacture, sale, leasing and repair of:
 - motor vehicles, industrial vehicles, ships, aircraft, other transportation machinery and apparatus, spacecraft and space machinery and apparatus, and parts thereof;
 - industrial machinery and apparatus, other general machinery and apparatus, and parts thereof;
 - electrical machinery and apparatus, and parts thereof; and
 - measuring machinery and apparatus, medical machinery and apparatus, and parts thereof.
- the manufacture and sale of ceramics and products of synthetic resins, and materials thereof;
- the manufacture, sale and repair of construction materials and equipment, furnishings and fixtures for residential buildings;
- the planning, designing, supervision, execution and undertaking of construction works, civil engineering works, land development, urban development and regional development;
- the sale, purchase, leasing, brokerage and management of real estate;
- the service of information processing, information communications and information supply and the development, sale and leasing of software;
- the design and development of product sales systems that utilize networks such as the Internet, sale, leasing and maintenance of computers included within such systems, and sale of products by utilizing such systems;
- the inland transportation, marine transportation, air transportation, stevedoring, warehousing and tourism businesses;
- the printing, publishing, advertising and publicity, general leasing, security and workers dispatch businesses;
- the credit card operations, purchase and sale of securities, investment consulting, investment trust operation, and other financial services;
- the operation and management of such facilities as parking lots, showrooms, educational facilities, medical care facilities, sports facilities, marinas, airfields, food and drink stands and restaurants, lodging facilities, retail stores and others;
- the non-life insurance agency business and the life insurance agency business;
- the production and processing by using biotechnology of agricultural products including trees, and the sale of such products;
- the power generation and the supply and sale of electric power;
- the sale of goods related to each of the preceding items and mineral oil;
- the conducting of engineering, consulting, invention and research relating to each of the preceding items and the utilization of such invention and research; and
- any businesses incidental to or related to any of the preceding items.

Dividends

Dividends — General

Toyota normally pays dividends twice per year, including an interim dividend and a year-end dividend. Toyota's articles of incorporation provide that retained earnings can be distributed as dividends pursuant to a

resolution of its board of directors. Toyota's board of directors resolves to pay year-end dividends to shareholders and registered pledgees of record as of March 31, the record date, in each year.

In addition to these year-end dividends, Toyota may pay an interim dividend in the form of cash distributions from its distributable surplus to holders of stock and pledgees of stock of record as of September 30, the record date, in each year by a resolution of its board of directors.

In addition, under the Companies Act, dividends may be paid to shareholders and pledgees of record as of any record date, other than those specified above, as set forth by Toyota's articles of incorporation or as determined by its board of directors from time to time. Under the Companies Act, dividends may be distributed in cash or (except in the case of interim dividends mentioned in the second preceding paragraph) in kind, subject to limitations on distributable surplus and to certain other conditions.

Dividends — Distributable amount

Under the Companies Act, Toyota is permitted to make distributions of surplus to the extent that the aggregate book value of the assets to be distributed to shareholders does not exceed the distributable amount provided for by the Companies Act and the ordinance of the Ministry of Justice as at the effective date of such distribution of surplus.

The amount of surplus at any given time shall be the amount of Toyota's assets and the book value of Toyota's treasury stock after subtracting and adding the amounts of items provided for by the Companies Act and the ordinance of the Ministry of Justice, and the amount of surplus distributable for dividends is calculated by adding to and subtracting from this amount the amounts of items provided for by the Companies Act and the ordinance of the Ministry of Justice.

Dividends — Prescription

Under its articles of incorporation, Toyota is not obligated to pay any dividends in cash which are left unclaimed for a period of three years after the date on which they first became payable.

Capital Accounts

The amount of the cash or assets paid or contributed by subscribers for new shares (with certain exceptions) is required to be accounted for as stated capital, although Toyota may account for an amount not exceeding one-half of such cash or assets as additional paid-in capital.

Under the Companies Act, Toyota may reduce its additional paid-in capital and legal reserve without limitation on the amount to be reduced, generally, by a resolution of a general shareholders' meeting and if so decided by the same resolution, may account for the whole or any part of the amount of the reduction of additional paid-in capital as stated capital. The whole or any part of surplus which may be distributed as dividends may also be transferred to stated capital by a resolution of a general shareholders' meeting.

Stock Splits

Toyota may at any time split the outstanding shares into a greater number of shares by a resolution of the board of directors. Toyota must give public notice of the stock split, specifying a record date for the stock split, not less than two weeks prior to the record date.

Consolidation of Shares

Toyota may at any time consolidate shares in issue into a smaller number of shares by a special shareholders resolution (as defined in "Voting Rights"). When a consolidation of shares is to be made, Toyota must give public notice of certain matters two weeks prior to the effective date of the consolidation.

Japanese Unit Share System

General. Consistent with the requirements of the Companies Act, Toyota's articles of incorporation provide that 100 shares constitute one "unit." Although the number of shares constituting a unit is included in the articles of incorporation, any amendment to the articles of incorporation reducing (but not increasing) the number of shares constituting a unit or eliminating the provisions for the unit of shares may be made by a resolution of the board of directors rather than by a special shareholders resolution, which is otherwise required for amending the articles of incorporation.

Voting Rights under the Unit Share System. Under the unit share system, shareholders have one voting right for each unit of shares that they hold. Any number of shares less than a full unit will carry no voting rights.

Purchase by Toyota of Shares Constituting Less Than a Unit. A holder of shares constituting less than a full unit may require Toyota to purchase those shares at their market value in accordance with the provisions of Toyota's share handling regulations and the Companies Act.

Voting Rights

Toyota holds its ordinary general shareholders' meeting each year. In addition, Toyota may hold an extraordinary general shareholders' meeting whenever necessary by giving at least two weeks' advance notice. Under the Companies Act, notice of any shareholders' meeting must be given to each shareholder having voting rights or, in the case of a non-resident shareholder, to his or her resident proxy or mailing address in Japan in accordance with Toyota's share handling regulations, at least two weeks prior to the date of the meeting.

Holders of common stock shall have voting rights exercisable at a general shareholders' meeting. A holder of shares constituting one or more whole units is entitled to one vote per unit of shares subject to the limitations on voting rights set forth in this paragraph. In general, under the Companies Act, a resolution can be adopted at a general shareholders' meeting by a majority of the shares having voting rights represented at the meeting. The Companies Act and Toyota's articles of incorporation require a quorum for the election of members of the board of directors and audit & supervisory board members of not less than one-third of the total number of outstanding shares having voting rights. Toyota's shareholders are not entitled to cumulative voting in the election of members of the board of directors. A corporate shareholder, the management of which is substantially under Toyota's control as provided by an ordinance of the Ministry of Justice, either through the holding of voting rights or for any other reason, does not have voting rights.

Shareholders may exercise their voting rights by attending the general shareholders' meeting or in writing by mail. Shareholders who choose to exercise their voting rights by mail must fill out and return to Toyota the voting right exercise form enclosed with the convocation notice of the general shareholders' meeting by the date specified in such convocation notice. In addition, from the general shareholders' meeting for fiscal 2009, shareholders may exercise their voting rights through the internet. Shareholders electing to exercise their voting rights through the internet must log on to the "Website to Exercise Voting Rights" using the login ID and temporary password provided in the voting right exercise form enclosed with the convocation notice and submit their votes by a date specified in the convocation notice, following instructions appearing on the website. Institutional investors may also use the Electronic Proxy Voting Platform operated by Investor Communications Japan ("ICJ") to exercise their voting rights through the use of the Internet, if such institutional investor applies to use the platform in advance. Shareholders may also exercise their voting rights through proxies, provided that those proxies are also shareholders who have voting rights. Toyota may refuse a shareholder having two or more proxies attend a general shareholders' meeting.

The Companies Act provides that a quorum of at least one-third of outstanding shares with voting rights must be present at a shareholders' meeting to approve any material corporate actions such as:

- (1) any amendment of the articles of incorporation with certain exceptions in which a shareholders' resolution is not required;

- (2) acquisition of its own shares from a specific party;
- (3) consolidation of shares;
- (4) any issue or transfer of its shares at a “specially favorable” price (or any issue of stock acquisition rights or bonds with stock acquisition rights at “specially favorable” conditions by Toyota) to any persons other than shareholders;
- (5) the removal of an audit & supervisory board member;
- (6) the exemption of liability of a director or audit & supervisory board member with certain exceptions;
- (7) a reduction of stated capital which meets certain requirements with certain exceptions;
- (8) a distribution of in-kind dividends which meets certain requirements;
- (9) dissolution, merger, or consolidation with certain exceptions in which a shareholders’ resolution is not required;
- (10) the transfer of the whole or a material part of the business;
- (11) the transfer in entirety or in part of shares or equity interest of a subsidiary under certain conditions;
- (12) the taking over of the entire business of any other corporation with certain exceptions in which a shareholders’ resolution is not required;
- (13) share exchange or share transfer for the purpose of establishing 100% parent-subsidiary relationships with certain exceptions in which a shareholders’ resolution is not required;
- (14) company split with certain exceptions in which a shareholders’ resolution is not required; or
- (15) share delivery with certain exceptions in which a shareholders’ resolution is not required.

At least two-thirds of the shares having voting rights represented at the meeting must approve these actions.

The voting rights of holders of ADSs are exercised by the Depositary based on instructions from those holders.

Rights to be Allotted Shares

Shareholders have no preemptive rights under Toyota’s articles of incorporation. Under the Companies Act, the board of directors may, however, determine that shareholders shall be given rights to be allotted shares or stock acquisition rights on request in connection with a particular issue or transfer of shares, or issue of stock acquisition rights, respectively. In this case, such rights must be given on uniform terms to all shareholders as of a specified record date by at least two weeks’ prior public notice to shareholders of the record date.

Rights to be allotted shares are nontransferable. However, a shareholder may be allotted stock acquisition rights without consideration thereto, and may transfer such rights.

Liquidation Rights

In the event of a liquidation of Toyota, the assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among the shareholders or registered pledgees in proportion to the respective number of shares they own.

Liability to Further Calls or Assessments

All of Toyota’s currently outstanding shares, including shares represented by the ADSs, are fully paid and nonassessable.

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation is the transfer agent for all shares. Mitsubishi UFJ Trust and Banking Corporation's office is located at 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-8212 Japan. Mitsubishi UFJ Trust and Banking Corporation maintains Toyota's register of shareholders and records transfers of record ownership (in the case of common stock, upon receiving notification from JASDEC).

Record Date

The close of business on March 31 is the record date for Toyota's year-end dividends, if paid. A holder of shares constituting one or more whole units who is recorded or registered as a holder on Toyota's register at the close of business as of March 31 is also entitled to exercise shareholders' voting rights at the ordinary general shareholders' meeting with respect to the business year ending on March 31. The close of business on September 30 of each year is the record date for interim dividends, if paid. In addition, Toyota may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks' prior public notice.

The shares generally trade ex-dividend or ex-rights on the Japanese stock exchanges on the business day preceding a record date (or if the record date is not a business day, one business day prior thereto), for the purpose of dividends or rights offerings.

Acquisition by Toyota of Shares

Toyota may acquire its own shares (i) through a stock exchange on which such shares are listed or by way of tender offer (pursuant to an ordinary resolution of a general shareholders' meeting or a resolution of the board of directors), (ii) by purchase from a specific party (pursuant to a special resolution of a general shareholders' meeting) or (iii) from a subsidiary of Toyota (pursuant to a resolution of the board of directors). When such acquisition of shares is made by Toyota from a specific party other than a subsidiary of Toyota, any other shareholder may make a demand to a representative director, more than five calendar days prior to the relevant shareholders' meeting, that Toyota also purchase the shares held by such holder. However, the acquisition of its own shares at a price not exceeding the market price to be provided under an ordinance of the Ministry of Justice will not trigger the right of any shareholder to include him/her as the seller of his/her shares in such proposed purchase.

Any acquisition of shares must satisfy certain requirements that the total amount of the acquisition price may not exceed the amount of the distributable dividends. See "— Dividends."

Shares acquired by Toyota may be held by it for any period or may be cancelled by resolution of the board of directors. Toyota may also transfer to any person the shares held by it, subject to a resolution of the board of directors, and subject also to other requirements applicable to the issuance of new shares. Toyota may also utilize its treasury stock for the purpose of transfer to any person upon exercise of stock acquisition rights or for the purpose of acquiring another company by way of merger, share exchange or corporate split through exchange of treasury stock for shares or assets of the acquired company.

The Companies Act generally prohibits any subsidiary of Toyota from acquiring shares of Toyota.

Report of Substantial Shareholdings

The Financial Instruments and Exchange Law of Japan and regulations under the Law require any person who has become a holder (together with its related persons) of more than 5% of the total issued shares of a company listed on any Japanese stock exchange (including ADSs representing such shares) to file with the Director of a competent Local Finance Bureau, within five business days, a report concerning those

shareholdings. A similar report must also be filed to reflect any change of 1% or more in any shareholding or any change in material matters set out in reports previously filed. Any such report shall be filed with the Director of a competent Local Finance Bureau through the Electronic Disclosure for Investor's Network ("EDINET") system. For this purpose, shares issuable to a shareholder upon exercise of stock acquisition rights are taken into account in determining both the number of shares held by that stock acquisition rights holder and the company's total issued shares.

10.C MATERIAL CONTRACTS

All contracts concluded by Toyota during the two years preceding this filing were entered into in the ordinary course of business.

10.D EXCHANGE CONTROLS

The following is a general summary of major Japanese foreign exchange control regulations applicable to holders of shares of capital stock or voting rights (including ADSs) of Toyota, and to others intending to consummate other actions such as obtaining consent from other investors holding voting rights and consenting to certain proposals at a general shareholders meeting, who are "exchange non-residents" or "foreign investors," as described below. The statements regarding Japanese foreign exchange control regulations set forth below are based on the laws and regulations in force and as interpreted by the Japanese authorities as of the date of this annual report and are subject to subsequent changes in the applicable Japanese laws or interpretations thereof. This summary is not exhaustive of all possible foreign exchange control considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall foreign exchange control consequences of the acquisition, ownership and disposition of shares of capital stock or voting rights of Toyota by consulting their own advisors.

The Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended, the "FEFTA") and the cabinet orders and ministerial ordinances thereunder (collectively, the "Foreign Exchange Regulations") govern the acquisition and holding of shares of capital stock and voting rights of Toyota by "exchange non-residents" and by "foreign investors." The Foreign Exchange Regulations currently in effect do not, however, affect transactions between exchange non-residents to purchase or sell shares outside Japan using currencies other than Japanese yen.

Exchange non-residents are:

- (i) individuals who do not reside in Japan; and
- (ii) corporations whose principal offices are located outside Japan.

Generally, branches and other offices of non-resident corporations that are located within Japan are regarded as residents of Japan. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

Foreign investors are:

- (i) individuals who are exchange non-residents;
- (ii) corporations or other organizations that are organized under the laws of foreign countries or whose principal offices are located outside of Japan;
- (iii) Japanese corporations of which 50% or more of their total voting rights are held directly or indirectly by individuals who are exchange non-residents and/or corporations or other organizations falling within (i) and/or (ii) above;
- (iv) partnerships under the Civil Code of Japan (Act No. 89 of 1896, as amended) established to invest in corporations, limited partnerships for investment under the Limited Partnership Act for Investment of

Japan (Act No. 90 of 1998, as amended), or any other similar partnerships under foreign law, of which (a) 50% or more of the total contributions are made by individuals and/or corporations falling within (i), (ii), (iii) above and/or (v) below or any other persons prescribed under the Foreign Exchange Regulations or (b) a majority of the general partners are individuals and/or corporations falling within (i), (ii), (iii) above and/or (v) below or any other persons prescribed under the Foreign Exchange Regulations; and

- (v) corporations or other organizations, a majority of whose officers, or officers having the power of representation, are individuals who are exchange non-residents.

Acquisition of Shares

In general, the acquisition of shares of a Japanese company (such as the shares of capital stock of Toyota) by an exchange non-resident from a resident of Japan is not subject to any prior filing requirements (other than those relating to an “inward direct investment” set out below). In certain limited circumstances, however, the Minister of Finance may require prior approval of an acquisition of this type. While prior approval, as described above, is not required in general, in the case where a resident of Japan transfers shares of a Japanese company (such as the shares of capital stock of Toyota) for consideration exceeding ¥100 million to an exchange non-resident, the resident of Japan who transfers the shares is required to report the transfer to the Minister of Finance within 20 days from the date of the transfer or the date of receipt of payment, whichever comes later, unless (i) the transfer was made through a bank or financial instruments business operator licensed or registered under Japanese law or other entity prescribed by the Foreign Exchange Regulations acting as an agent or intermediary or (ii) the acquisition constitutes an “inward direct investment” described below.

Inward Direct Investment in Shares of Listed Companies

On May 8, 2020, an amendment to the Foreign Exchange Regulations came into effect. Upon the full implementation of the Amendment as of June 7, 2020, the requirements and procedures regarding the prior notifications of inward direct investments to the Minister of Finance and any other competent Ministers under the FEFTA, were amended. After the implementation of the Amendment, Japanese listed companies are classified into the following categories:

- (i) companies engaged in businesses excluding certain businesses designated by the Foreign Exchange Regulations as designated businesses (the “Designated Businesses”);
- (ii) companies engaged in Designated Businesses designated by the Foreign Exchange Regulations as core sector businesses (the “Core Sector Designated Businesses”); and
- (iii) corporations engaged in Designated Businesses other than the Core Sector Designated Businesses (the “Non-Core Sector Designated Businesses”).

For reference purposes only, the Minister of Finance publishes, and may update from time to time, a list that classifies Japanese listed companies into the above categories. According to the list published by the Minister of Finance as of July 10, 2020, the businesses which are currently engaged in by Toyota are classified as category (ii) i.e., the Core Sector Designated Businesses above.

Definition of Inward Direct Investment

If a foreign investor acquires shares or voting rights of a Japanese company that is listed on a Japanese stock exchange (such as the shares of capital stock of Toyota) and, as a result of the acquisition, the foreign investor, in combination with any existing holdings, directly or indirectly holds 1% or more of the issued shares or the total number of voting rights of the relevant company, such acquisition constitutes an “inward direct investment.” In addition, an acquisition of the authority to exercise, or instruct to exercise, voting rights held by other shareholders that results in the foreign investor, in combination with any existing shareholding, directly or

indirectly holding 1% or more of the total number of voting rights of the relevant company constitutes an “inward direct investment.” Furthermore, if a foreign investor manages, on a discretionary basis, shares or voting rights of a Japanese company that is listed on a Japanese stock exchange and in combination with any existing management, directly or indirectly manages 1% or more of the issued shares or the total number of voting rights of the relevant company, such discretionary investment management generally constitutes an “inward direct investment.”

In addition to the acquisitions of shares or voting rights described above, if a foreign investor (i) is granted the authority to exercise proxy voting rights on behalf of other shareholders of the relevant company regarding certain matters which may control substantially or have a material influence on the management of such company, such as the election or removal of directors, or (ii) obtains consent from another foreign investor holding the voting rights of the relevant company to exercise the voting rights of such company jointly, and, in each case, as a result of these arrangements, the number of the voting rights directly or indirectly held by the foreign investor, including the total number of the voting rights subject to such proxy, or the sum of the number of the voting rights directly or indirectly held by the foreign investor and such other foreign investors subject to such joint voting agreement, as the case may be, is 10% or more of the total number of voting rights of the relevant company, each such arrangement regarding voting rights (hereinafter referred to as a “voting arrangement”) also constitutes an “inward direct investment.” Additionally, if a foreign investor who directly or indirectly holds 1% or more of the total voting rights of a Japanese listed company consents, at a general meeting of shareholders, to certain proposals having a material influence on the management of such company such as (i) election of such foreign investor or its related persons (as defined in the Foreign Exchange Regulations) as directors or audit & supervisory board members of the relevant company or (ii) transfer or discontinuation of its business, such consent will also constitute an “inward direct investment.”

Prior Notification Requirements

If a foreign investor intends to consummate an “inward direct investment” as described above, in certain circumstances, such as where the foreign investor is in a country that is not listed on an exemption schedule in the Foreign Exchange Regulations or where that Japanese company is engaged (as Toyota is currently) in one or more Designated Businesses, prior notification of the relevant inward direct investment must be filed with the Minister of Finance and any other competent Ministers.

However, a foreign investor seeking to consummate an “inward direct investment” may be eligible for the exemptions, if certain conditions are met.

In the case of an acquisition (including investment discretionary management) of shares or voting rights or the authority to exercise, directly or through instructions, voting rights of a Japanese listed company that is engaged (as Toyota is currently) in one or more Core Sector Designated Businesses, the foreign investor may be exempted from the prior notification requirement, if, as a result of such acquisition, the foreign investor directly or indirectly holds less than 10% of the total number of issued shares or voting rights of the relevant company, and such foreign investor complies with the following conditions:

- (i) the foreign investor or its closely-related persons (as defined in the Foreign Exchange Regulations) will not become directors or audit & supervisory board members of the relevant company;
- (ii) the foreign investor will not make certain proposals (as prescribed in the Foreign Exchange Regulations) at a general meeting of shareholders, including transfer or discontinuation of the Designated Businesses of the relevant company;
- (iii) the foreign investor will not access non-public technical information in relation to the Designated Businesses of the relevant company, or take certain other actions that may lead to the leak of such non-public technical information (as prescribed in the Foreign Exchange Regulations);

- (iv) the foreign investor will not attend, and will not cause any persons designated by it to attend, meetings of the relevant company's board of directors, or meetings of committees having authority to make important decisions, in respect of the Core Sector Designated Businesses of the relevant company; and
- (v) the foreign investor will not make, and will not cause any persons designated by it to make, proposals to such board or committees or their members in writing or electronic form requesting any response or actions by certain deadlines in respect of the Core Sector Designated Businesses of the relevant company.

In addition, in the case of an acquisition (including investment discretionary management) of shares or voting rights or the authority to exercise, either directly or through instructions, voting rights of a Japanese listed company that is engaged in one or more Non-Core Sector Designated Businesses, the foreign investor may be exempted from the prior notification requirement, including in the case where, as a result of such acquisition, the foreign investor holds 10% or more of the total number of issued shares or the total number of voting rights of the relevant company, which would have required prior notification, if such foreign investor complies with the conditions (i) through (iii) above (the "Exemption Conditions").

Notwithstanding the above, if a foreign investor falls under a category of disqualified investors designated by the Foreign Exchange Regulations (including (a) investors who have records of certain sanctions due to violations of the FEFTA and (b) certain investors who are state-owned enterprises or other related entities excluding those who are accredited by the Minister of Finance), in no event may such foreign investor be eligible for the exemptions described above. On the other hand, if a foreign investor, excluding the disqualified investors described in the foregoing sentence, falls under a category of certain foreign financial institutions (as prescribed in the Foreign Exchange Regulations) and complies with the Exemption Conditions, such foreign investor may be eligible for the exemptions, even if the acquisition results in such foreign investor's directly or indirectly holding 10% or more of the total number of issued shares or voting rights of a corporation engaged in one or more Core Sector Designated Businesses.

In addition, if a foreign investor intends to make a voting arrangement with respect to a Japanese listed company engaged one or more Designated Businesses or consents to a proposal at a general meeting of shareholders of such company, in each case, that constitutes an "inward direct investment" as described above, in certain circumstances, prior notification of the relevant inward direct investment must be filed with the Minister of Finance and any other competent Ministers. However, the exemptions from the prior notification requirements may be available in the cases where the relevant voting arrangement is regarding matters other than certain matters which may control substantially or have a material influence on the management of the relevant company, such as the election or removal of directors, which would have required prior notification.

Acquisitions of shares by foreign investors by way of stock split are not subject to the foregoing notification requirements.

Procedures for Prior Notification

If such prior notification is filed, the proposed inward direct investment may not be consummated until after 30 days have passed from the date of filing, although this screening period may be shortened to two weeks unless such Ministers deem it necessary to review the proposed inward direct investment. The Ministers may extend the screening period up to five months if they deem it necessary to review the proposed inward direct investment and may recommend any modification or abandonment of the proposed inward direct investment and, if the foreign investor does not accept such recommendation, the Ministers may order the modification or abandonment of such inward direct investment. In addition, if the Ministers consider the proposed inward direct investment to be an inward direct investment that is likely to cause damage to the national security of Japan and, if a foreign investor (i) consummates such inward direct investment without filing the prior notification described above; (ii) consummates such inward direct investment before the expiration of the screening period described above;

(iii) in connection with such inward direct investment, makes false statements in the prior notification described above; or (iv) does not follow the recommendation or order issued by the Ministers to modify or abandon such inward direct investment, the Ministers may order such foreign investor to dispose of all or part of the shares acquired or take other measures.

Post Facto Reporting Requirements

A foreign investor who consummates an inward direct investment as described above relating to a Japanese listed company that is engaged in one or more Designated Businesses, but is not subject to the prior notification requirements described above due to the exemptions from such prior notification requirements, in general, must file a report of the relevant inward direct investment with the Minister of Finance and any other competent Ministers having jurisdiction over such Japanese company within 45 days of such inward direct investment when, as a result of such acquisition, the foreign investor (excluding, in the cases of (i) and (ii) below, a foreign investor who falls under a category of certain foreign financial institutions (as prescribed in the Foreign Exchange Regulations)) directly or indirectly holds (i) 1% or more but less than 3% of the total number of issued shares or voting rights, for the first time, (ii) 3% or more but less than 10% of the total number of issued shares or voting rights, for the first time, or (iii) 10% or more of the total number of issued shares or voting rights.

In addition, if a foreign investor consummates the inward direct investment described above through the acquisition (including investment discretionary management) of shares or voting rights or the authority to exercise, directly or through instructions, voting rights of a Japanese listed company that is not engaged in the Designated Businesses (which is not subject to the prior notification requirements described above) and, as a result of such acquisition, such foreign investor holds 10% or more of shares or voting rights of the total number of issued shares or voting rights of the relevant company, such foreign investor must file a report of the relevant inward direct investment with the Minister of Finance and any other competent Ministers having jurisdiction over such Japanese company within 45 days of such inward direct investment.

Additionally, if a foreign investor consummates the inward direct investment described above through a voting arrangement with respect to a Japanese listed company that is not engaged in the Designated Businesses (which is not subject to the prior notification requirements described above), such foreign investor must file a report of the relevant inward direct investment with the Minister of Finance and any other competent Ministers having jurisdiction over such Japanese company within 45 days of such inward direct investment.

Acquisitions of shares by foreign investors by way of stock split are not subject to the foregoing notification requirements.

Dividends and Proceeds of Sale

Under the Foreign Exchange Regulations, dividends paid on, and the proceeds of sales in Japan of, shares held by non-residents of Japan may in general be converted into any foreign currency and repatriated abroad. Under the terms of the deposit agreement pursuant to which Toyota's ADSs are issued, the Depositary is required, to the extent that in its judgment it can convert yen on a reasonable basis into dollars and transfer the resulting dollars to the United States, to convert all cash dividends that it receives in respect of deposited shares into dollars and to distribute the amount received (after deduction of applicable withholding taxes) to the holders of ADSs.

10.E TAXATION

The following discussion is a general summary of the principal U.S. federal income and Japanese national tax consequences of the acquisition, ownership and disposition of shares of common stock or ADSs. This summary does not purport to address all material tax consequences that may be relevant to holders of shares of common stock or ADSs, and does not take into account the specific circumstances of any particular investors,

some of which (such as tax-exempt entities, banks, insurance companies, broker-dealers, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, regulated investment companies, real estate investment trusts, partnerships and other pass-through entities, investors liable for the U.S. alternative minimum tax, investors that own or are treated as owning 10% or more of Toyota's stock (by vote or value), investors that hold shares of common stock or ADSs as part of a straddle, hedge, conversion transaction or other integrated transaction and U.S. Holders (as defined below) whose functional currency is not the U.S. dollar) may be subject to special tax rules. This summary is based on the tax laws and regulations of the United States and Japan, judicial decisions, published rulings and administrative pronouncements all as in effect on the date hereof, as well as on the current income tax convention between the United States and Japan (the "Treaty"), as described below, all of which are subject to change (possibly with retroactive effect), and to differing interpretations.

For purposes of this discussion, a "U.S. Holder" is any beneficial owner of shares of common stock or ADSs that, for U.S. federal income tax purposes, is:

1. an individual who is a citizen or resident of the United States;
2. a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States, any state thereof, or the District of Columbia;
3. an estate the income of which is subject to U.S. federal income tax without regard to its source; or
4. a trust that is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons, or that has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

An "Eligible U.S. Holder" is a U.S. Holder that:

1. is a resident of the United States for purposes of the Treaty;
2. does not maintain a permanent establishment in Japan (a) with which the shares of common stock or ADSs are effectively connected and through which the U.S. Holder carries on or has carried on business, or (b) of which the shares of common stock or ADSs form part of the business property; and
3. is eligible for benefits under the Treaty with respect to income and gain derived in connection with the shares of common stock or ADSs.

This summary does not address any aspects of U.S. federal tax law other than income taxation and does not discuss any aspects of Japanese taxation other than income taxation, as limited to national taxes, inheritance and gift taxation. This summary also does not cover any state or local, or non-U.S., non-Japanese tax considerations. Investors are urged to consult their tax advisors regarding the U.S. federal, state and local and Japanese and other tax consequences of acquiring, owning and disposing of shares of common stock or ADSs. In particular, where relevant, investors are urged to confirm their status as Eligible U.S. Holders with their tax advisors and to discuss with their tax advisors any possible consequences of their failure to qualify as Eligible U.S. Holders. In addition, this summary is based in part upon the representations of the Depositary and the assumption that each obligation in the deposit agreement, and in any related agreement, will be performed in accordance with its terms.

In general, for purposes of the Treaty and for U.S. federal income and Japanese income tax purposes, owners of ADRs evidencing ADSs will be treated as the owners of the shares of common stock represented by those ADSs, and exchanges of shares of common stock for ADSs, and exchanges of ADSs for shares of common stock, will not be subject to U.S. federal income or Japanese income tax.

The discussion below is intended for general information only and does not constitute a complete analysis of all tax consequences relating to ownership of shares of common stock or ADSs. Prospective purchasers of shares of common stock or ADSs should consult their own tax advisors concerning the tax consequences of their particular situations.

Japanese Taxation

The following is a summary of the principal Japanese tax consequences (limited to national taxes) to non-residents of Japan or non-Japanese corporations without permanent establishments in Japan (“non-resident Holders”) who are holders of shares of common stock or of ADSs of Toyota. The following information regarding taxation in Japan is based on the tax treaties and tax laws in force and their interpretation by Japan’s tax authorities as of the date of this annual report. Tax laws and treaties and their interpretations may change (including with retroactive effect). Toyota will not revise this summary on the basis of any such change occurring after the date of this annual report.

Generally, non-resident Holders are subject to Japanese withholding tax on dividends paid by Japanese corporations. Stock splits are, in general, not taxable events.

In the absence of an applicable income tax treaty, convention or agreement reducing the maximum rate of Japanese withholding tax or allowing an exemption from Japanese withholding tax, the rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to non-resident Holders is generally 20.42 percent, provided that, with respect to dividends paid on listed shares issued by a Japanese corporation (such as the shares of common stock or ADSs of Toyota) to non-resident Holders, other than any individual shareholder who holds three percent or more of the total issued shares of the relevant Japanese corporation, the aforementioned 20.42 percent withholding tax rate is reduced to 15.315 percent for dividends due and payable on or before December 31, 2037. These rates include a special additional withholding tax (2.1 percent of the original withholding tax amount) to secure funds for reconstruction from the Great East Japan Earthquake.

At the date of this annual report, Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, in most cases to 15 percent, ten percent or five percent for portfolio investors (15 percent under the income tax treaties in force with, among other countries, Canada, Denmark, Finland, Germany, Iceland, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore and Spain (for dividends due and payable on or before December 31, 2021), ten percent under the income tax treaties with, among other countries, Australia, Austria, Belgium, France, Hong Kong, the Netherlands, Portugal, Sweden, Switzerland, the U.K. and the United States, and five percent under the income tax treaties with, among others, Spain (for dividends due and payable on or after January 1, 2022)).

Under the Treaty, the maximum rate of Japanese withholding tax which may be imposed on dividends paid by a Japanese corporation to an Eligible U.S. Holder that is a portfolio investor is generally reduced to ten percent of the gross amount actually distributed, and dividends paid by a Japanese corporation to an Eligible U.S. Holder that is a pension fund (as defined in the Treaty) are exempt from Japanese income tax by way of withholding or otherwise, provided that such dividends are not derived from the carrying on of a business, directly or indirectly, by such pension fund.

If the maximum tax rate provided for in the income tax treaty applicable to dividends paid by Toyota to any particular non-resident Holder is lower than the withholding tax rate otherwise applicable under Japanese tax law or if any particular non-resident Holder is exempt from Japanese income tax with respect to such dividends under the income tax treaty applicable to such particular non-resident Holder, such non-resident Holder who is entitled to a reduced rate of or exemption from Japanese withholding tax on the payment of dividends on shares of common stock by Toyota is required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends (together with any other required forms and documents) in advance through the withholding agent to the relevant tax authority before the payment of dividends. A standing proxy for non-resident Holders of a Japanese corporation may provide this application service. In addition, a simplified special filing procedure is available for non-resident Holders to claim treaty benefits of exemption from or reduction of Japanese withholding tax by submitting a Special Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends of Listed Stock (together with any other required forms and

documents). With respect to ADSs, this reduced rate or exemption is applicable if the Depositary or its agent submits, together with other documents, two Special Application Forms (one before payment of dividends, the other within eight months after the recording date concerning such payment of dividends) to the Japanese tax authority. To claim this reduced rate or exemption, any relevant non-resident Holder of ADSs will be required to file proof of taxpayer status, residence and beneficial ownership (as applicable) and to provide other information or documents as may be required by the Depositary. A non-resident Holder who is entitled, under an applicable income tax treaty, to a reduced treaty rate lower than the withholding tax rate otherwise applicable under Japanese tax law or an exemption from the withholding tax, but fails to submit the required application in advance, will be entitled to claim the refund of Japanese taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident Holder is entitled to a reduced treaty rate under the applicable income tax treaty) or the entire amount of Japanese tax withheld (if such non-resident Holder is entitled to an exemption under the applicable income tax treaty) by complying with a certain subsequent filing procedure. Toyota does not assume any responsibility to ensure withholding at the reduced rate, or exemption therefrom, for non-resident Holders who would be so eligible under an applicable tax treaty, but where the required procedures as stated above are not followed.

Gains derived from the sale of shares of common stock or ADSs outside Japan by a non-resident Holder holding such shares of common stock or ADSs as portfolio investors are, in general, not subject to Japanese income tax or corporation tax under Japanese law. In addition, Eligible U.S. Holders are exempt from Japanese income or corporation tax with respect to such gains under the Treaty so long as filings required under Japanese law are made.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired from another individual shares of common stock or ADSs as a legatee, heir or donee, even though neither the individual, nor the deceased, nor donor is a Japanese resident.

Holders of shares of common stock or ADSs should consult their tax advisors regarding the effect of these taxes and, in the case of U.S. Holders, the possible application of the Estate and Gift Tax Treaty between the United States and Japan.

U.S. Federal Income Taxation

U.S. Holders

The following discussion is a summary of the principal U.S. federal income tax consequences to U.S. Holders that hold shares of common stock or ADSs as capital assets (generally, for investment purposes).

Taxation of Dividends

Subject to the passive foreign investment company (“PFIC”) rules discussed below, the gross amount of any distribution made by Toyota in respect of shares of common stock or ADSs (without reduction for Japanese withholding taxes) will constitute a taxable dividend to the extent paid out of current or accumulated earnings and profits, as determined under U.S. federal income tax principles. The U.S. dollar amount of such a dividend generally will be included in the gross income of a U.S. Holder, as ordinary income, when actually or constructively received by the U.S. Holder, in the case of shares of common stock, or by the Depositary, in the case of ADSs. Dividends paid by Toyota will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

Dividends received on shares and ADSs of certain foreign corporations by non-corporate U.S. investors may be subject to U.S. federal income tax at lower rates than other types of ordinary income if certain conditions are met. Dividends received by non-corporate U.S. Holders with respect to shares of common stock or ADSs of Toyota are expected to be eligible for these reduced rates of tax. U.S. Holders should consult their own tax advisors regarding the eligibility of such dividends for a reduced rate of tax.

The U.S. dollar amount of a dividend paid in Japanese yen will be determined based on the Japanese yen/ U.S. dollar exchange rate in effect on the date that the dividend is included in the gross income of the U.S. Holder, regardless of whether the payment is converted into U.S. dollars on that date. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is included in the gross income of a U.S. Holder through the date that payment is converted into U.S. dollars (or otherwise disposed of) will be treated as U.S.-source ordinary income or loss. U.S. Holders should consult their own tax advisors regarding the calculation and U.S. federal income tax treatment of foreign currency gain or loss.

To the extent, if any, that the amount of any distribution received by a U.S. Holder in respect of shares of common stock or ADSs exceeds Toyota's current and accumulated earnings and profits, as determined under U.S. federal income tax principles, the distribution first will be treated as a tax-free return of capital to the extent of the U.S. Holder's adjusted tax basis in those shares or ADSs, and thereafter will be treated as U.S.-source capital gain.

Distributions of additional shares of common stock that are made to U.S. Holders with respect to their shares of common stock or ADSs, and that are part of a pro rata distribution to all of Toyota's shareholders, generally will not be subject to U.S. federal income tax.

For U.S. foreign tax credit purposes, dividends included in gross income by a U.S. Holder in respect of shares of common stock or ADSs will constitute income from sources outside the United States, and will generally be "passive category income" or, in the case of certain U.S. Holders, "general category income." Subject to generally applicable limitations under U.S. federal income tax law and the Treaty, any Japanese withholding tax imposed in respect of a Toyota dividend may be claimed as a credit against the U.S. federal income tax liability of a U.S. Holder, or alternatively as a deduction in the computation of such U.S. Holder's taxable income if the U.S. Holder does not elect to claim a credit for any foreign taxes paid or accrued for the taxable year. Special rules generally will apply to the calculation of foreign tax credits in respect of dividend income that qualifies for preferential U.S. federal income tax rates. Additionally, special rules apply to individuals whose foreign source income during the taxable year consists entirely of "qualified passive income" and whose creditable foreign taxes paid or accrued during the taxable year do not exceed \$300 (\$600 in the case of a joint return). Further, under some circumstances, a U.S. Holder that:

(i) has held shares of common stock or ADSs for less than a specified minimum period; or

(ii) is obligated to make payments related to Toyota dividends,

will not be allowed a foreign tax credit for Japanese taxes imposed on Toyota dividends.

U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Taxation of Capital Gains and Losses

In general, upon a sale or other taxable disposition of shares of common stock or ADSs, a U.S. Holder will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized on the sale or other taxable disposition and the U.S. Holder's adjusted tax basis in those shares of common stock or ADSs. A U.S. Holder generally will have an adjusted tax basis in a share of common stock or an ADS equal to its U.S. dollar cost. Subject to the PFIC rules discussed below, gain or loss recognized on the sale or other taxable disposition of shares of common stock or ADSs generally will be capital gain or loss and, if the U.S. Holder's holding period for those shares or ADSs exceeds one year, will be long-term capital gain or loss. Non-corporate U.S. Holders, including individuals, currently are eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. Under U.S. federal income tax law, the deduction of capital losses is subject to limitations. Any gain or loss recognized by a U.S. Holder in respect of the sale or other disposition of shares of common stock or ADSs generally will be treated as U.S.-source income or loss for U.S. foreign tax credit purposes.

Deposits and withdrawals of common stock in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Passive Foreign Investment Companies

A non-U.S. corporation generally will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying look-through rules, either (1) at least 75% of its gross income is passive income or (2) on average at least 50% of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions. The PFIC determination is made annually and generally is based on the value of a non-U.S. corporation's assets (including goodwill) and composition of its income.

Toyota does not believe that it was a PFIC for U.S. federal income tax purposes for its taxable year ended March 31, 2021, and currently intends to continue its operations in such a manner that it will not become a PFIC in the future. Because the PFIC determination is made annually and the application of the PFIC rules to a corporation such as Toyota (which among other things is engaged in leasing and financing through several subsidiaries) is not entirely clear, no assurances can be made regarding determination of its PFIC status in the current or any future taxable year. If Toyota is determined to be a PFIC, U.S. Holders could be subject to additional U.S. federal income taxes on gain recognized with respect to the shares of common stock or ADSs and on certain distributions. In addition, an interest charge may apply to the portion of the U.S. federal income tax liability on such gains or distributions treated under the PFIC rules as having been deferred by the U.S. Holder. Moreover, dividends that a non-corporate U.S. Holder receives from Toyota will not be eligible for the reduced U.S. federal income tax rates on dividends described above if Toyota is a PFIC either in the taxable year of the dividend or the preceding taxable year. If a U.S. Holder owns shares of common stock or ADSs in any taxable year in which Toyota is a PFIC, such U.S. Holder generally would be required to file Internal Revenue Service ("IRS") Form 8621 (or other form specified by the U.S. Department of the Treasury) on an annual basis, subject to certain exceptions based on the value of PFIC stock held. Toyota will inform U.S. Holders if it believes that it will be classified as a PFIC in any taxable year.

Prospective investors should consult their own tax advisors regarding the potential application of the PFIC rules to shares of common stock or ADSs.

Non-U.S. Holders

The following discussion is a summary of the principal U.S. federal income tax consequences to beneficial owners of shares of common stock or ADSs that are neither U.S. Holders, nor partnerships, nor entities taxable as partnerships for U.S. federal income tax purposes ("Non-U.S. Holders").

A Non-U.S. Holder generally will not be subject to any U.S. federal income or withholding tax on distributions received in respect of shares of common stock or ADSs unless the distributions are effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States (and, if an applicable tax treaty requires, are attributable to a U.S. permanent establishment or fixed base of such Non-U.S. Holder).

A Non-U.S. Holder generally will not be subject to U.S. federal income tax in respect of gain recognized on a sale or other disposition of shares of common stock or ADSs, unless:

- (i) the gain is effectively connected with a trade or business conducted by the Non-U.S. Holder within the United States (and, if an applicable tax treaty requires, is attributable to a U.S. permanent establishment or fixed base of such Non-U.S. Holder); or
- (ii) the Non-U.S. Holder is an individual who was present in the United States for 183 or more days in the taxable year of the disposition and other conditions are met.

Income that is effectively connected with a U.S. trade or business of a Non-U.S. Holder, and, if an income tax treaty applies and so requires, is attributable to a U.S. permanent establishment or fixed base of the Non-U.S. Holder, generally will be taxed in the same manner as the income of a U.S. Holder. In addition, under certain circumstances, any effectively connected earnings and profits realized by a corporate Non-U.S. Holder may be subject to an additional “branch profits tax” at the rate of 30% or at a lower rate that may be prescribed by an applicable income tax treaty.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to dividends paid to a U.S. Holder in respect of shares of common stock or ADSs, and to the proceeds received upon the sale, exchange or redemption of the shares of common stock or ADSs within the United States by U.S. Holders. Furthermore, backup withholding may apply to those amounts (currently at a 24% rate) if a U.S. Holder fails to provide an accurate taxpayer identification number to certify that such U.S. Holder is not subject to backup withholding or to otherwise comply with the applicable requirements of the backup withholding requirements.

Dividends paid to a Non-U.S. Holder in respect of shares of common stock or ADSs, and proceeds received upon the sale, exchange or redemption of shares of common stock or ADSs by a Non-U.S. Holder, generally are exempt from information reporting and backup withholding under current U.S. federal income tax law. However, a Non-U.S. Holder may be required to provide certification of non-U.S. status in order to obtain that exemption.

Persons required to establish their exempt status generally must provide such certification under penalty of perjury on IRS Form W-9, entitled Request for Taxpayer Identification Number and Certification, in the case of U.S. persons, and on IRS Form W-8BEN, entitled Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals), or IRS Form W-8BEN-E, entitled Certificate of Status of Beneficial Owner for United States Tax Withholding and Reporting (Entities) (or other appropriate IRS Form W-8), in the case of non-U.S. persons. Backup withholding is not an additional tax. The amount of backup withholding imposed on a payment generally may be claimed as a credit against the holder’s U.S. federal income tax liability, provided that the required information is properly furnished to the IRS in a timely manner.

In addition, certain U.S. Holders who are individuals that hold certain foreign financial assets (which may include shares of common stock or ADSs) are required to report information relating to such assets, subject to certain exceptions. U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of shares of common stock or ADSs.

THE SUMMARY OF U.S. FEDERAL INCOME AND JAPANESE NATIONAL TAX CONSEQUENCES SET OUT ABOVE IS INTENDED FOR GENERAL INFORMATION PURPOSES ONLY. PROSPECTIVE PURCHASERS OF COMMON STOCK OR ADSs ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING OR DISPOSING OF COMMON STOCK OR ADSs, BASED ON THEIR PARTICULAR CIRCUMSTANCES.

10.F DIVIDENDS AND PAYING AGENTS

Not applicable.

10.G STATEMENT BY EXPERTS

Not applicable.

10.H DOCUMENTS ON DISPLAY

Toyota files annual reports on Form 20-F and reports on Form 6-K with the SEC. You may access this information through the SEC’s website (<http://www.sec.gov>). In addition, Toyota’s reports, proxy statements and

other information may be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005. Copies of the documents referred to herein may also be inspected at Toyota's offices by contacting Toyota at 1 Toyota-cho, Toyota City, Aichi Prefecture 471-8571, Japan, attention: Financial Reporting Department, Accounting Division, telephone number: +81-565-28-2121.

10.I SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and Qualitative Disclosures about Market Risk

Toyota is exposed to market risk from changes in foreign currency exchange rates, interest rates, certain commodity and equity security prices. In order to manage the risk arising from changes in foreign currency exchange rates and interest rates, Toyota enters into a variety of derivative financial instruments.

A description of Toyota's accounting policies for derivative instruments is included in note 3 to the consolidated financial statements and further disclosure is provided in notes 21 and 22 to the consolidated financial statements.

Toyota monitors and manages these financial exposures as an integral part of its overall risk management program, which recognizes the unpredictability of financial markets, and seeks to reduce the potentially adverse effects on Toyota's operating results.

Market risk analyses of risks such as foreign exchange risk, interest rate risk, commodity price fluctuation risk and stock price fluctuation risk are provided in note 20 to the consolidated financial statements.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

12.A DEBT SECURITIES

Not applicable.

12.B WARRANTS AND RIGHTS

Not applicable.

12.C OTHER SECURITIES

Not applicable.

12.D AMERICAN DEPOSITARY SHARES

Fees and Charges for Holders of American Depositary Receipts

The Bank of New York Mellon, as Depositary for the ADSs, collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

<u>Persons depositing or withdrawing shares must pay:</u>	<u>For:</u>
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	<ul style="list-style-type: none">• Issuance of ADSs, including issuances resulting from a distribution, sale or exercise of shares or rights or other property• Cancellation of ADSs for the purpose of withdrawal including if the deposit agreement terminates
\$0.02 (or less) per ADS	<ul style="list-style-type: none">• Any cash distribution to ADS registered holders
A fee equivalent to the fee that would be payable if securities distributed to the ADR holder had been shares and the shares had been deposited for issuance of ADSs	<ul style="list-style-type: none">• Distribution of securities distributed to holders of deposited securities which are distributed by the Depositary to ADS registered holders
Registration fees	<ul style="list-style-type: none">• Registration of transfer of shares on Toyota's share register to the name of the Depositary or its nominee or the custodian or its nominee when shares are deposited or withdrawn
Expenses of the Depositary	<ul style="list-style-type: none">• Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)• Converting foreign currency to U.S. dollars
Taxes and other governmental charges the Depositary or the custodian have to pay on any ADS or share underlying an ADS	<ul style="list-style-type: none">• As necessary

Fees Incurred in Fiscal 2021

For fiscal 2021, Toyota received \$760,657,79 from the Depositary for standard out-of-pocket maintenance costs for the ADRs (consisting of the expenses of postage and envelopes for mailing annual reports, printing and distributing dividend checks, stationery, postage, facsimile, and telephone calls), expenses relating to Toyota's annual general shareholders' meeting that are incurred with respect to Toyota's ADR holders and 50% of the net dividend fees collected by the Depositary. The Depositary also paid Toyota's continuing annual stock exchange listing fees.

Fees to be Paid in the Future

With regards to the ADS program, the Depositary has agreed to pay the standard out-of-pocket maintenance costs for the ADRs, which includes the expenses of postage and envelopes for mailing annual reports, printing and distributing dividend checks, stationery, postage, facsimile and telephone calls. It has also agreed to pay for investor relations expenses and any other program related expenses. The limit on the amount of expenses for which the Depositary will pay is the sum of \$300,000 annually. In addition, the Depositary has agreed to pay Toyota 50% of the net dividend fees collected by the Depositary during each annual period towards the aforementioned expenses.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

(a) DISCLOSURE CONTROLS AND PROCEDURES

Toyota performed an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures as of the end of fiscal 2021. Disclosure controls and procedures are designed to ensure that information required to be disclosed in the Form 20-F that Toyota files under the Exchange Act is accumulated and communicated to its management, including the chief executive officer and the principal accounting and financial officer, to allow timely decisions regarding required disclosure. The disclosure controls and procedures also ensure that the Form 20-F that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. The evaluation was performed under the supervision of Toyota's President and Representative Director, who concurrently serves as CEO, and the Operating Officer who concurrently serves as CFO. Toyota's disclosure controls and procedures are designed to provide reasonable assurance of achieving its objectives. Managerial judgment was necessary to evaluate the cost-benefit relationship of possible controls and procedures. The President and Representative Director as well as the Operating Officer have concluded that Toyota's disclosure controls and procedures are effective at the reasonable assurance level.

(b) MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Toyota's management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Toyota's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that in reasonable detail, accurately and fairly reflect the transactions and dispositions of Toyota's assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that Toyota's receipts and expenditures are being made only in accordance with authorizations of Toyota's management and members of the board of directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Toyota's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Toyota's management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in "Internal Control — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this evaluation, management concluded that Toyota's internal control over financial reporting was effective as of March 31, 2021.

PricewaterhouseCoopers Aarata LLC, an independent registered public accounting firm that audited the consolidated financial statements included in this report, has also audited the effectiveness of Toyota's internal control over financial reporting as of March 31, 2021, as stated in its report included herein.

(c) ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

Toyota's independent registered public accounting firm, PricewaterhouseCoopers Aarata LLC, has issued an audit report on the effectiveness of Toyota's internal control over financial reporting. This report appears in Item 18.

(d) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in Toyota's internal control over financial reporting during fiscal 2021 that have materially affected, or are reasonably likely to materially affect, Toyota's internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Toyota maintains an audit & supervisory board system, in accordance with the Companies Act. Toyota's audit & supervisory board is comprised of six audit & supervisory board members, three of whom are outside audit & supervisory board members. Each audit & supervisory board member has been appointed at Toyota's meetings of shareholders and has certain statutory powers independently, including auditing the business affairs and accounts of Toyota.

Toyota's audit & supervisory board has determined that it does not have an "audit committee financial expert" serving on the audit & supervisory board. The qualifications for, and powers of, the audit & supervisory board member delineated in the Companies Act are different from those anticipated for any audit committee financial expert. Audit & supervisory board members have the authority to be given reports from a certified public accountant or an accounting firm concerning audits, including technical accounting matters. At the same time, each audit & supervisory board member has the authority to consult internal and external experts on accounting matters. Each audit & supervisory board member must fulfill the requirements under Japanese laws and regulations and otherwise follow Japanese corporate governance practices and, accordingly, Toyota's audit & supervisory board has confirmed that it is not necessarily in Toyota's best interest to nominate as audit & supervisory board member a person who meets the definition of audit committee financial expert. Although Toyota does not have an audit committee financial expert on its audit & supervisory board, Toyota believes that Toyota's current corporate governance system, taken as a whole, including the audit & supervisory board members' ability to consult internal and external experts, is fully equivalent to a system having an audit committee financial expert on its audit & supervisory board.

ITEM 16B. CODE OF ETHICS

Toyota has adopted a code of ethics that applies to its members of the board of directors and operating officers, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of Toyota's code of ethics is included as an exhibit to this annual report on Form 20-F.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

PricewaterhouseCoopers Aarata LLC has audited the financial statements of Toyota included in this annual report on Form 20-F.

The following table presents the aggregate fees for professional services and other services rendered by PricewaterhouseCoopers Aarata LLC and the various network and member firms of PricewaterhouseCoopers to Toyota in fiscal 2020 and fiscal 2021.

	<u>Yen in millions</u>	
	<u>2020</u>	<u>2021</u>
Audit Fees ⁽¹⁾	4,712	4,602
Audit-related Fees ⁽²⁾	132	70
Tax Fees ⁽³⁾	398	373
All Other Fees ⁽⁴⁾	<u>497</u>	<u>185</u>
Total	<u>5,739</u>	<u>5,230</u>

- (1) Audit Fees consist of fees billed for the annual audit services engagement and other audit services, which are those services that only the external auditor reasonably can provide, and include the services of annual audit, quarterly reviews and assessment and reviews of the effectiveness of internal controls over financial reporting of Toyota and its subsidiaries and affiliated companies; the services associated with SEC registration statements or other documents issued in connection with securities offerings such as comfort letters and consents; and consultations as to the accounting or disclosure treatment of transactions or events.
- (2) Audit-related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of its financial statements or that are traditionally performed by the external auditor, and mainly include services such as agreed-upon or expanded audit procedures; and financial statement audits of employee benefit plans.
- (3) Tax Fees include fees billed for tax compliance services, including services such as tax planning, advice and compliance of federal, state, local and international tax; the review of tax returns; assistance with tax audits and appeals; tax-only valuation services including transfer pricing; expatriate tax assistance and compliance.
- (4) All Other Fees primarily include fees billed for risk management advisory services; services providing information related to automotive market conditions; and other advisory services.

Policies and Procedures of the Audit & Supervisory Board

Below is a summary of the current policies and procedures of the audit & supervisory board for the pre-approval of audit and permissible non-audit services performed by Toyota's independent public accountants.

Under the policy, specified operating officers or managers submit a request for general pre-approval of audit and permissible non-audit services for the following fiscal year, which shall include details of the specific services and estimated fees for the services, to the audit & supervisory board, which reviews and determines whether or not to grant the request in advance. Upon the general pre-approval of the audit & supervisory board, the specified operating officers or managers are not required to obtain any specific pre-approval for audit and permissible non-audit services so long as those services fall within the scope of the general pre-approval provided.

The audit & supervisory board makes a further determination of whether or not to grant a request to revise the general pre-approval for the applicable fiscal year if such request is submitted by specified operating officers or managers. Such request may include (i) adding any audit or permissible non-audit services other than the ones listed in the general pre-approval and (ii) obtaining services that are listed in the general pre-approval but of

which the total fee amount exceeds the amount affirmed by the general pre-approval. The determination of whether or not to grant a request to revise the general pre-approval noted in the foregoing may alternatively be made by an audit & supervisory board member (full time), who is designated in advance by a resolution of the audit & supervisory board, in which case such audit & supervisory board member (full time) shall report such decision at the next meeting of the audit & supervisory board. The performance of audit and permissible non-audit services and the payment of fees are subject to review by the audit & supervisory board at least once every fiscal half year.

None of the audit related fees, tax fees or all other fees described in the table above were approved by the audit & supervisory board pursuant to the de minimis exception provided by paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Toyota does not have an audit committee. Toyota is relying on the general exemption contained in Rule 10A-3(c)(3) under the Exchange Act, which provides an exemption from the NYSE’s listing standards relating to audit committees for foreign companies like Toyota that have an audit & supervisory board. Toyota’s reliance on Rule 10A-3(c)(3) does not, in its opinion, materially adversely affect the ability of its audit & supervisory board to act independently and to satisfy the other requirements of Rule 10A-3.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

The following table sets forth purchases of Toyota’s common stock by Toyota and its affiliated purchasers during fiscal 2021:

Period	(a) Total Number of Shares Purchased ⁽¹⁾	(b) Average Price Paid per Share (Yen) ⁽¹⁾	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
April 1, 2020 – April 30, 2020	547	6,636.15	—	—
May 1, 2020 – May 31, 2020	254	6,358.68	—	—
June 1, 2020 – June 30, 2020	1,140	6,886.92	—	—
July 1, 2020 – July 31, 2020	970	6,788.81	—	—
August 1, 2020 – August 31, 2020	914	6,750.89	—	—
September 1, 2020 – September 30, 2020	1,240	7,033.11	—	—
October 1, 2020 – October 31, 2020	709	6,949.13	—	—
November 1, 2020 – November 30, 2020	1,460	7,205.72	—	—
December 1, 2020 – December 31, 2020	1,937	7,651.17	—	—
January 1, 2021– January 31, 2021	2,398	7,824.40	—	—
February 1, 2021 – February 28, 2021	2,385	8,049.77	—	—
March 1, 2021 – March 31, 2021	1,918	8,133.64	—	—
Total	15,872	—	—	—

(1) The above purchases were made as a result of holders of shares constituting less than one unit, which is 100 shares of common stock, requesting Toyota to purchase shares that are a fraction of a unit, in accordance with Toyota’s share handling regulations. Toyota is required to comply with such requests pursuant to the Companies Act. See “Additional Information — Memorandum and Articles of Association — Japanese

Unit Share System.” The number of shares purchased not pursuant to publicly announced plans or programs conducted in fiscal 2021 is 15,872.

(2) Toyota did not conduct any share repurchases as a form of shareholder return in fiscal 2021.

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Significant Differences in Corporate Governance Practices between Toyota and U.S. Companies Listed on the NYSE

Pursuant to home country practices exemptions granted by the NYSE, Toyota is permitted to follow certain corporate governance practices complying with Japanese laws, regulations and stock exchange rules in lieu of the NYSE’s listing standards. The SEC approved changes to the NYSE’s listing standards related to corporate governance practices of listed companies (the “NYSE Corporate Governance Rules”) in November 2003, as further amended in November 2004. Toyota is exempt from the approved changes, except for requirements that (a) Toyota’s audit & supervisory board satisfies the requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), (b) Toyota must disclose significant differences in its corporate governance practices as compared to those followed by domestic companies under the NYSE listing standards, (c) Toyota’s principal executive officer must notify the NYSE in writing after any executive officer of Toyota becomes aware of any non-compliance with (a) and (b), and (d) Toyota must submit annual and interim written affirmations to the NYSE. Toyota’s corporate governance practices and those followed by domestic companies under the NYSE Corporate Governance Rules have the following significant differences:

1. Members of the Board of Directors. Toyota currently does not have any members of the board of directors who will be deemed an “independent director” as required under the NYSE Corporate Governance Rules for U.S. listed companies. Unlike the NYSE Corporate Governance Rules, the Companies Act does not require Japanese companies with an audit & supervisory board such as Toyota to have any independent directors on its board of directors. While the NYSE Corporate Governance Rules require that the non-management directors of each listed company meet at regularly scheduled executive sessions without management, Toyota currently has no non-management member on its board of directors. Unlike the NYSE Corporate Governance Rules, the Companies Act does not require, and accordingly Toyota does not have, an internal corporate organ or committee comprised solely of independent directors.

The Companies Act requires Toyota to have outside members of the board of directors under the Companies Act. Toyota currently has three outside members of the board of directors. An “outside” member of the board of directors refers to:

(a) a person who is not, and has never been during the ten year period before becoming an outside member of the board of directors, an executive director (a member of the board of directors who engages in the execution of business), executive officer, manager or employee (collectively, “Executive Director, etc.”) of Toyota or its subsidiaries;

(b) if a person was a member of the board of directors, accounting counselor (in the case that an accounting counselor is a legal entity, an employee of such entity who is in charge of its affairs) or audit & supervisory board member (excluding those who have ever been Executive Directors, etc.) of Toyota or any of its subsidiaries at any time during the ten year period before becoming an outside member of the board of directors, such person who has not been an Executive Director, etc. of Toyota or any of its subsidiaries during the ten year period before becoming a member of the board of directors, accounting counselor or audit & supervisory board member; and

(c) a person who is not a spouse or relative within the second degree of kinship of any member of the board of directors or manager or other key employee of Toyota.

Such qualifications for an “outside” member of the board of directors are different from the director independence requirements under the NYSE Corporate Governance Rules.

In addition, pursuant to the regulations of the Japanese stock exchanges, Toyota is required to have one or more “independent director(s)/audit & supervisory board member(s),” defined under the relevant regulations of the Japanese stock exchanges as “outside directors” or “outside audit & supervisory board members” (as defined under the Companies Act), who are unlikely to have any conflicts of interests with Toyota’s general shareholders, and is also required to make efforts to have at least one “independent director(s)/audit & supervisory board member(s)” who is also a director. Each of the outside members of the board of directors of Toyota satisfies the “independent director/audit & supervisory board member” requirements under the regulations of the Japanese stock exchanges. Japan’s Corporate Governance Code provides that companies should appoint at least two “independent outside directors” as defined based on the criteria for assessing director independence established by Toyota in line with the independence standards of the Japanese stock exchanges. The content of the criteria for assessing director independence established by Toyota is the same as that of the independence standards of the Japanese stock exchanges, and each of the outside members of the board of directors of Toyota satisfies the “independent outside director” requirements under such independence standards. The definition of “independent director/audit & supervisory board member” and “independent outside director” is different from that of the definition of independent director under the NYSE Corporate Governance Rules.

2. Committees. Under the Companies Act, Toyota has elected to structure its corporate governance system as a company with audit & supervisory board members who are under a statutory duty to monitor, review and report on the management of the affairs of Toyota. Toyota, as with other Japanese companies with an audit & supervisory board, does not have certain committees that are required of U.S. listed companies subject to the NYSE Corporate Governance Rules, including those that are responsible for director nomination, corporate governance and executive compensation. However, members of Toyota’s Executive Appointment Meeting, a majority of whom are outside directors, discuss recommendations to the board of directors concerning the appointment and dismissal of members of the board of directors and audit & supervisory board members, and members of the Executive Compensation Meeting, a majority of whom are outside directors, review the remuneration system for members of board of directors and senior management as well as determine the amount of remuneration for each member of the board of directors.

Pursuant to the Companies Act, Toyota’s board of directors nominates and submits a proposal for the appointment of members of the board of directors for shareholder approval. The shareholders vote on such nomination at the general shareholders’ meeting. The Companies Act requires that the limits or calculation formula of the remuneration, bonus and any other benefits in compensation for the execution of duties (“remuneration, etc.”) of directors, the kind of remuneration, etc. (in case that the remuneration, etc. are other than cash (excluding shares and stock acquisition rights)) to be received by directors, and the limits of remuneration, etc. that are shares and stock acquisition rights to be granted to directors as well as the limits of remuneration, etc. to be paid to audit & supervisory board members must be determined by a resolution of the general shareholders’ meeting, unless their remuneration, etc. is provided for in the articles of incorporation. The distribution of remuneration, etc., among each member of the board of directors is broadly delegated to the board of directors and the distribution of remuneration among each audit & supervisory board member is determined by consultation among the audit & supervisory board members.

3. Audit Committee. Toyota avails itself of paragraph (c)(3) of Rule 10A-3 of the Exchange Act, which provides a general exemption from the audit committee requirements to a foreign private issuer with an audit & supervisory board, subject to certain requirements which continue to be applicable under Rule 10A-3.

Pursuant to the requirements of the Companies Act, Toyota elects its audit & supervisory board members through a resolution adopted at a general shareholders’ meeting. Toyota currently has six audit & supervisory board members, which exceeds the minimum number of audit & supervisory board members required pursuant to the Companies Act.

Unlike the NYSE Corporate Governance Rules, the Companies Act, among others, does not require audit & supervisory board members to establish an expertise in accounting or financial management nor are they required to present other special knowledge and experience. Therefore, none of Toyota's audit & supervisory board members has "an expertise in accounting or financial management" as set forth in the NYSE Corporate Governance Rules. The Japanese Corporate Governance Code indicates that persons with appropriate experience and skills as well as necessary knowledge of finance, accounting, and laws should be appointed as audit & supervisory board members, and in particular, one or more audit & supervisory board members who have sufficient knowledge of finance and accounting matters should be appointed. Toyota has appointed persons who are able to provide opinions and advice regarding management based on their broader experience and discretion beyond finance and accounting. Under the Companies Act, the audit & supervisory board may determine the auditing policies and methods of investigating the conditions of Toyota's business and assets, and may resolve other matters concerning the execution of the audit & supervisory board member's duties. The audit & supervisory board also prepares auditors' reports and gives consent to proposals of the nomination of audit & supervisory board members. Further, the audit & supervisory board makes decisions concerning proposals relating to the appointment and dismissal of accounting auditors; it also has the authority to dismiss the accounting auditor when certain matters specified under the Companies Act occur.

Toyota currently has three outside audit & supervisory board members under the Companies Act. Under the Companies Act, at least half of the audit & supervisory board members must be an "outside" audit & supervisory board member, which is any person who satisfies all of the following requirements:

- (a) the person has never been a member of the board of directors, accounting counselor (in the case that an accounting counselor is a legal entity, an employee of such entity who is in charge of its affairs), executive officer, manager or employee of Toyota or its subsidiaries during the ten year period before becoming an outside audit & supervisory board member;
- (b) if the person was an audit & supervisory board member of Toyota or any of its subsidiaries at any time during the ten year period before becoming an outside audit & supervisory board member, such person has not been a member of the board of directors, accounting counselor (in the case that an accounting counselor is a legal entity, an employee of such entity who is in charge of its affairs), executive officer, manager or employee of Toyota or any of its subsidiaries during the ten year period before becoming an audit & supervisory board member of Toyota or any of its subsidiaries; and
- (c) the person is not a spouse or relative within the second degree of kinship of any member of the board of directors or manager or other key employee of Toyota.

Such qualifications for an "outside" audit & supervisory board member are different from the audit committee independence requirement under the NYSE Corporate Governance Rules.

Each of the outside audit & supervisory board members of Toyota satisfies the "independent director/audit & supervisory board member" requirements under the regulations of the Japanese stock exchanges, as described above in "1. Members of the Board of Directors."

4. Corporate Governance Guidelines. Unlike the NYSE Corporate Governance Rules, Toyota is not required to adopt Japan's Corporate Governance Code under Japanese laws and regulations, including the Companies Act, the Financial Instruments and Exchange Law of Japan and stock exchange rules. However, if Toyota does not comply with Japan's Corporate Governance Code, it is required to explain the reasons why it does not do so in accordance with the regulations of the Japanese stock exchanges. In addition, Toyota is required to resolve at the board of directors matters relating to a system, which is required under the ordinance of the Ministry of Justice ("internal control system" or "*naibu-tosei*"), to ensure the execution of duties of the members of the board of directors to comply with laws, regulations and articles of incorporation, and any other systems to ensure the adequacy of the business, and to disclose such matters resolved, policies and the present status of its corporate governance in its business reports, annual securities report and certain other disclosure

documents in accordance with the regulations under the Financial Instruments and Exchange Law and stock exchange rules in respect of timely disclosure.

5. Code of Business Conduct and Ethics. Similar to the NYSE Corporate Governance Rules, under Japan's Corporate Governance Code, Toyota is encouraged to adopt a code of conduct regarding ethical business activities for members of the board of directors, officers and employees. Toyota has resolved matters relating to maintenance of an "internal control system," or "*naibu-tosei*," in order to ensure its employees comply with laws, regulations and the articles of incorporation, etc., pursuant to the Companies Act, and Toyota maintains guidelines and internal regulations such as "Guiding Principles at Toyota," "Toyota Code of Conduct" and a code of ethics pursuant to Section 406 of the Sarbanes-Oxley Act. Please see "Code of Ethics" for additional information.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

The following financial statements are filed as part of this annual report on Form 20-F.

TOYOTA MOTOR CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	F - 2
Consolidated statement of financial position at April 1, 2019, March 31, 2020 and 2021	F - 4
Consolidated statement of income for the years ended March 31, 2020 and 2021	F - 6
Consolidated statement of comprehensive income for the years ended March 31, 2020 and 2021	F - 7
Consolidated statement of changes in equity for the years ended March 31, 2020 and 2021	F - 8
Consolidated statement of cash flows for the years ended March 31, 2020 and 2021	F - 9
Notes to consolidated financial statements	F - 10

All financial statements schedules are omitted because they are not applicable or the required information is shown in the financial statements or the notes thereto.

Financial statements of 50% or less owned persons accounted for by the equity method have been omitted because the registrant's proportionate share of the income from continuing operations before income taxes is less than 20% of consolidated income from continuing operations before income taxes and the investment in and advances to each company is less than 20% of consolidated total assets.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
Toyota Jidosha Kabushiki Kaisha
("Toyota Motor Corporation")

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statement of financial position of Toyota Motor Corporation and its subsidiaries (collectively referred to as the "Company") as of March 31, 2021 and 2020, and April 1, 2019, and the related consolidated statement of income, comprehensive income, changes in equity and cash flows for each of the two years in the period ended March 31, 2021, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of March 31, 2021, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2021 and 2020, and April 1, 2019, and the results of its operations and its cash flows for each of the two years in the period ended March 31, 2021 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2021, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 15(b). Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the

consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Liabilities for the costs of recalls and other safety measures

As described in Notes 3 and 25 to the consolidated financial statements, the Company accrues for costs of recalls and other safety measures. As of March 31, 2021, estimated liabilities for the costs of recalls and other safety measures totaled ¥1,034,981 million and were included in liabilities for quality assurance in the consolidated statement of financial position. The Company measures the majority of liabilities for the costs of recalls and other safety measures at the time of vehicle sales comprehensively by aggregate sales of various models in a certain period by geographical regions. However, when circumstances warrant, the Company measures liabilities for costs of a particular recall or other safety measures using an individual model when they are probable and reasonably estimable. Management calculates the liabilities for the costs of recalls and other safety measures that are determined comprehensively based on the accumulated amount of repair cost paid and pattern of actual payment occurrence.

The principal considerations for our determination that performing procedures relating to liabilities for the costs of recalls and other safety measures that are determined comprehensively is a critical audit matter are 1) significant judgment and estimation was required by management when developing the liabilities which in turn led to a high degree of auditor judgement and subjectivity in performing procedures to evaluate management's assumptions; and 2) significant audit effort was necessary relating to testing the accumulated amount of repair cost paid and pattern of actual payment occurrence utilized in developing the estimate. In addition, the audit effort included the involvement of professionals with specialized skills and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to liabilities for the costs of recalls and other safety measures, including controls related to the determination of the significant assumptions and data used to calculate the liabilities that are determined comprehensively. These procedures also included, among others: 1) testing management's process for estimating the liabilities, including evaluating the reasonableness of the significant assumptions; and 2) testing of the completeness and accuracy of the data used in the estimate. We also utilized professionals with specialized skills and knowledge to assist us in testing the liabilities by developing an independent range of reasonable estimated loss based on the Company's data and independently developed assumptions.

Allowance for Credit Losses—Retail finance receivables

As described in Notes 3, 9 and 20 to the consolidated financial statements, the Company measures an allowance for credit losses on its retail finance receivables by estimating the expected credit losses at the reporting date. As of March 31, 2021, ¥198,204 million of the allowance for credit losses corresponding to ¥15,048,433 million of retail finance receivables was recorded in the consolidated statement of financial position. The allowance for credit losses on retail finance receivables is measured based on a systematic, ongoing review and evaluation performed as part of the credit risk evaluation process, historical loss experience, the size and composition of the portfolios, current economic events and conditions, the estimated fair value and adequacy of collateral, forward-looking information including movements of the world economy and other pertinent factors. In calculating the expected credit losses, the Company uses the probability of a default and the loss rate in the event of a default based on past experience and then reflects adjustments based on its forecasts of current and future economic conditions.

The principal considerations for our determination that performing procedures relating to the allowance for credit losses on retail finance receivables is a critical audit matter are 1) there was a significant amount of judgment by management when determining assumptions of the probability of a default, the loss rate in the event of a default, and adjustments based on the forecasts of current and future economic conditions used in the estimating of the allowance for credit losses, which in turn led to a high degree of auditor judgement and subjectivity in performing procedures to evaluate those management's assumptions and adjustments; 2) there was a high level of complexity in assessing audit evidence related to management's estimate. In addition, the audit effort included the involvement of professionals with specialized skills and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's allowance for credit losses on retail finance receivables, including controls over data supporting the assumptions, such as the probability of a default and the loss rate in the event of a default based on past experience, and adjustments used to determine the allowance. These procedures also included, among others, testing management's process for estimating the allowance, including evaluating the reasonableness of the assumptions and adjustments. We also used professionals with specialized skills and knowledge to assist us in evaluating the reasonableness of the assumptions and adjustments determined by management.

/s/ PricewaterhouseCoopers Aarata LLC
Nagoya, Japan
June 24, 2021

We have served as the Company's auditor since 2006.

TOYOTA MOTOR CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Yen in millions		
		Transition date April 1, 2019	March 31, 2020	March 31, 2021
Assets				
Current assets				
Cash and cash equivalents	7	3,602,805	4,098,450	5,100,857
Trade accounts and other receivables	8	2,954,617	2,648,360	2,958,742
Receivables related to financial services	9	6,657,367	6,621,604	6,756,189
Other financial assets	10	2,640,392	2,143,602	4,215,457
Inventories	11	2,731,040	2,533,892	2,888,028
Income tax receivable		84,574	237,609	112,458
Other current assets		507,654	679,804	745,070
Total current assets		<u>19,178,450</u>	<u>18,963,320</u>	<u>22,776,800</u>
Non-current assets				
Investments accounted for using the equity method	12	3,467,242	4,297,564	4,160,803
Receivables related to financial services	9	10,281,028	10,417,797	12,449,525
Other financial assets	10	7,769,740	7,901,517	9,083,914
Property, plant and equipment				
Land	13	1,359,271	1,318,964	1,345,037
Buildings	13	4,833,278	4,741,451	4,999,206
Machinery and equipment	13	11,956,773	11,979,449	12,753,951
Vehicles and equipment on operating leases	13	6,139,163	5,928,833	6,203,721
Construction in progress	13	656,067	517,460	675,875
Total property, plant and equipment, at cost	13	<u>24,944,551</u>	<u>24,486,156</u>	<u>25,977,791</u>
Less - Accumulated depreciation and impairment losses	13	(14,260,446)	(13,952,141)	(14,566,638)
Total property, plant and equipment, net	13	<u>10,684,105</u>	<u>10,534,016</u>	<u>11,411,153</u>
Right of use assets	14	396,830	337,335	390,144
Intangible assets	15	908,737	1,000,257	1,108,634
Deferred tax assets	16	446,383	326,364	336,224
Other non-current assets	24	283,889	194,192	549,942
Total non-current assets		<u>34,237,955</u>	<u>35,009,043</u>	<u>39,490,339</u>
Total assets		<u><u>53,416,405</u></u>	<u><u>53,972,363</u></u>	<u><u>62,267,140</u></u>

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

TOYOTA MOTOR CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION—(Continued)

	Notes	Yen in millions		
		Transition date April 1, 2019	March 31, 2020	March 31, 2021
Liabilities				
Current liabilities				
Trade accounts and other payables	17	3,856,133	3,498,029	4,045,939
Short-term and current portion of long-term debt	18	9,701,813	9,906,755	12,212,060
Accrued expenses		1,350,252	1,256,794	1,397,140
Other financial liabilities	19	475,302	538,740	763,875
Income taxes payable		321,316	212,276	350,880
Liabilities for quality assurance	25	1,769,514	1,552,970	1,482,872
Other current liabilities		1,008,032	1,176,645	1,207,700
Total current liabilities		<u>18,482,362</u>	<u>18,142,209</u>	<u>21,460,466</u>
Non-current liabilities				
Long-term debt	18	11,342,315	11,434,219	13,447,575
Other financial liabilities	19	189,957	360,588	323,432
Retirement benefit liabilities	24	1,002,710	1,022,161	1,035,096
Deferred tax liabilities	16	1,227,292	1,198,005	1,247,220
Other non-current liabilities		516,560	476,169	465,021
Total non-current liabilities		<u>14,278,833</u>	<u>14,491,142</u>	<u>16,518,344</u>
Total liabilities		<u>32,761,195</u>	<u>32,633,351</u>	<u>37,978,811</u>
Shareholders' equity				
Common stock	26	397,050	397,050	397,050
Additional paid-in capital	26	487,162	489,334	497,275
Retained earnings	26	20,613,776	22,234,061	24,104,176
Other components of equity	26	1,016,035	585,549	1,307,726
Treasury stock	26	(2,606,925)	(3,087,106)	(2,901,680)
Total Toyota Motor Corporation shareholders' equity	26	<u>19,907,100</u>	<u>20,618,888</u>	<u>23,404,547</u>
Non-controlling interests		748,110	720,124	883,782
Total shareholders' equity		<u>20,655,210</u>	<u>21,339,012</u>	<u>24,288,329</u>
Total liabilities and shareholders' equity		<u>53,416,405</u>	<u>53,972,363</u>	<u>62,267,140</u>

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

TOYOTA MOTOR CORPORATION
CONSOLIDATED STATEMENT OF INCOME

	Notes	Yen in millions	
		For the year ended March 31, 2020	For the year ended March 31, 2021
Sales revenues			
Sales of products	27	27,693,693	25,077,398
Financial services	27	2,172,854	2,137,195
Total sales revenues	27	29,866,547	27,214,594
Costs and expenses			
Cost of products sold		23,103,596	21,199,890
Cost of financial services		1,381,755	1,182,330
Selling, general and administrative		2,981,965	2,634,625
Total costs and expenses		27,467,315	25,016,845
Operating income		2,399,232	2,197,748
Share of profit (loss) of investments accounted for using the equity method	12	310,247	351,029
Other finance income	29	305,846	435,229
Other finance costs	29	(47,155)	(47,537)
Foreign exchange gain (loss), net		(94,619)	15,142
Other income (loss), net		(80,607)	(19,257)
Income before income taxes		2,792,942	2,932,354
Income tax expense	16	681,817	649,976
Net income		2,111,125	2,282,378
Net income attributable to			
Toyota Motor Corporation		2,036,140	2,245,261
Non-controlling interests		74,985	37,118
Net income		2,111,125	2,282,378
		Yen	
Earnings per share attributable to Toyota Motor Corporation			
Basic	30	727.47	803.23
Diluted	30	720.10	794.67

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

TOYOTA MOTOR CORPORATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Yen in millions	
		For the year ended March 31, 2020	For the year ended March 31, 2021
Net income		2,111,125	2,282,378
Other comprehensive income, net of tax			
Items that will not be reclassified to profit (loss)			
Net changes in revaluation of financial assets measured at fair value through other comprehensive income	26	(243,853)	387,427
Remeasurements of defined benefit plans	26	(43,399)	216,272
Share of other comprehensive income of equity method investees	12,26	62,568	80,472
Total of items that will not be reclassified to profit (loss)		<u>(224,684)</u>	<u>684,172</u>
Items that may be reclassified subsequently to profit (loss)			
Exchange differences on translating foreign operations	26	(362,098)	403,636
Net changes in revaluation of financial assets measured at fair value through other comprehensive income	26	113,390	(83,503)
Share of other comprehensive income of equity method investees	12,26	(35,253)	8,172
Total of items that may be reclassified subsequently to profit (loss)		<u>(283,961)</u>	<u>328,305</u>
Total other comprehensive income, net of tax	26	<u>(508,645)</u>	<u>1,012,476</u>
Comprehensive income		<u>1,602,480</u>	<u>3,294,854</u>
Comprehensive income for the period attributable to			
Toyota Motor Corporation		1,555,009	3,217,806
Non-controlling interests		47,472	77,048
Comprehensive income		<u><u>1,602,480</u></u>	<u><u>3,294,854</u></u>

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

TOYOTA MOTOR CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2020

Yen in millions

	Notes	Common stock	Additional paid-in capital	Retained earnings	Other components of equity	Treasury stock	Toyota Motor Corporation shareholders' equity	Non-controlling interests	Total shareholders' equity
Balances at April 1, 2019		397,050	487,162	20,613,776	1,016,035	(2,606,925)	19,907,100	748,110	20,655,210
Comprehensive income									
Net income		—	—	2,036,140	—	—	2,036,140	74,985	2,111,125
Other comprehensive income, net of tax	26	—	—	—	(481,131)	—	(481,131)	(27,514)	(508,645)
Total comprehensive income		—	—	2,036,140	(481,131)	—	1,555,009	47,472	1,602,480
Transactions with owners and other									
Dividends paid	26	—	—	(618,801)	—	—	(618,801)	(54,956)	(673,756)
Repurchase of treasury stock	26	—	—	—	—	(500,309)	(500,309)	—	(500,309)
Reissuance of treasury stock	26	—	4,053	—	—	20,128	24,181	—	24,181
Change in scope of equity method		—	—	253,590	—	—	253,590	—	253,590
Equity transactions and other		—	(1,882)	—	—	—	(1,882)	(20,503)	(22,384)
Total transactions with owners and other		—	2,171	(365,211)	—	(480,181)	(843,221)	(75,458)	(918,679)
Reclassification to retained earnings	26	—	—	(50,644)	50,644	—	—	—	—
Balances at March 31, 2020		397,050	489,334	22,234,061	585,549	(3,087,106)	20,618,888	720,124	21,339,012

For the year ended March 31, 2021

Yen in millions

	Notes	Common stock	Additional paid-in capital	Retained earnings	Other components of equity	Treasury stock	Toyota Motor Corporation shareholders' equity	Non-controlling interests	Total shareholders' equity
Balances at April 1, 2020		397,050	489,334	22,234,061	585,549	(3,087,106)	20,618,888	720,124	21,339,012
Comprehensive income									
Net income		—	—	2,245,261	—	—	2,245,261	37,118	2,282,378
Other comprehensive income, net of tax	26	—	—	—	972,546	—	972,546	39,930	1,012,476
Total comprehensive income		—	—	2,245,261	972,546	—	3,217,806	77,048	3,294,854
Transactions with owners and other									
Dividends paid	26	—	—	(625,514)	—	—	(625,514)	(36,598)	(662,112)
Repurchase of treasury stock	26	—	—	—	—	(118)	(118)	—	(118)
Reissuance of treasury stock	26	—	15,041	—	—	185,544	200,585	—	200,585
Change in scope of consolidation		—	—	—	—	—	—	102,588	102,588
Equity transactions and other		—	(7,099)	—	—	—	(7,099)	20,620	13,521
Total transactions with owners and other		—	7,942	(625,514)	—	185,426	(432,147)	86,610	(345,537)
Reclassification to retained earnings	26	—	—	250,369	(250,369)	—	—	—	—
Balances at March 31, 2021		397,050	497,275	24,104,176	1,307,726	(2,901,680)	23,404,547	883,782	24,288,329

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

TOYOTA MOTOR CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Yen in millions	
		For the year ended March 31, 2020	For the year ended March 31, 2021
Cash flows from operating activities			
Net income		2,111,125	2,282,378
Depreciation and amortization		1,595,347	1,644,290
Interest income and interest costs related to financial services, net		(193,046)	(236,862)
Share of profit (loss) of investments accounted for using the equity method		(310,247)	(351,029)
Income tax expense		681,817	649,976
Changes in operating assets and liabilities, and other		(1,319,537)	(1,063,562)
(Increase) decrease in trade accounts and other receivables		257,588	5,027
(Increase) decrease in receivables related to financial services		(1,214,742)	(1,243,648)
(Increase) decrease in inventories		(163,109)	(242,769)
(Increase) decrease in other current assets		(308,342)	(163,473)
Increase (decrease) in trade accounts and other payables		(129,053)	384,142
Increase (decrease) in other current liabilities		258,904	282,197
Increase (decrease) in retirement benefit liabilities		43,270	55,281
Other, net		(64,053)	(140,319)
Interest received		798,458	776,748
Dividends received		318,408	294,520
Interest paid		(506,307)	(459,181)
Income taxes paid, net of refund		(777,522)	(810,117)
Net cash provided by (used in) operating activities		<u>2,398,496</u>	<u>2,727,162</u>
Cash flows from investing activities			
Additions to fixed assets excluding equipment leased to others		(1,246,293)	(1,213,903)
Additions to equipment leased to others		(2,195,291)	(2,275,595)
Proceeds from sales of fixed assets excluding equipment leased to others		47,949	40,542
Proceeds from sales of equipment leased to others		1,391,193	1,371,699
Additions to intangible assets		(304,992)	(278,447)
Additions to public and corporate bonds and stocks		(2,405,337)	(2,729,171)
Proceeds from sales of public and corporate bonds and stocks		1,151,463	1,020,533
Proceeds upon maturity of public and corporate bonds		1,224,185	1,041,385
Other, net	34	212,473	(1,661,218)
Net cash provided by (used in) investing activities		<u>(2,124,650)</u>	<u>(4,684,175)</u>
Cash flows from financing activities			
Increase (decrease) in short-term debt	18	279,033	(1,038,438)
Proceeds from long-term debt	18	5,690,569	9,656,216
Payments of long-term debt	18	(4,456,913)	(5,416,376)
Dividends paid to Toyota Motor Corporation common shareholders	26	(618,801)	(625,514)
Dividends paid to non-controlling interests		(54,956)	(36,598)
Reissuance (repurchase) of treasury stock		(476,128)	199,884
Net cash provided by (used in) financing activities		<u>362,805</u>	<u>2,739,174</u>
Effect of exchange rate changes on cash and cash equivalents		(141,007)	220,245
Net increase (decrease) in cash and cash equivalents		<u>495,645</u>	<u>1,002,406</u>
Cash and cash equivalents at beginning of year	7	<u>3,602,805</u>	<u>4,098,450</u>
Cash and cash equivalents at end of year	7	<u>4,098,450</u>	<u>5,100,857</u>

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

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

TMC is a limited liability, joint-stock company located in Japan, and TMC's principal executive offices are registered in Toyota City, Aichi Prefecture. The consolidated financial statements of the group consist of TMC, its consolidated subsidiaries (collectively, "Toyota") and their interests in associates and joint ventures.

Toyota and its associates are primarily engaged in the design, manufacture, and sale of sedans, minivans, compact cars, sport-utility vehicles, trucks and related parts and accessories throughout the world. In addition, Toyota and its associates provide financing, vehicle leasing and certain other financial services primarily to its dealers and their customers to support the sales of vehicles and other products manufactured by Toyota and its associates.

2. Basis of preparation

(1) Compliance with international financial reporting standards

Toyota's consolidated financial statements have been prepared in accordance with IFRS.

This is Toyota's first consolidated financial statements in compliance with IFRS, and the date of the transition to IFRS ("Transition Date") was April 1, 2019. In the transition to IFRS, TMC has adopted IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"). The effect of the transition to IFRS on Toyota's financial position, results of operations and cash flows are presented in "36. First-time adoption".

The consolidated financial statements were approved on June 24, 2021 by President, member of the Board of Directors Akio Toyoda and CFO, member of the Board of Directors Kenta Kon.

(2) Basis of measurement

Toyota's consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value and assets and liabilities associated with defined benefit plans indicated in "3. Significant accounting policies".

(3) Functional currency and presentation currency

The consolidated financial statements are presented in Japanese yen, which is the functional currency of TMC. All financial information presented in Japanese yen has been rounded to the nearest million Japanese yen, except when otherwise indicated. Amounts may not sum to totals due to rounding.

3. Significant accounting policies

Basis of consolidation -

(1) Subsidiaries

The consolidated financial statements include the accounts of TMC, its subsidiaries that are controlled by TMC, and those structured entities that are controlled by Toyota. Toyota controls an entity when Toyota is exposed or has rights to variable returns from involvement with the entity, and has the ability to affect those returns by using its power over the entity.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The financial statements of subsidiaries have been adjusted in order to ensure consistency with the accounting policies adopted by Toyota as necessary. All significant intercompany balances and transactions as well as the unrealized profit have been eliminated in consolidation.

Changes in a subsidiary's ownership interests that do not result in a loss of control are accounted for as equity transactions. When control over a subsidiary is lost, any gain or loss on the disposal of the interest sold is recognized in profit or loss.

(2) Associates and joint ventures

Associates are entities over which Toyota has a significant influence over the decisions on financial and operating policies, but does not have control or joint control.

Joint ventures are entities over which two or more parties including Toyota have joint control, based on a contractual arrangement, and financial and business decisions about the relevant activities of which require unanimous consent of the parties that have joint control.

Investments in associates and joint ventures are accounted for using the equity method. The financial statements of associates and joint ventures have been adjusted in order to ensure consistency with the accounting policies adopted by Toyota as necessary.

When the use of the equity method is discontinued from the date when the investees are determined to be no longer associates or joint ventures, any gain or loss on such disposal of the investment is recognized in profit or loss.

Foreign currency translation -

(1) Foreign currency transactions

Foreign currency transactions are translated into the respective functional currencies of Toyota at the exchange rates prevailing when such transactions occur. All foreign currency receivables and payables are translated into the respective functional currencies at the applicable exchange rates at the end of the reporting period. Non-monetary assets and liabilities in foreign currencies that are measured at fair value are translated into the functional currency using the exchange rate on the date when the fair value was measured. Gains or losses on exchange differences arising from settlement of foreign currency receivables and payables or on their translations at the end of the reporting date are recognized in profit or loss. Furthermore, exchange differences arising from financial assets measured at fair value through other comprehensive income is recognized as other comprehensive income.

(2) Foreign operations

All assets and liabilities of foreign subsidiaries, associates and joint ventures (collectively, "foreign operations") that use a functional currency other than Japanese yen are translated into Japanese yen at the exchange rates at the end of the reporting period. All revenues and expenses of foreign operations are translated into Japanese yen at the average exchange rate for the period unless the exchange rate fluctuates widely. Exchange differences arising from such translations are recognized in other comprehensive income and accumulated in other components of equity in the consolidated statement of financial position. When a foreign operation is disposed of, and control, significant influence or joint control over the foreign operation is lost, the cumulative amount of exchange differences relating to the foreign operation is reclassified from equity to profit or loss.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Cash and cash equivalents -

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible to cash and are subject to insignificant risk of changes in value with three months or less maturities from the acquisition date.

Financial instruments -

(1) Financial assets

(i) Initial recognition and measurement

Toyota initially recognizes financial assets when it becomes a party to a contract and except for derivatives, classifies financial assets into “financial assets measured at amortized cost”, “debt and equity financial assets measured at fair value through other comprehensive income” or “financial assets measured at fair value through profit or loss”. The sale or purchase of financial assets that occurred in the normal course of business are recognized and derecognized at the trade date.

Financial assets classified as being measured at fair value through profit or loss are measured at fair value, but other financial assets are initially recognized and measured at fair value adding transaction costs directly attributable to acquisition. Trade receivables that do not contain significant financial elements are measured at the transaction price.

(a) Financial assets measured at amortized cost

Toyota classifies a financial asset as measured at amortized cost if both of the following conditions are met:

The asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Debt financial assets measured at fair value through other comprehensive income

Debt financial assets are measured at fair value through other comprehensive income only if it meets both of the following conditions:

The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Equity financial assets measured at fair value through other comprehensive income

For equity financial assets such as shares held mainly for the purpose of maintaining or enhancing business relationships with investees are irrevocably designated at initial recognition, as financial assets measured at fair value through other comprehensive income.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(d) Financial assets measured at fair value through profit or loss

Financial assets other than (a) to (c) are classified as financial assets measured at fair value through profit or loss.

(ii) Subsequent measurement

After initial recognition, financial assets are measured based on the following classification.

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

(b) Debt financial assets measured at fair value through other comprehensive income

Subsequent changes in fair value of the financial assets are recognized as other comprehensive income. Impairment gains or losses, interest income and foreign exchange gains and losses are recognized in profit or loss. When the financial assets are derecognized, the cumulative gain or loss recognized in other comprehensive income is reclassified from other components of equity to profit or loss.

(c) Equity financial assets measured at fair value through other comprehensive income

Subsequent changes in fair value of the financial assets are recognized as other comprehensive income. When the financial assets are derecognized, the cumulative gain or loss recognized through other comprehensive income is reclassified from other components of equity to retained earnings. Dividends from equity financial assets are recognized in profit or loss.

(d) Financial assets measured at fair value through profit or loss

Subsequent changes in the fair value of the financial assets are recognized in profit or loss.

(iii) Impairment of financial assets

An allowance for credit losses is provided for expected credit losses on financial assets that are measured at amortized cost as well as debt financial assets measured at fair value through other comprehensive income. An allowance for credit losses is also provided for expected credit losses on loan commitments or financial guarantee agreements that are off-balance sheet credit exposures.

At the end of the reporting period, Toyota assesses whether the credit risk on financial assets have significantly increased since initial recognition. At the end of the reporting period, if Toyota identifies a significant increase in credit risk, allowances for credit losses are measured as being equal to the amount of expected credit losses that would result from default events that are possible over the expected life of a financial asset. At the end of the reporting period, if the credit risk for a financial instrument has not increased significantly since its initial recognition, allowances for credit losses are measured as being equal to the amount of the expected credit losses caused by default events that may occur within 12 months from the end of the reporting period.

For accounts receivable that are included in “Trade accounts and other receivables” and finance lease receivables, the allowance is continuously measured at amounts equal to expected credit losses over the expected life of financial assets.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The amount of expected credit losses is measured as the present value of all cash short falls resulting from the difference between the cash flows due to Toyota in accordance with the contract and cash flows that Toyota expects to receive, and such amount is recognized in profit or loss. A reversal of the allowance for credit losses resulting from a reduction in the amount of expected credit losses is recognized in profit or loss.

If there is objective evidence of impairment such as significant financial difficulty of a borrower, or a default or delinquency by a borrower, interest income is measured applying the effective interest method to the net carrying amount of the financial asset (after deducting the allowance for credit loss). Financial assets are written off either partially or fully when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

(iv) Derecognition of financial assets

Toyota derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when Toyota transfers the contractual right to receive cash flows from financial assets in transactions in which substantially all the risks and rewards of ownership of the asset are transferred to another entity. Even if Toyota transfers a financial asset, it neither transfers nor holds substantially all the risks and rewards of ownership of such transferred financial asset. Further, in cases where Toyota continues to control such a transferred financial asset, Toyota recognizes the retained interest on such financial asset and the relevant liabilities that might possibly be paid in association therewith.

(2) Financial liabilities

(i) Initial recognition and measurement

Toyota initially measures financial liabilities other than derivatives at fair value less transaction costs directly attributable to the issuance of financial liabilities.

(ii) Subsequent measurement

Toyota subsequently measures financial liabilities at amortized cost using the effective interest method. Amortization under the effective interest method and gain or losses on derecognition are recognized as finance income or costs and recognized in profit or loss.

(iii) Derecognition of financial liabilities

Toyota derecognizes financial liabilities when the financial liabilities expire, that is, when the liability identified in the contract expires due to performance, discharges, cancels, or expires.

(3) Derivative financial instruments

Toyota employs derivative financial instruments, including forward foreign exchange contracts, foreign currency options, interest rate swaps, interest rate currency swap agreements and interest rate options, to manage its exposure to fluctuations in interest rates and foreign currency exchange rates. All derivative transactions are measured at fair value as assets or liabilities.

Toyota does not use derivative financial instruments for speculative or trading purposes.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Finance receivables -

Finance receivables recorded on Toyota's consolidated statement of financial position are net of any unearned financial income and deferred origination costs and the allowance for credit losses. Deferred origination costs are amortized so as to approximate a level rate of return over the term of the related contracts.

The determination of finance receivable portfolios is based primarily on the qualitative consideration of the nature of Toyota's business operations and finance receivables. The three portfolios within finance receivables are as follows:

(1) Retail receivables portfolio

The retail receivables portfolio consists of retail installment sales contracts acquired mainly from dealers ("auto loans") including credit card loans. These contracts acquired must first meet specified credit standards. Thereafter, Toyota retains responsibility for contract collection and administration.

The contract periods of auto loans primarily range from 2 to 7 years. Toyota acquires security interests in the vehicles financed and has the right to repossess vehicles if customers fail to meet their contractual obligations. Almost all auto loans are non-recourse, which relieves the dealers from financial responsibility in the event of repossession.

Toyota manages the retail receivables portfolio as one portfolio based on common risk characteristics associated with the underlying finance receivables, the similarity of the credit risks, and the quantitative materiality.

(2) Finance lease receivables portfolio

Toyota acquires new vehicle lease contracts originated primarily through dealers. The contract periods of these primarily range from 2 to 5 years. Lease contracts acquired must first meet specified credit standards after which Toyota assumes ownership of the leased vehicle. Toyota is responsible for contract collection and administration during the lease period.

Toyota is generally permitted to take possession of the vehicle upon a default by the lessee. The residual value is estimated at the time the vehicle is first leased. Vehicles returned to Toyota at the end of their leases are sold by auction.

Toyota manages the finance lease receivables portfolio as one portfolio based on common risk characteristics associated with the underlying finance receivables and the similarity of the credit risks.

(3) Wholesale and other dealer loan receivables portfolio

Toyota provides wholesale financing to qualified dealers to finance inventories. Toyota acquires security interests in vehicles financed at wholesale. In cases where additional security interests would be required, Toyota takes dealership assets or personal assets, or both, as additional security. If a dealer defaults, Toyota has the right to liquidate any assets acquired.

Toyota also makes term loans to dealers for business acquisitions, facilities refurbishment, real estate purchases and working capital requirements. These loans are typically secured with liens on real estate, other dealership assets and/or personal assets of the dealers.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Toyota manages the wholesale and other dealer loan receivables portfolio as one portfolio based on the risk characteristics associated with the underlying finance receivables.

Allowance for credit losses on finance receivables -

The allowance for credit losses on finance receivables is measured at the portfolio level, based on a systematic, ongoing review and evaluation performed as part of the credit risk evaluation process, historical loss experience, the size and composition of the portfolios, current economic events and conditions, the estimated fair value and adequacy of collateral, forward-looking information including movements of the world economy and other pertinent factors. Furthermore, portfolios are grouped based on similarities of risk characteristics, such as product and collateral classes, when calculating expected credit losses in the aggregate.

(1) Retail receivables portfolio

With respect to retail receivables, Toyota reviews whether the credit risk on finance receivables has increased significantly. To evaluate the risk, Toyota uses the changes for the possibility of a credit loss occurring or days in arrears as an index. Toyota assesses the significant increases in credit risk when contractual payments are more than 30 days past due. When the credit risk on finance receivables has not increased significantly since initial recognition, Toyota measures the loss allowance for that finance receivables at an amount equal to 12-month expected credit losses at the reporting date.

Meanwhile, Toyota measures the loss allowance for finance receivables at an amount equal to the lifetime expected credit losses if the credit risk on that finance receivables has increased significantly since initial recognition at the reporting date. Toyota calculates the loss allowance for finance receivables at an amount equal to the lifetime expected credit losses by considering historical credit loss experience and future collectability, when there is evidence that finance receivables is credit-impaired such as a breach of contract due to default or delayed contractual payments.

In calculating expected credit losses, Toyota uses the probability of a default and the loss rate in the event of a default based on past experience and then reflects its forecasts of current and future economic conditions.

Suspension of payment over a certain period of time and or situations which contractual obligations are not being met are considered as being in default in accordance with internal management rules.

(2) Finance lease receivables portfolio

With respect to the finance lease receivables portfolio, Toyota always measures loss allowance at an amount equal to lifetime expected credit losses. Suspension of payment over a certain period of time and/or situations which contractual obligations are not being met are considered as being in default in accordance with internal management rules.

(3) Wholesale and other dealer loan receivables portfolio

With respect to the wholesale and other dealer loan receivables portfolio, receivables are sorted primarily by credit qualities based on internal risk assessments. Toyota reviews the change of the segment as an index whether the credit risk on finance receivables has increased significantly since initial recognition to assess these receivables for credit risk. Toyota assesses the significant increases in credit risk when contractual payments are more than 30 days past due. If the credit risk on finance receivables has not increased significantly since initial recognition, Toyota measures the loss allowance for that finance receivables at an amount equal to 12-month expected credit losses at the reporting date.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Meanwhile, Toyota measures the loss allowance for finance receivables at an amount equal to the lifetime expected credit losses if the credit risk on that finance receivables has increased significantly since initial recognition at the reporting date. Toyota calculates the loss allowance for finance receivables at an amount equal to the lifetime expected credit losses by considering historical credit loss experience and future collectability, when there is evidence that finance receivables are credit-impaired such as a debtor's worsened financial conditions, breach of contract due to default or delayed contractual payments.

In calculating expected credit losses, Toyota uses the probability of a default and the loss rate in the event of a default based on past experience and then reflects its forecasts of current and future economic conditions.

Suspension of payment over a certain period of time and/or situations where contractual obligations are not being met are considered as defaults in accordance with internal management rules.

Although Toyota considers the allowance for credit losses on finance receivables to be adequate based on information currently available, additional provisions may be necessary due to (i) changes in management estimates and assumptions about asset impairments, (ii) information that indicates changes in expected future cash flows, or (iii) changes in economic and other events and conditions. Future changes in the economy that impact the consumer confidence such as increasing interest rates and a rise in the unemployment rate as well as higher debt balances, coupled with deterioration in actual and expected used vehicle values, could negatively affect future operating results of the financial services operations.

Inventories -

Inventories are valued at cost, not in excess of net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated original cost and estimated selling expense to product completion. The cost of inventories includes purchase costs, conversion costs and other costs incurred in bringing the inventories to their present location and condition. The cost is determined principally by using the weighted-average method.

Property, plant and equipment -

Property, plant and equipment is measured based on the cost model and carried at its cost less accumulated depreciation and impairment losses. Expenditures relating to major renewals and improvements are capitalized; minor replacements, maintenance and repairs are charged to current operations as incurred. Depreciation of property, plant and equipment, except for land that is not subject to depreciation, is calculated on the straight-line method over the estimated useful life of the respective assets according to general class, type of structure and use. The estimated useful lives range from 2 to 65 years for buildings and from 2 to 20 years for machinery and equipment.

The depreciation method, useful lives and residual values of property, plant and equipment are reviewed annually at each fiscal year end, and adopted prospectively, if applicable.

Vehicles and equipment on operating leases to third parties are originated by dealers and acquired by certain consolidated subsidiaries. Such subsidiaries are also the lessors of certain property that they acquire directly. Vehicles and equipment on operating leases are depreciated on a straight-line method over the lease term, generally from 2 to 5 years, to the estimated residual value. Incremental direct costs incurred in connection with the acquisition of lease contracts are capitalized and amortized on a straight-line method over the lease term.

Toyota is exposed to risk of loss on the disposition of off-lease vehicles to the extent that sales proceeds are not sufficient to cover the carrying value of the leased asset at lease termination. Toyota evaluates at the end of

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

each reporting period the estimated residual value to cover probable estimated losses related to unguaranteed residual values on its owned portfolio. The estimate is calculated considering projected vehicle return rates and projected loss severity. Factors considered in the determination of projected return rates and loss severity include historical and market information on used vehicle sales, trends in lease returns and new car markets, and general economic conditions. Toyota evaluates the foregoing factors, develops several potential loss scenarios, and evaluates the estimated residual value to determine whether it is considered adequate to cover the probable range of losses.

By evaluating estimated residual value, Toyota reflects in depreciation the amount it considers to be appropriate in relation to the estimated losses on its owned portfolio.

Intangible assets -

Intangible assets are measured based on the cost model and carried at their cost less accumulated amortization and impairment losses.

The estimated useful lives and the amortization method of intangible assets are reviewed annually at each fiscal year end, and adopted prospectively, if appropriate.

(1) Capitalized development cost

Development expenditure for a product is capitalized only when there is a technical and commercial feasibility of completing the development, Toyota has the intention, ability and sufficient resources to use the outcome of the development, it is probable that the outcome will generate a future economic benefit, and the cost can be measured reliably.

Capitalized development cost is amortized using the straight-line method over the expected product life cycle of the developed product ranging mainly from 5 to 10 years.

(2) Other intangible assets

Other intangible assets mainly consist of software for internal use and amortized using the straight-line method over their estimated useful lives, mainly 5 years. Goodwill is not material to Toyota's consolidated statement of financial position.

Impairment of non-financial assets -

At the end of the reporting period, the carrying amount of non-financial assets other than inventories and deferred tax assets are assessed to determine whether or not there is any indication of impairment. If there is such an indication, the recoverable amount of such an asset or a cash-generating unit is estimated. An impairment loss would be recognized when the carrying amount of an asset or a cash-generating unit exceeds the estimated discounted cash flows expected to result from the use of the assets and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the carrying amount of the assets over its recoverable amount.

Leases -

At the inception of a contract, Toyota assesses whether the contract is, or contains, a lease.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(1) Lessee

Toyota recognizes a right of use asset and a lease liability at the lease commencement date. The cost of the right of use asset is measured at the amount of the initial measurement of the lease liability by adjusting any lease payments made or before the commencement date. Lease liability is initially measured at the present value of the lease payments that are not paid as of the commencement date.

After the commencement date, Toyota applies a cost model and subsequently depreciates the right of use asset using a straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. Lease liability is measured at amortized cost using the effective interest method. In the consolidated statement of financial position, lease liability is included in short-term and long-term debt. Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability and recognized in profit or loss over the lease term.

Many lease contracts relating to land and buildings entered into by Toyota include extension options that can be exercisable by Toyota as lessee for various purposes, such as to ensure business flexibility. Toyota assesses whether it is reasonably certain to exercise an extension option, and if it assesses it to be reasonably certain, the extension option is included in the lease term.

Toyota recognizes the lease payments associated with lease terms of 12 months or less as an expense on a straight-line basis over the lease term.

(2) Lessor

With respect to lessor lease transactions, Toyota determines at the commencement of the lease whether each lease is a finance lease or operating lease.

A lease is classified as a finance lease if it transfers substantially all of the risks and rewards incidental to the ownership of an underlying asset. Otherwise leases are classified as operating leases.

Toyota recognizes the operating lease payments in profit or loss on a straight-line basis over the lease term.

Employee benefit obligations -

Toyota has both defined benefit and defined contribution plans for employees' retirement benefits.

(1) Defined benefit plan

The present value of defined benefit obligations and service cost are principally determined for each plan using the projected unit credit method. The net defined benefit liability (asset) is the present value of the defined benefit obligations less the fair value of plan assets. Current service cost and net interest on the net defined benefit liability (asset) are recognized as net income (loss) on the statement of net income.

Past service cost is recognized in profit or loss upon occurrence.

Toyota recognizes the difference arising from remeasurement of the net defined benefit liability (asset) including actuarial gains and losses in other comprehensive income when it is incurred and reclassifies it immediately to retained earnings.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(2) Defined contribution plan

For defined contribution plans, when the employees render services, the contribution payables are recognized in profit or loss.

Liabilities for quality assurance -

Toyota generally warrants its products against certain manufacturing and other defects. Provisions for product warranties are provided for specific periods of time and/or usage of the product and vary depending upon the nature of the product, the geographic location of the sale and other factors. The accrued warranty costs represent management's best estimate at the time of sale of the total costs that Toyota will incur to repair or replace product parts that fail while still under warranty. The amount of accrued estimated warranty costs is primarily based on historical experience of product failures as well as current information on repair costs. An estimate of warranty claim accrued for each fiscal year is calculated based on the estimate of warranty claim per unit. The estimate of warranty claim per unit is calculated comprehensively by dividing the actual amounts of warranty claim by the number of sales units for the fiscal year.

Toyota accrues for costs of recalls and other safety measures, as well as product warranty cost described above. Toyota generally measures such "liabilities for recalls and other safety measures" at the time of vehicle sales comprehensively by aggregate sales of various models in a certain period by geographical regions. However, when circumstances warrant, Toyota measures "liabilities for a particular recall or other safety measure" using an individual model when they are probable and reasonably estimable.

The portion of "liabilities for recalls and other safety measures" recorded in the consolidated statement of financial position is calculated comprehensively based on the "expected liability for the cost of recalls and other safety measures" in consideration of the "accumulated amount of repair cost paid". As such, this liability is evaluated every period based on new data and are adjusted as appropriate. Toyota calculates these liabilities for units sold in the current period and each of the past 10 fiscal years, and aggregates such liabilities in determining the final liability amount.

The "expected liability for the cost of recalls and other safety measures" are calculated by multiplying the "sales unit" by the "expected average repair cost per unit". The "expected average repair cost per unit" is calculated based on dividing the "accumulated amount of repair cost paid per unit" by the "pattern of payment occurrences". The "pattern of payment occurrence" represents a ratio that shows the measure of payment occurrence over 10 years based on actual payments with regard to units sold within 10 years.

Factors that may cause a difference between the amount accrued comprehensively at the time of vehicle sale and actual payment on individual recalls and other safety measures mainly include actual cost of recalls and safety measures during the period being significantly different from the accumulated amount of repair cost paid per unit (generally comprised of parts and labor) and the actual pattern of payment occurrence during the period being significantly different from the pattern of the payment occurrence in the past. Such differences are considered as part of our estimation process for future recalls and other safety measures.

Liabilities for product warranties and liabilities for recalls and other safety measures have been combined into "Liabilities for quality assurance" in the consolidated statement of financial position. Product warranty costs and costs of recalls and other safety measures are included in cost of products sold in the consolidated statement of income.

The foregoing evaluations are inherently uncertain, as they require material estimates as described above. Consequently, actual warranty costs may differ from the estimated amounts and could require additional

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

warranty provisions. If these factors require a significant increase in Toyota's accrued estimated warranty costs, it would negatively affect future operating results of the automotive operations.

Revenue recognition -

In the automotive operations, performance obligations are considered to be satisfied when completed vehicles and parts are delivered to the agreed locations with dealers. For parts for production, it is when they are loaded on a ship or delivered to manufacturing companies. We do not have any material significant payment terms as payment is received at or shortly after the point of sale.

Toyota's sales incentive programs principally consist of cash payments to dealers calculated based on total vehicle volume or vehicle unit sales of certain models sold by a dealer during a certain period of time. Toyota accrues these incentives as revenue reductions upon the sale of a vehicle corresponding to the program by the amount determined in the related incentive program utilizing the most likely outcome method.

The sale of certain vehicles includes a contractual right, which entitles customers to free vehicle maintenance. We use an observable price to determine the stand-alone selling price for separate performance obligations or a cost plus margin approach when one is not available. Such revenues from free maintenance contracts are deferred and recognized as revenue over the period of the contract in proportion to the costs expected to be incurred in satisfying the obligations under the contract.

Revenues from the sales of vehicles under which Toyota conditionally guarantees the minimum resale value are recognized on a pro rata basis from the date of sale to the first exercise date of the guarantee in accordance with lease accounting. The underlying vehicles of these transactions are recorded as assets and are depreciated in accordance with Toyota's depreciation policy.

Interest income from financial services is recognized using the effective interest method. Revenues from operating leases are recognized on a straight-line basis over the lease term.

If the period between satisfaction of the performance obligation and receipt of consideration is expected to be within one year or less, as a practical expedient, we do not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue is recognized net of any taxes collected from customers and subsequently remitted to governmental authorities.

Income taxes -

Income tax expenses are presented as the aggregate amount of current taxes and deferred taxes.

Deferred tax assets and deferred tax liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amount of assets or liabilities in the consolidated statement of financial position and the tax base of the assets or liabilities and carryforwards of unused tax losses and tax credits.

Deferred tax assets are recognized for all future deductible amounts, to the extent that it is probable that we will have sufficient profit to utilize the benefit of future deductible amounts.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Deferred tax liabilities for deductible temporary differences arising from investments in subsidiaries, associates, and interest in joint ventures are recognized in principle. However, they are not recognized when Toyota is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the assets are realized or the liabilities are settled, based on the tax rates and tax laws enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which Toyota expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

Earnings per share attributable to Toyota Motor Corporation -

Basic earnings per share attributable to Toyota Motor Corporation is calculated by dividing net income attributable to Toyota Motor Corporation by the weighted-average number of common shares outstanding with adjustment for treasury stock during the reporting period. Diluted earnings per share attributable to Toyota Motor Corporation is calculated by dividing net income attributable to Toyota Motor Corporation by the weighted-average number of common shares outstanding taking into consideration the effect of dilutive securities.

New accounting standards and interpretations not yet adopted -

None of new or revised standards and interpretations that have been issued as of the date of approval of the consolidated financial statements but have not yet been adopted by Toyota have a significant effect on the consolidated financial statements.

4. Significant accounting judgments and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates. These estimates and underlying assumptions are reviewed on a continuous basis. Changes in these accounting estimates are recognized in the period in which the estimates were revised and in any future periods affected.

Information about important estimation and judgments that have significant effects on the amounts recognized in the consolidated financial statements is as follows:

Scope of subsidiaries, associates, and joint ventures (Note 3 “Basis of consolidation”)

Intangible assets incurred by research and development (Note 3 “Intangible assets”)

Information about accounting estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, and financial statements based on IFRS is as follows:

Liabilities for quality assurance (Note 3 “Liabilities for quality assurance” and Note 25)

Allowance for credit losses on finance receivables (Note 3 “Allowance for credit losses on finance receivables” and Note 20 (2))

Impairment of non-financial assets (Note 3 “Impairment of non-financial assets” and Note 13)

Employee benefit obligations (Note 3 “Employee benefit obligations” and Note 24)

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Fair value measurements (Note 22)

Recoverability of deferred tax assets (Note 3 “Income taxes” and Note 16)

5. Segment information

(1) Outline of reporting segments

The operating segments reported below are the segments of Toyota for which separate financial information is available and for which operating income/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance.

The major portions of Toyota’s operations on a worldwide basis are derived from the Automotive and Financial services business segments. The Automotive segment designs, manufactures and distributes sedans, minivans, compact cars, sport-utility vehicles, trucks and related parts and accessories. The Financial services segment consists primarily of financing and vehicle leasing operations to assist in the merchandising of Toyota’s products as well as other products. The All other segment includes telecommunications and other businesses.

(2) Segment information

As of transition date April 1, 2019

	Yen in millions				
	Automotive	Financial services	All other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Total assets	18,743,549	24,366,422	2,323,909	7,982,524	53,416,405
Investments accounted for using the equity method	3,340,218	5,118	36,211	85,695	3,467,242

As of and for the year ended March 31, 2020

	Yen in millions				
	Automotive	Financial services	All other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Sales revenues					
Revenues from external customers	26,770,379	2,172,854	923,314	—	29,866,547
Inter-segment revenues and transfers . . .	29,364	20,316	581,606	(631,286)	—
Total	26,799,743	2,193,170	1,504,920	(631,286)	29,866,547
Operating expenses	24,786,609	1,909,429	1,401,564	(630,287)	27,467,315
Operating income	2,013,134	283,742	103,356	(999)	2,399,232
Total assets	19,450,102	25,390,541	2,119,951	7,011,769	53,972,363
Investments accounted for using the equity method	3,810,310	65,471	283,355	138,428	4,297,564
Depreciation and amortization	821,958	739,484	33,905	—	1,595,347
Capital expenditures	1,437,932	2,061,334	68,363	14,818	3,582,448

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of and for the year ended March 31, 2021

	Yen in millions				Consolidated
	Automotive	Financial services	All other	Inter-segment Elimination/ Unallocated Amount	
Sales revenues					
Revenues from external customers	24,597,846	2,137,195	479,553	—	27,214,594
Inter-segment revenues and transfers . . .	53,706	25,042	572,812	(651,560)	—
Total	24,651,552	2,162,237	1,052,365	(651,560)	27,214,594
Operating expenses	23,044,391	1,666,645	967,015	(661,205)	25,016,845
Operating income	1,607,161	495,593	85,350	9,645	2,197,748
Total assets	21,412,034	28,275,239	2,720,720	9,859,147	62,267,140
Investments accounted for using the equity method	3,698,990	71,336	248,814	141,664	4,160,803
Depreciation and amortization	893,704	715,757	34,829	—	1,644,290
Capital expenditures	1,341,032	2,151,455	76,370	40,843	3,609,699

Accounting policies applied by each segment is in conformity with those of Toyota's consolidated financial statements. Transfers between industry segments are made in accordance with terms and conditions in the ordinary course of business.

Unallocated amounts included in assets represent assets held for corporate purpose, which mainly consist of cash and cash equivalents and financial assets measured at fair value through other comprehensive income, and the balances as of April 1, 2019, March 31, 2020 and 2021 are ¥9,343,942 million, ¥8,584,459 million and ¥11,344,879 million, respectively.

(3) Consolidated Financial Statements on Non-Financial Services Businesses and Financial Services Business

The financial data below presents separately Toyota's non-financial services and financial services businesses.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(i) Consolidated Statement of Financial Position on Non-Financial Services Businesses and Financial Services Business

	Yen in millions		
	Transition date April 1, 2019	March 31, 2020	March 31, 2021
Assets			
(Non-Financial Services Businesses)			
Current assets			
Cash and cash equivalents	2,818,313	2,682,431	3,274,149
Trade accounts and other receivable	3,027,544	2,646,618	3,063,314
Other financial assets	2,279,004	1,849,063	3,778,119
Inventories	2,731,040	2,533,892	2,888,028
Other current assets	435,279	738,008	664,097
Total current assets	<u>11,291,179</u>	<u>10,450,012</u>	<u>13,667,707</u>
Non-current assets			
Property, plant and equipment	6,177,114	6,228,180	6,805,166
Other	12,674,327	13,234,909	14,721,626
Total non-current assets	<u>18,851,441</u>	<u>19,463,089</u>	<u>21,526,792</u>
Total assets	<u>30,142,621</u>	<u>29,913,101</u>	<u>35,194,499</u>
(Financial Services Business)			
Current assets			
Cash and cash equivalents	784,492	1,416,020	1,826,707
Trade accounts and other receivable	180,607	194,994	216,767
Receivables related to financial services	6,657,367	6,621,604	6,756,189
Other financial assets	834,427	1,140,910	1,021,738
Other current assets	162,315	186,869	198,068
Total current assets	<u>8,619,207</u>	<u>9,560,397</u>	<u>10,019,469</u>
Non-current assets			
Receivables related to financial services	10,281,028	10,417,797	12,449,525
Property, plant and equipment	4,506,991	4,305,837	4,605,988
Other	959,196	1,106,509	1,200,256
Total non-current assets	<u>15,747,215</u>	<u>15,830,143</u>	<u>18,255,770</u>
Total assets	<u>24,366,422</u>	<u>25,390,541</u>	<u>28,275,239</u>
(Elimination)			
Elimination of assets	(1,092,638)	(1,331,279)	(1,202,599)
(Consolidated)			
Total assets	<u>53,416,405</u>	<u>53,972,363</u>	<u>62,267,140</u>

Note: Assets in non-financial services include unallocated corporate assets.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions		
	Transition date April 1, 2019	March 31, 2020	March 31, 2021
Liabilities			
(Non-Financial Services Businesses)			
Current liabilities			
Trade accounts and other payables	3,687,407	3,305,034	3,801,753
Short-term and current portion of long-term debt	852,002	685,431	2,348,514
Accrued expenses	1,269,615	1,197,245	1,322,353
Income taxes payable	301,021	197,213	262,727
Other current liabilities	2,576,512	2,472,424	2,650,433
Total current liabilities	<u>8,686,557</u>	<u>7,857,347</u>	<u>10,385,779</u>
Non-current liabilities			
Long-term debt	1,567,346	1,549,676	1,523,134
Retirement benefit liabilities	986,860	1,005,538	1,015,156
Other non-current liabilities	1,124,943	1,149,254	1,509,535
Total non-current liabilities	<u>3,679,148</u>	<u>3,704,467</u>	<u>4,047,825</u>
Total liabilities	<u>12,365,705</u>	<u>11,561,815</u>	<u>14,433,605</u>
(Financial Services Business)			
Current liabilities			
Trade accounts and other payables	388,838	350,099	510,670
Short-term and current portion of long-term debt	9,244,879	9,942,634	10,286,251
Accrued expenses	94,707	74,508	102,200
Income taxes payable	20,295	15,064	88,153
Other current liabilities	781,665	937,231	1,002,615
Total current liabilities	<u>10,530,384</u>	<u>11,319,535</u>	<u>11,989,889</u>
Non-current liabilities			
Long-term debt	9,982,796	10,016,507	12,044,994
Retirement benefit liabilities	15,850	16,623	19,940
Other non-current liabilities	959,138	1,053,466	696,294
Total non-current liabilities	<u>10,957,784</u>	<u>11,086,596</u>	<u>12,761,228</u>
Total liabilities	<u>21,488,168</u>	<u>22,406,131</u>	<u>24,751,117</u>
(Elimination)			
Elimination of liabilities	(1,092,679)	(1,334,595)	(1,205,911)
(Consolidated)			
Total liabilities	<u>32,761,195</u>	<u>32,633,351</u>	<u>37,978,811</u>
Shareholders' equity			
(Consolidated) Total Toyota Motor Corporation shareholders' equity	<u>19,907,100</u>	<u>20,618,888</u>	<u>23,404,547</u>
(Consolidated) Non-controlling interests	748,110	720,124	883,782
(Consolidated) Total shareholders' equity	<u>20,655,210</u>	<u>21,339,012</u>	<u>24,288,329</u>
(Consolidated) Total liabilities and shareholders' equity	<u><u>53,416,405</u></u>	<u><u>53,972,363</u></u>	<u><u>62,267,140</u></u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(ii) Consolidated Statement of Income on Non-Financial Services Businesses and Financial Services Business

	Yen in millions	
	For the year ended March 31, 2020	For the year ended March 31, 2021
(Non-Financial Services Businesses)		
Sales revenues	27,710,128	25,103,190
Cost of revenues	23,104,047	21,199,915
Selling, general and administrative	2,492,039	2,206,205
Operating income	2,114,042	1,697,070
Other income (loss), net	394,278	742,785
Income before income taxes	2,508,319	2,439,855
Income tax expense	615,546	528,413
Net income	1,892,774	1,911,442
Net income attributable to		
Toyota Motor Corporation	1,818,022	1,875,467
Non-controlling interests	74,752	35,975
(Financial Services Business)		
Sales revenues	2,193,170	2,162,237
Cost of revenues	1,397,344	1,202,277
Selling, general and administrative	512,085	464,368
Operating income	283,742	495,593
Other income (loss), net	835	(3,090)
Income before income taxes	284,577	492,503
Income tax expense	66,284	121,536
Net income	218,293	370,967
Net income attributable to		
Toyota Motor Corporation	218,060	369,824
Non-controlling interests	233	1,143
(Elimination)		
Elimination of net income	59	(30)
(Consolidated)		
Net income	2,111,125	2,282,378
Net income attributable to		
Toyota Motor Corporation	2,036,140	2,245,261
Non-controlling interests	74,985	37,118

TOYOTA MOTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(iii) Consolidated Statement of Cash Flows on Non-Financial Services Businesses and Financial Services Business

	Yen in millions	
	For the year ended March 31, 2020	For the year ended March 31, 2021
(Non-Financial Services Businesses)		
Cash flows from operating activities		
Net income	1,892,774	1,911,442
Depreciation and amortization	855,863	928,533
Share of profit (loss) of investments accounted for using the equity method	(298,494)	(345,374)
Income tax expense	615,546	528,413
Changes in operating assets and liabilities, and other	(154,164)	(262,407)
Interest received	141,975	123,606
Dividends received	316,610	290,618
Interest paid	(46,217)	(35,371)
Income taxes paid, net of refund	(700,528)	(505,260)
Net cash provided by (used in) operating activities	<u>2,623,364</u>	<u>2,634,200</u>
Cash flows from investing activities		
Additions to fixed assets excluding equipment leased to others	(1,222,821)	(1,203,662)
Additions to equipment leased to others	(163,592)	(142,217)
Proceeds from sales of fixed assets excluding equipment leased to others	46,765	38,575
Proceeds from sales of equipment leased to others	49,892	46,461
Additions to intangible assets	(299,253)	(271,274)
Additions to public and corporate bonds and stocks	(2,220,217)	(2,511,346)
Proceeds from sales of public and corporate bonds and stocks and upon maturity of public and corporate bonds	2,249,367	1,982,302
Other, net	(95,852)	(1,339,372)
Net cash provided by (used in) investing activities	<u>(1,655,711)</u>	<u>(3,400,534)</u>
Cash flows from financing activities		
Increase (decrease) in short-term debt	45,288	213,716
Proceeds from long-term debt	247,048	1,662,593
Payments of long-term debt	(163,486)	(170,373)
Dividends paid to Toyota Motor Corporation common shareholders	(618,801)	(625,514)
Dividends paid to non-controlling interests	(50,903)	(34,840)
Reissuance (repurchase) of treasury stock	(476,128)	199,884
Net cash provided by (used in) financing activities	<u>(1,016,982)</u>	<u>1,245,465</u>
Effect of exchange rate changes on cash and cash equivalents	(86,553)	112,588
Net increase (decrease) in cash and cash equivalents	<u>(135,882)</u>	<u>591,719</u>
Cash and cash equivalents at beginning of year	2,818,313	2,682,431
Cash and cash equivalents at end of year	<u><u>2,682,431</u></u>	<u><u>3,274,149</u></u>

TOYOTA MOTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions	
	For the year ended March 31, 2020	For the year ended March 31, 2021
(Financial Services Business)		
Cash flows from operating activities		
Net income	218,293	370,967
Depreciation and amortization	739,484	715,757
Interest income and interest costs related to financial services, net	(200,727)	(241,016)
Share of profit (loss) of investments accounted for using the equity method	(11,753)	(5,655)
Income tax expense	66,284	121,536
Changes in operating assets and liabilities, and other	(1,081,707)	(780,798)
Interest received	664,167	661,272
Dividends received	1,799	3,901
Interest paid	(467,774)	(431,939)
Income taxes paid, net of refund	(76,994)	(304,856)
Net cash provided by (used in) operating activities	(148,928)	109,168
Cash flows from investing activities		
Additions to fixed assets excluding equipment leased to others	(23,472)	(10,240)
Additions to equipment leased to others	(2,031,699)	(2,133,378)
Proceeds from sales of fixed assets excluding equipment leased to others	1,184	1,967
Proceeds from sales of equipment leased to others	1,341,301	1,325,238
Additions to intangible assets	(5,739)	(7,173)
Additions to public and corporate bonds and stocks	(185,120)	(217,825)
Proceeds from sales of public and corporate bonds and stocks and upon maturity of public and corporate bonds	126,281	79,616
Other, net	(22,213)	(35,893)
Net cash provided by (used in) investing activities	(799,477)	(997,688)
Cash flows from financing activities		
Increase (decrease) in short-term debt	514,196	(1,517,259)
Proceeds from long-term debt	5,458,616	8,043,141
Payments of long-term debt	(4,334,374)	(5,332,573)
Dividends paid to non-controlling interests	(4,052)	(1,757)
Net cash provided by (used in) financing activities	1,634,387	1,191,551
Effect of exchange rate changes on cash and cash equivalents	(54,454)	107,657
Net increase (decrease) in cash and cash equivalents	631,527	410,688
Cash and cash equivalents at beginning of year	784,492	1,416,020
Cash and cash equivalents at end of year	1,416,020	1,826,707
(Consolidated)		
Effect of exchange rate changes on cash and cash equivalents	(141,007)	220,245
Net increase (decrease) in cash and cash equivalents	495,645	1,002,406
Cash and cash equivalents at beginning of year	3,602,805	4,098,450
Cash and cash equivalents at end of year	4,098,450	5,100,857

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(4) Geographic information

As of transition date April 1, 2019

	Yen in millions						
	Japan	North America	Europe	Asia	Other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Total assets	17,436,485	17,752,487	3,980,823	5,283,390	3,107,162	5,856,058	53,416,405
Non-current assets	4,752,955	5,619,582	473,276	773,293	457,208	—	12,076,315

As of and for the year ended March 31, 2020

	Yen in millions						
	Japan	North America	Europe	Asia	Other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Sales revenues							
Revenues from external customers	9,503,238	10,419,869	3,133,227	4,785,489	2,024,724	—	29,866,547
Inter-segment revenues and transfers	6,938,614	222,165	222,130	507,741	89,387	(7,980,038)	—
Total	16,441,852	10,642,034	3,355,357	5,293,231	2,114,111	(7,980,038)	29,866,547
Operating expenses	14,856,576	10,388,830	3,211,540	4,929,684	2,030,110	(7,949,425)	27,467,315
Operating income	1,585,276	253,205	143,817	363,547	84,001	(30,613)	2,399,232
Total assets	18,221,453	18,579,078	4,264,022	5,307,513	2,881,536	4,718,761	53,972,363
Non-current assets	4,697,388	5,517,466	570,563	708,066	428,707	—	11,922,190

As of and for the year ended March 31, 2021

	Yen in millions						
	Japan	North America	Europe	Asia	Other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Sales revenues							
Revenues from external customers	8,587,193	9,325,950	2,968,289	4,555,897	1,777,266	—	27,214,594
Inter-segment revenues and transfers	6,361,739	165,853	166,200	489,398	95,630	(7,278,820)	—
Total	14,948,931	9,491,803	3,134,489	5,045,295	1,872,895	(7,278,820)	27,214,594
Operating expenses	13,799,715	9,090,442	3,026,518	4,609,354	1,813,048	(7,322,232)	25,016,845
Operating income	1,149,217	401,361	107,971	435,940	59,847	43,413	2,197,748
Total assets	19,674,666	20,138,715	5,074,409	6,548,343	3,469,635	7,361,372	62,267,140
Non-current assets	5,232,862	5,705,770	751,245	896,542	461,723	—	13,048,143

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

“Other” consists of Central and South America, Oceania, Africa and the Middle East.

Non-current assets do not include financial instruments, deferred tax assets, net defined benefit assets and rights arising under insurance contracts.

The above amounts are aggregated by region based on the location of the country where TMC or consolidated subsidiaries are located. Transfers between geographic areas are made in accordance with terms and conditions in the ordinary course of business.

Unallocated amounts included in assets represent assets held for corporate purpose, which mainly consist of cash and cash equivalents and financial assets measured at fair value through other comprehensive income, and the balances as of April 1, 2019, March 31, 2020 and 2021 are ¥9,343,942 million, ¥8,584,459 million and ¥11,344,879 million, respectively.

(5) Sales revenues by location of external customers

In addition to the disclosure requirements under IFRS, Toyota discloses this information in order to provide financial statements users with valuable information.

	Yen in millions	
	For the years ended March 31,	
	2020	2021
Japan	7,229,849	6,820,590
North America	10,546,655	9,437,314
Europe	2,932,324	2,734,152
Asia	5,217,857	5,057,397
Other	3,939,863	3,165,141
Total	29,866,547	27,214,594

“Other” consists of Central and South America, Oceania, Africa and the Middle East, etc.

6. Business acquisition and transfer

TMC and Panasonic established a new joint venture, Prime Life Technologies, related to a town development business for the year ended March 31, 2020. Prime Life Technologies became Toyota’s associate company accounted for by the equity method, and THC as well as Misawa Homes became subsidiaries of Prime Life Technologies, causing THC and Misawa Homes to no longer be Toyota’s consolidated subsidiary companies.

Specifically, at the meeting of the Board of Directors held on May 9, 2019, TMC resolved to conclude contracts aimed toward the establishment of Prime Life Technologies with Panasonic. On January 7, 2020, THC and Misawa Homes, each a subsidiary of TMC, completed a share exchange in which THC became the wholly owning parent company and Misawa Homes became the wholly owned subsidiary company, pursuant to a share exchange agreement that was approved at the general meeting of shareholders of Misawa Homes on November 26, 2019. Also effective January 7, 2020, and pursuant to the share transfer plan that was approved at the general meeting of shareholders of THC on December 19, 2019, Toyota transferred all of the shares of THC common stock to Prime Life Technologies, causing it to become the wholly owning parent company of THC. THC then distributed all issued shares of Misawa Homes to Prime Life Technologies as a dividend of surplus, as

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

approved at the general meeting of shareholders of THC on January 7, 2020, with Prime Life Technologies thereby becoming the wholly owning parent company of THC and Misawa Homes. Gains or losses realized from these transactions are not material.

In addition to the above, Toyota made several acquisitions and dispositions during the years ended March 31, 2020 and 2021, however the assets and liabilities acquired or transferred were not material.

7. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	Yen in millions		
	Transition date April 1, 2019	March 31,	
		2020	2021
Cash and deposits	2,759,412	2,764,771	3,346,401
Negotiable certificate of deposit and other	843,393	1,333,679	1,754,456
Total	<u>3,602,805</u>	<u>4,098,450</u>	<u>5,100,857</u>

8. Trade accounts and other receivables

Trade accounts and other receivables consist of the following:

	Yen in millions		
	Transition date April 1, 2019	March 31,	
		2020	2021
Accounts and notes receivables	2,401,348	2,112,153	2,301,976
Other receivables	569,762	559,884	688,352
Allowance for doubtful accounts	(16,493)	(23,676)	(31,586)
Total	<u>2,954,617</u>	<u>2,648,360</u>	<u>2,958,742</u>

Trade accounts and other receivables which are unconditional rights to considerations are classified as financial assets measured at amortized cost.

The changes in the allowance for doubtful accounts consist of the following:

	Yen in millions	
	For the years ended March 31,	
	2020	2021
Allowance for doubtful accounts at beginning of year	90,497	90,266
Provision for doubtful accounts, net of reversal	837	7,780
Write-offs	(2,721)	(3,112)
Other	1,653	2,444
Allowance for doubtful accounts at end of year	<u>90,266</u>	<u>97,378</u>

“Other” includes currency translation adjustments.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

A portion of the allowance for doubtful accounts is attributed to certain non-current receivable balances which are reported as other financial assets under non-current assets.

9. Finance receivables

Finance receivables consist of the following:

	Yen in millions		
	Transition date April 1, 2019	March 31,	
		2020	2021
Retail	12,773,344	12,802,072	15,048,433
Finance leases	1,636,536	1,691,418	2,031,280
Wholesale and other dealer loans	3,489,756	3,479,613	3,185,484
Total	<u>17,899,635</u>	<u>17,973,103</u>	<u>20,265,197</u>
Deferred origination costs	204,305	221,200	270,406
Less - Unearned income	(986,928)	(919,054)	(1,068,587)
Less - Allowance for credit losses			
Retail	(121,242)	(159,770)	(198,204)
Finance leases	(26,483)	(30,899)	(33,455)
Wholesale and other dealer loans	(30,893)	(45,179)	(29,642)
Total finance receivables, net	<u>16,938,395</u>	<u>17,039,401</u>	<u>19,205,715</u>
Current assets	6,657,367	6,621,604	6,756,189
Non-current assets	10,281,028	10,417,797	12,449,525
Total finance receivables, net	<u><u>16,938,395</u></u>	<u><u>17,039,401</u></u>	<u><u>19,205,715</u></u>

Finance receivables were geographically distributed as follows: in North America 55.2%, in Asia 13.0%, in Europe 12.3%, in Japan 8.2% and in Other 11.3% as of April 1, 2019, in North America 55.8%, in Asia 13.0%, in Europe 12.6%, in Japan 8.8% and in Other 9.8% as of March 31, 2020, and in North America 54.6%, in Asia 13.5%, in Europe 13.2%, in Japan 8.3% and in Other 10.4% as of March 31, 2021.

Finance receivables are classified as financial assets measured at amortized cost.

TOYOTA MOTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The contractual maturity of retail receivables, future lease payments for finance leases receivables, wholesale receivables and other dealer loans are as follows:

	Yen in millions		
	Transition date		
	April 1, 2019		
	Retail	Finance leases	Wholesale and other dealer loans
Within 1 year	4,094,135	418,450	2,495,356
Between 1 and 2 years	3,035,992	325,744	235,985
Between 2 and 3 years	2,434,026	251,888	237,026
Between 3 and 4 years	1,728,217	113,040	140,418
Between 4 and 5 years	942,876	42,582	143,747
Later than 5 years	538,098	6,538	237,225
Total	<u>12,773,344</u>	<u>1,158,242</u>	<u>3,489,756</u>

	Yen in millions		
	March 31, 2020		
	Retail	Finance leases	Wholesale and other dealer loans
Within 1 year	4,034,784	446,914	2,453,952
Between 1 and 2 years	3,034,098	335,863	315,532
Between 2 and 3 years	2,476,974	247,389	201,940
Between 3 and 4 years	1,749,642	134,488	160,774
Between 4 and 5 years	964,211	48,914	109,507
Later than 5 years	542,362	8,802	237,907
Total	<u>12,802,072</u>	<u>1,222,370</u>	<u>3,479,613</u>

	Yen in millions		
	March 31, 2021		
	Retail	Finance leases	Wholesale and other dealer loans
Within 1 year	4,196,724	540,759	1,995,544
Between 1 and 2 years	3,482,932	415,673	348,787
Between 2 and 3 years	2,906,322	303,166	231,969
Between 3 and 4 years	2,235,116	171,142	137,331
Between 4 and 5 years	1,404,273	69,241	145,817
Later than 5 years	823,066	11,597	326,037
Total	<u>15,048,433</u>	<u>1,511,577</u>	<u>3,185,484</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Finance leases receivables consist of the following:

	Yen in millions		
	Transition date April 1, 2019	March 31,	
		2020	2021
Lease payments	1,158,242	1,222,370	1,511,577
Estimated unguaranteed residual values	478,294	469,048	519,703
Total	<u>1,636,536</u>	<u>1,691,418</u>	<u>2,031,280</u>
Deferred origination costs	11,929	12,349	13,701
Less - Unearned income	(143,838)	(146,087)	(169,098)
Less - Allowance for credit losses	(26,483)	(30,899)	(33,455)
Finance leases receivables, net	<u>1,478,144</u>	<u>1,526,781</u>	<u>1,842,429</u>

10. Other financial assets

Other financial assets consist of the following:

	Yen in millions		
	Transition date April 1, 2019	March 31,	
		2020	2021
Financial assets measured at amortized cost			
Time deposits	1,141,511	844,549	2,566,221
Other	464,897	680,454	554,997
Financial assets measured at fair value through profit or loss			
Public and corporate bonds	59,426	58,711	59,600
Stocks	110,991	149,905	317,101
Derivatives	200,333	503,826	282,364
Other	286,459	286,182	489,824
Financial assets measured at fair value through other comprehensive income			
Public and corporate bonds	5,806,502	5,372,687	6,075,498
Stocks	2,332,625	2,115,736	2,945,780
Other	7,388	33,067	7,986
Total	<u>10,410,133</u>	<u>10,045,118</u>	<u>13,299,371</u>
Current assets	2,640,392	2,143,602	4,215,457
Non-current assets	7,769,740	7,901,517	9,083,914
Total	<u>10,410,133</u>	<u>10,045,118</u>	<u>13,299,371</u>

Toyota has certain financial instruments, including financial assets and liabilities which arose in the normal course of business. These financial instruments are executed with creditworthy financial institutions, and virtually all foreign currency contracts are denominated in U.S. dollars, euros and other currencies of major developed countries. Financial instruments involve, to varying degrees, market risk as instruments are subject to price fluctuations, and elements of credit risk in the event a counterparty should default. In the unlikely event the counterparties fail to meet the contractual terms of a foreign currency or an interest rate instrument, Toyota's risk is limited to the fair value of the instrument. Although Toyota may be exposed to losses in the event of non-performance by counterparties on financial instruments, it does not anticipate significant losses due to the

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

nature of its counterparties. Counterparties to Toyota's financial instruments represent, in general, international financial institutions. Additionally, Toyota does not have a significant exposure to any individual counterparty. Toyota believes that the overall credit risk related to its financial instruments is not significant.

Public and corporate bonds included in financial assets measured at fair value through other comprehensive income include securities loaned of ¥2,217,346 million and ¥1,757,903 million for the years ended March 31, 2020 and 2021, respectively.

Major securities included in stocks measured at fair value through other comprehensive income as of April 1, 2019, March 31, 2020 and 2021 are as follows:

Issue	Yen in millions		
	Transition date April 1, 2019	March 31,	
		2020	2021
KDDI CORPORATION	711,905	952,192	1,075,516
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	—	—	229,563
SUBARU CORPORATION	325,402	—	—
MS&AD Insurance Group Holdings, Inc.	179,621	161,232	173,171
HOTAI MOTOR CO., LTD.	75,390	98,006	126,049

As Toyota primarily holds long-term investments for business relationships, the investments have been designated to be measured at fair value through other comprehensive income. For the year ended March 31, 2020, SUBARU CORPORATION became Toyota's associate company accounted for by the equity method through Toyota increasing its equity stake.

To facilitate the efficient and effective utilization of assets, Toyota derecognizes stocks measured at fair value through other comprehensive income by way of sale. Fair value and total accumulated other comprehensive income at derecognition are as follows:

	Yen in millions	
	For the years ended March 31,	
	2020	2021
Total fair value	30,280	40,903
Accumulated other comprehensive income, net	4,935	17,323

11. Inventories

Inventories consist of the following:

	Yen in millions		
	Transition date April 1, 2019	March 31,	
		2020	2021
Products	1,819,022	1,614,070	1,749,415
Work in process	326,012	316,756	350,308
Raw materials	474,804	482,987	644,779
Supplies and other	111,202	120,079	143,526
Total	<u>2,731,040</u>	<u>2,533,892</u>	<u>2,888,028</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

12. Investments accounted for using the equity method

Equity in associates and joint ventures is as follows:

	Yen in millions		
	Transition date April 1, 2019	March 31,	
		2020	2021
Associates	3,119,740	3,703,848	3,467,503
Joint ventures	347,502	593,716	693,300
Total	<u>3,467,242</u>	<u>4,297,564</u>	<u>4,160,803</u>

The combined information of investments accounted for using the equity method (total value of TMC's interests) is as follows:

	Yen in millions	
	For the years ended March 31,	
	2020	2021
Net income		
Associates	195,569	190,998
Joint ventures	114,678	160,031
Total	<u>310,247</u>	<u>351,029</u>
Other comprehensive income, net of tax		
Associates	42,904	50,143
Joint ventures	(15,589)	38,501
Total	<u>27,315</u>	<u>88,644</u>
Comprehensive income		
Associates	238,473	241,141
Joint ventures	99,089	198,532
Total	<u>337,562</u>	<u>439,673</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

13. Property, plant and equipment

The changes in cost and accumulated depreciation and impairment losses are as follows:

(Cost)

	Yen in millions					
	Land	Buildings	Machinery and equipment	Vehicles and equipment on operating leases	Construction in progress	Total
Transition date Balance as of						
April 1, 2019	1,359,271	4,833,278	11,956,773	6,139,163	656,067	24,944,551
Additions	45,791	80,490	379,749	2,188,621	732,114	3,426,765
Sales or disposal	(9,805)	(41,613)	(514,608)	(2,232,596)	(3,204)	(2,801,827)
Reclassification from construction in progress . . .	10,510	112,228	665,968	97	(788,803)	—
Foreign currency translation adjustments	(12,252)	(80,920)	(303,095)	(167,022)	(21,350)	(584,639)
Other	(74,551)	(162,012)	(205,338)	570	(57,363)	(498,694)
Balance as of March 31, 2020	<u>1,318,964</u>	<u>4,741,451</u>	<u>11,979,449</u>	<u>5,928,833</u>	<u>517,460</u>	<u>24,486,156</u>
Additions	22,720	90,363	414,934	2,281,434	639,205	3,448,655
Sales or disposal	(13,005)	(36,586)	(472,197)	(2,163,259)	(4,846)	(2,689,893)
Reclassification from construction in progress . . .	6,890	101,216	485,705	537	(594,347)	—
Foreign currency translation adjustments	13,448	57,952	262,808	180,976	20,493	535,677
Other	(3,979)	44,811	83,252	(24,799)	97,910	197,195
Balance as of March 31, 2021	<u><u>1,345,037</u></u>	<u><u>4,999,206</u></u>	<u><u>12,753,951</u></u>	<u><u>6,203,721</u></u>	<u><u>675,875</u></u>	<u><u>25,977,791</u></u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Accumulated depreciation and impairment losses)

	Yen in millions					Total
	Land	Buildings	Machinery and equipment	Vehicles and equipment on operating leases	Construction in progress	
Transition date Balance as of						
April 1, 2019	(4,274)	(3,097,623)	(9,715,155)	(1,442,093)	(1,301)	(14,260,446)
Depreciation	—	(120,075)	(633,167)	(774,846)	—	(1,528,087)
Impairment losses	(2,446)	(4,023)	(8,319)	—	(19)	(14,807)
Sales or disposal	1,467	31,119	465,994	736,055	—	1,234,635
Foreign currency translation adjustments	138	41,716	212,323	35,940	60	290,177
Other	1,057	94,335	172,429	58,487	81	326,388
Balance as of March 31, 2020	(4,058)	(3,054,551)	(9,505,895)	(1,386,459)	(1,178)	(13,952,141)
Depreciation	—	(118,975)	(673,612)	(770,354)	—	(1,562,940)
Impairment losses	—	—	—	—	(70)	(70)
Sales or disposal	12	24,717	443,307	748,189	—	1,216,226
Foreign currency translation adjustments	(240)	(34,630)	(204,607)	(39,880)	(50)	(279,408)
Other	(211)	(6,299)	(64,468)	81,587	1,085	11,695
Balance as of March 31, 2021	(4,497)	(3,189,737)	(10,005,275)	(1,366,916)	(213)	(14,566,638)

Depreciation on “Property, plant and equipment” was included in “Cost of products sold” and “Selling, general and administrative” in the consolidated statement of income.

Vehicles and equipment on operating leases consist of the following:

	Yen in millions		
	Transition date April 1, 2019	March 31,	
		2020	2021
Vehicles	6,124,664	5,911,838	6,190,558
Equipment	14,499	16,994	13,164
	6,139,163	5,928,833	6,203,721
Less - Accumulated depreciation	(1,442,093)	(1,386,459)	(1,366,916)
Vehicles and equipment on operating leases, net	4,697,070	4,542,374	4,836,805

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Future expenses from vehicles and equipment on operating leases are due in installments and rental income separated as follows:

	Yen in millions		
	Transition date April 1, 2019	March 31,	
		2020	2021
Within 1 year	805,907	802,112	857,997
Between 1 and 2 years	537,742	531,094	583,059
Between 2 and 3 years	245,145	241,459	282,477
Between 3 and 4 years	50,834	59,416	55,838
Between 4 and 5 years	9,860	13,457	18,873
Later than 5 years	1,983	6,196	5,706
Total future rentals	1,651,471	1,653,733	1,803,950

The future rental income as shown above should not be considered indicative of future cash collections.

14. Right of use assets and lease liabilities

The breakdown of right of use assets is as follows:

	Yen in millions		
	Transition date April 1, 2019	March 31,	
		2020	2021
Types of original assets			
Land	26,583	38,658	46,868
Buildings	337,863	253,312	285,602
Other	32,384	45,366	57,674
Total	396,830	337,335	390,144

The increase in the right of use assets for the years ended on March 31, 2020 and 2021 were ¥152,870 million and ¥114,394 million, respectively.

The breakdown of main gains and losses on lessee's leases:

	Yen in millions	
	March 31,	
	2020	2021
Depreciation of right of use assets		
Land	8,137	7,277
Buildings	67,321	45,852
Other	16,875	22,307
Total	92,333	75,436
Interest expense on lease liabilities	3,187	4,118
Short-term leases	44,627	84,821
	140,147	164,375

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the years ended March 31, 2020 and 2021, the total cash outflows for lessee leases were ¥130,830 million and ¥133,698 million, respectively.

The following is the maturity analysis of the total future lease payments and the adjustment to the present value:

	Yen in millions		
	Transition date April 1, 2019	March 31,	
		2020	2021
Within 1 year	89,976	48,255	52,983
Between 1 and 5 years	162,802	117,223	130,917
Later than 5 years	167,316	181,812	219,857
Future lease payment, total	420,095	347,291	403,757
Less - Interest expense	(26,414)	(38,245)	(42,866)
Present value of lease payment, total	393,680	309,045	360,891
Current liabilities	87,282	43,166	47,120
Non-current liabilities	306,398	265,879	313,771
Present value of lease payment, total	393,680	309,045	360,891

15. Intangible assets

The carrying value of intangible assets is as follows:

	Yen in millions		
	Transition date April 1, 2019	March 31,	
		2020	2021
Capitalized development costs	611,122	625,473	631,176
Software and other	297,615	374,784	477,458
Total	908,737	1,000,257	1,108,634

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The changes in cost, accumulated amortization and impairment losses of intangible assets are as follows:

(Cost)

	Yen in millions		
	Capitalized development costs	Software and other	Total
Transition date Balance as of April 1, 2019	980,692	525,105	1,505,797
Additions	—	116,450	116,450
Internally developed	164,127	36,436	200,563
Sales or disposal	(153,144)	(66,995)	(220,139)
Foreign currency translation adjustments	—	(24,306)	(24,306)
Other	—	14,025	14,025
Balance as of March 31, 2020	991,675	600,716	1,592,391
Additions	—	62,423	62,423
Internally developed	158,246	59,061	217,307
Sales or disposal	(45,779)	(57,047)	(102,825)
Foreign currency translation adjustments	—	6,305	6,305
Other	—	56,416	56,416
Balance as of March 31, 2021	1,104,142	727,874	1,832,016

(Accumulated amortization and impairment losses)

	Yen in millions		
	Capitalized development costs	Software and other	Total
Transition date Balance as of April 1, 2019	(369,570)	(227,490)	(597,060)
Depreciation	(149,776)	(67,260)	(217,036)
Impairment losses	—	—	—
Sales or disposal	153,144	66,944	220,088
Foreign currency translation adjustments	—	2,513	2,513
Other	—	(639)	(639)
Balance as of March 31, 2020	(366,202)	(225,932)	(592,134)
Depreciation	(152,542)	(81,350)	(233,892)
Impairment losses	—	—	—
Sales or disposal	45,779	55,354	101,132
Foreign currency translation adjustments	—	(2,818)	(2,818)
Other	—	4,330	4,330
Balance as of March 31, 2021	(472,966)	(250,417)	(723,382)

Amortization of intangible assets was included in “cost of products sold” and “selling, general and administrative” in the consolidated statement of income. There is no material internally generated intangible assets except for capitalized development costs.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

16. Income taxes

(1) Deferred tax assets and liabilities

Significant components of deferred tax assets and liabilities are as follows:

	Yen in millions		
	Transition date April 1, 2019	March 31,	
		2020	2021
Deferred tax assets			
Defined benefit plan liabilities	248,226	261,078	172,237
Accrued expenses and liabilities for quality assurance	642,680	609,166	623,247
Other accrued employees' compensation	120,934	123,218	127,339
Operating loss carryforwards for tax purposes	334,797	19,219	14,263
Allowance for doubtful accounts and credit losses	66,044	71,142	82,467
Property, plant and equipment and other assets	246,633	263,243	224,933
Other	413,920	370,252	400,000
Total deferred tax assets	<u>2,073,234</u>	<u>1,717,318</u>	<u>1,644,486</u>
Deferred tax liabilities			
Changes in fair value of financial instruments measured in other comprehensive income	(506,454)	(428,541)	(661,221)
Undistributed earnings of foreign subsidiaries	(25,972)	(24,683)	(18,539)
Undistributed earnings of associates and joint ventures	(871,627)	(917,544)	(902,680)
Basis difference of acquired assets	(29,116)	(29,756)	(48,371)
Capitalized development costs	(188,837)	(193,271)	(195,033)
Lease transactions	(946,128)	(746,443)	(533,167)
Other	(286,009)	(248,719)	(196,470)
Total deferred tax liabilities	<u>(2,854,142)</u>	<u>(2,588,957)</u>	<u>(2,555,481)</u>
Net deferred tax assets and liabilities	<u>(780,909)</u>	<u>(871,641)</u>	<u>(910,996)</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Of the changes in deferred tax assets and deferred tax liabilities for the year ended March 31, 2020 and 2021, the amount recognized as income tax expense in the consolidated statement of income is as follows:

	Yen in millions	
	For the years ended March 31,	
	2020	2021
Defined benefit plan liabilities	16,927	12,473
Accrued expenses and liabilities for quality assurance	(18,676)	(18,256)
Other accrued employees' compensation	4,557	3,125
Operating loss carryforwards for tax purposes	(295,656)	1,265
Allowance for doubtful accounts and credit losses	19,293	6,042
Property, plant and equipment and other assets	(76,680)	4,468
Undistributed earnings of foreign subsidiaries	1,290	6,144
Undistributed earnings of associates and joint ventures	(33,008)	47,840
Basis difference of acquired assets	(10,033)	(18,302)
Capitalized development costs	(4,434)	(1,762)
Lease transactions	286,869	209,972
Other	(83,216)	23,104
Total	<u>(192,767)</u>	<u>276,113</u>

The deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset is recognized in the statement of financial position:

	Yen in millions		
	Transition date April 1, 2019	March 31,	
		2020	2021
Deductible temporary difference	277,454	223,708	250,670
Carryforwards of tax losses	141,711	184,851	379,566
Carryforwards of tax credit	8,194	25,963	34,800
Total	<u>427,359</u>	<u>434,521</u>	<u>665,037</u>

The expected expiration date of the carryforwards of tax losses for which deferred tax assets are not recognized are as follows:

	Yen in millions		
	Transition date April 1, 2019	March 31,	
		2020	2021
Within 5 years	10,773	22,272	13,597
Between 5 and 10 years	1,619	8,636	20,475
Later than 10 years	129,318	153,944	345,493
Total	<u>141,711</u>	<u>184,851</u>	<u>379,566</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The expected expiration date of the carryforwards of tax credit for which deferred tax assets are not recognized are as follows:

	Yen in millions		
	Transition date April 1, 2019	March 31,	
		2020	2021
Within 5 years	2,643	4,162	5,097
Between 5 and 10 years	4,630	464	2,340
Later than 10 years	921	21,337	27,363
Total	8,194	25,963	34,800

Of the temporary differences in investments in foreign subsidiaries, because management intends to reinvest undistributed earnings of foreign subsidiaries to the extent not expected to be remitted in the foreseeable future, no deferred tax liability is recognized. As of April 1, 2019, March 31, 2020 and 2021, the temporary differences totaled ¥3,544,897 million, ¥3,873,059 million and ¥4,362,133 million, respectively, and Toyota estimates an additional deferred tax liability of ¥158,332 million, ¥169,051 million and ¥202,533 million would be required, respectively, if the full amount of those undistributed earnings were remitted.

(2) Income tax expenses

The income tax expense for the year ended March 31, 2020 and 2021 consists of the followings:

	Yen in millions	
	For the years ended March 31,	
	2020	2021
Current income tax expense:		
TMC and domestic subsidiaries	484,667	403,230
Foreign subsidiaries	4,383	522,859
Total current	489,050	926,089
Deferred income tax expense (benefit):		
TMC and domestic subsidiaries	95,270	(23,792)
Foreign subsidiaries	97,498	(252,321)
Total deferred	192,767	(276,113)
Total income tax expense	681,817	649,976

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Toyota is subject to a number of different income taxes which, in the aggregate, indicate a statutory rate in Japan of approximately 30.9% for the years ended March 31, 2020 and 2021. The statutory tax rates in effect for the year in which the temporary differences are expected to reverse are used to calculate the tax effects of temporary differences which are expected to reverse in future years. Reconciliation of the differences between the statutory tax rate and the average effective tax rate is as follows:

	<u>For the years ended March 31,</u>	
	<u>2020</u>	<u>2021</u>
Statutory tax rate	30.9%	30.9%
Increase (reduction) in taxes resulting from:		
Non-deductible expenses	0.4	0.5
Tax-exempt income	(0.5)	(0.4)
Deferred tax liabilities on undistributed earnings of foreign subsidiaries	0.9	0.6
Effects of investments accounted for using the equity method	(3.4)	(3.7)
Deferred tax liabilities on undistributed earnings of associates and joint ventures	2.1	(0.2)
Change in unrecognized deferred tax assets	0.9	0.7
Tax credits	(4.5)	(3.2)
The difference between the statutory tax rate in Japan and that of foreign subsidiaries	(2.4)	(3.5)
Unrecognized tax benefits adjustments	(0.4)	(0.2)
Other	<u>0.3</u>	<u>0.6</u>
Average effective tax rate	<u>24.4%</u>	<u>22.2%</u>

17. Trade accounts and other payables

Trade accounts and other payables consists of the following:

	<u>Yen in millions</u>		
	<u>Transition date April 1, 2019</u>	<u>March 31,</u>	
		<u>2020</u>	<u>2021</u>
Accounts and notes payables	2,674,520	2,354,425	2,953,716
Other payables	<u>1,181,613</u>	<u>1,143,605</u>	<u>1,092,223</u>
Total	<u>3,856,133</u>	<u>3,498,029</u>	<u>4,045,939</u>

Trade accounts and other payables are classified as financial liabilities measured at amortized cost.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

18. Financial liabilities

(1) Financial liabilities

Financial liabilities consist of the following:

	Yen in millions							
	Transition date April 1, 2019	Cash flow	Non-cash changes				Changes in fair value	Other
Acquisitions			Reclassification	Changes in foreign currency exchange rates	Changes in fair value			
Current liabilities								
Short-term debt	5,366,876	279,033	—	—	(217,633)	—	(132,828)	5,295,448
Current portion of long-term debt	4,247,655	(4,421,058)	—	4,749,465	28,316	—	(36,238)	4,568,140
Current portion of long-term lease liabilities	87,282	(35,855)	—	30,508	(354)	—	(38,415)	43,166
Current liabilities	9,701,813	(4,177,880)	—	4,779,973	(189,672)	—	(207,481)	9,906,755
Non-current liabilities								
Long-term debt	10,538,007	5,690,569	—	(4,749,465)	(724,879)	—	(84,631)	10,669,599
Long-term lease liabilities	306,398	—	152,870	(30,508)	(1,778)	—	(161,103)	265,879
Class share	497,910	—	—	—	—	—	830	498,740
Non-current liabilities	11,342,315	5,690,569	152,870	(4,779,973)	(726,657)	—	(244,905)	11,434,219
Total	21,044,128	1,512,689	152,870	—	(916,328)	—	(452,385)	21,340,973
Derivatives	95,895	(19,567)	—	—	(3,627)	110,025	—	182,726

	Yen in millions							
	As of April 1, 2020	Cash flow	Non-cash changes				Changes in fair value	Other
Acquisitions			Reclassification	Changes in foreign currency exchange rates	Changes in fair value			
Current liabilities								
Short-term debt	5,295,448	(1,038,438)	—	—	220,056	—	(137,175)	4,339,890
Current portion of long-term debt	4,568,140	(5,371,616)	—	8,421,718	—	—	(33,905)	7,584,337
Current portion of long-term lease liabilities	43,166	(44,760)	—	30,299	991	—	17,424	47,120
Class share	—	—	—	240,712	—	—	—	240,712
Current liabilities	9,906,755	(6,454,814)	—	8,692,730	221,047	—	(153,657)	12,212,060
Non-current liabilities								
Long-term debt	10,669,599	9,914,667	—	(8,421,718)	963,179	—	8,076	13,133,804
Long-term lease liabilities	265,879	—	114,394	(30,299)	4,266	—	(40,468)	313,771
Class share	498,740	(258,451)	—	(240,712)	—	—	424	—
Non-current liabilities	11,434,219	9,656,216	114,394	(8,692,730)	967,445	—	(31,968)	13,447,575
Total	21,340,973	3,201,402	114,394	—	1,188,491	—	(185,625)	25,659,635
Derivatives	182,726	(44,563)	—	—	55	(135,007)	—	3,211

Short-term and long-term debt is classified as financial liabilities measured at amortized cost.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(2) Short-term debt

The breakdown of “Short-term debt” is as follows:

		Yen in millions		
		Transition date	March 31,	
		April 1, 2019	2020	2021
Short-term debt				
(Principally from bank)				
[Weighted average interest rate				
2019	2.11%			
2020	2.01%			
2021	1.37%]	1,490,332	1,188,652	1,109,904
Commercial paper				
[Weighted average interest rate				
2019	2.28%			
2020	1.50%			
2021	0.16%]	3,876,544	4,106,796	3,229,986
		<u>5,366,876</u>	<u>5,295,448</u>	<u>4,339,890</u>

(3) Long-term debt

The breakdown of “Long-term debt” is as follows:

		Yen in millions		
		Transition date	March 31,	
		April 1, 2019	2020	2021
Unsecured loans				
(Principally from bank)				
[2019				
	Weighted average interest 2.78%			
	Due 2019 to 2041			
2020				
	Weighted average interest 2.36%			
	Due 2020 to 2041			
2021				
	Weighted average interest 1.40%			
	Due 2021 to 2042]	3,440,815	3,713,230	5,582,426
Secured loans				
(Principally financial receivables securitization)				
[2019				
	Weighted average interest 2.47%			
	Due 2019 to 2026			
2020				
	Weighted average interest 1.98%			
	Due 2020 to 2034			
2021				
	Weighted average interest 1.25%			
	Due 2021 to 2034]	1,840,204	1,983,976	3,233,353

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions		
	Transition date	March 31,	
	April 1, 2019	2020	2021
Medium-term notes of consolidated subsidiaries			
[2019			
Weighted average interest 2.46%			
Due 2019 to 2048			
2020			
Weighted average interest 2.05%			
Due 2020 to 2048			
2021			
Weighted average interest 1.56%			
Due 2021 to 2048]	7,372,550	7,442,590	9,209,453
Unsecured bonds of the parents			
[2019			
Weighted average interest 1.84%			
Due 2019 to 2037			
2020			
Weighted average interest 1.85%			
Due 2020 to 2037			
2021			
Weighted average interest 1.40%			
Due 2021 to 2037]	511,980	650,905	1,161,938
Unsecured bonds of consolidated subsidiaries			
[2019			
Weighted average interest 2.12%			
Due 2019 to 2031			
2020			
Weighted average interest 1.69%			
Due 2020 to 2031			
2021			
Weighted average interest 1.57%			
Due 2021 to 2028]	1,566,994	1,412,412	1,495,976
Secured bonds of consolidated subsidiaries			
[2019			
Weighted average interest 7.78%			
Due 2019 to 2022			
2020			
Weighted average interest 7.52%			
Due 2020 to 2023			
2021			
Weighted average interest 6.34%			
Due 2022 to 2024]	53,120	34,626	34,996
	14,785,662	15,237,740	20,718,142
Less - Current portion due within one year	(4,247,655)	(4,568,140)	(7,584,337)
	<u>10,538,007</u>	<u>10,669,599</u>	<u>13,133,804</u>

As of April 1, 2019, March 31, 2020 and 2021, the currencies of long-term debt are 48%, 48% and 49% in US dollars, 11%, 11% and 16% in Japanese yen, 11%, 13% and 12% in Euros, 9%, 7% and 6% in the Australian dollar, 5%, 4% and 3% in Canadian dollar, 16%, 17% and 14% in the other currencies.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(4) Assets pledged as collateral

The breakdown of assets pledged as collateral mainly for loans of consolidated subsidiaries is as follows:

	Yen in millions		
	Transition date	March 31,	
	April 1, 2019	2020	2021
Property, plant and equipment	641,465	644,368	754,132
Other assets	1,936,680	2,010,548	3,278,448
Total	2,578,145	2,654,916	4,032,580

Other assets principally consist of securitized finance receivables.

Standard agreements with certain banks include provisions that collateral (including sums on deposit with such banks) or guarantees will be furnished upon the banks' request and that any collateral furnished, pursuant to such agreements or otherwise, will be applicable to all present or future indebtedness to such banks.

(5) Interest expenses

The interest expenses for the fiscal year ended March 31, 2020 and 2021 are ¥524,309 million and ¥471,505 million, respectively. Interest expenses related to the financial business is included in "cost of financial services" in the consolidated statement of income.

(6) Class shares

TMC issued First Series Model AA Class Shares (the "Model AA Class Shares") on July 24, 2015. Presented below is additional information regarding the Model AA Class Shares:

Total number of shares issued	:	47,100,000 shares
Issue price	:	10,598 yen per share
Purchase price	:	10,121.09 yen per share
Voting rights	:	Model AA Class Shares shall have voting rights. The number of shares constituting one unit with respect to Model AA Class Shares shall be 100.
Restrictions on transfer	:	Model AA Class Shares shall have restrictions on transfer.
Dividends	:	(1) If the record date falls in the fiscal year ending on March 31, 2016 : 0.5% of the issue price (2) If the record date falls in the fiscal year ending on March 31, 2017 through March 31, 2020 : the annual dividend rate for the previous fiscal year plus 0.5% of the issue price (3) If the record date falls in the fiscal year ending on March 31, 2021 or later : 2.5% of the issue price
Shareholder's right	:	(1) Shareholder's conversion right into Common Shares Shareholders of the Model AA Class Shares may demand TMC to acquire all or a part of their Model AA Class Shares in exchange for Common Shares on the first business day of April and October of every year, starting October 1, 2020.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(2) Shareholder's cash put option

Shareholders of the Model AA Class Shares may demand TMC to acquire all or a part of their Model AA Class Shares in exchange for cash on the last business day of March, June, September and December of each year, starting on September 1, 2020.

TMC's right : TMC may acquire, on or after April 2, 2021, all of the outstanding Model AA Class Shares in exchange for cash. At the Directors' Meeting held on December 14, 2020, TMC has resolved to exercise its cash call option to acquire all outstanding Model AA Class Shares and, subject to such acquisition, to cancel all Model AA Class Shares pursuant to Article 178 of the Companies Act of Japan. The acquisition took place on April 2, 2021, and the cancellation was completed on April 3, 2021.

19. Other financial liabilities

Other financial liabilities consist of the following:

	Yen in millions		
	Transition date	March 31,	
	April 1, 2019	2020	2021
Financial liabilities measured at amortized cost			
Deposits received	388,375	345,504	440,275
Other	44,969	116,454	221,052
Financial liabilities measured at fair value through profit or loss			
Derivatives	231,915	437,369	425,980
Total	<u>665,259</u>	<u>899,328</u>	<u>1,087,307</u>
Current liabilities	475,302	538,740	763,875
Non-current liabilities	189,957	360,588	323,432
Total	<u>665,259</u>	<u>899,328</u>	<u>1,087,307</u>

20. Financial risks

(1) Financial risk management policy

Toyota is exposed to various risks such as credit risk, liquidity risk, market risk (foreign currency risk, interest rate risk, commodity price fluctuation risk and stock price fluctuation risk). To hedge the market risk, Toyota also uses derivative financial instruments such as forward exchange contracts, interest rate swaps, commodity forwards transactions. With respect to the execution and management of derivative transactions, it follows the company regulations that set out transaction authority, and it is a policy not to conduct speculative transactions using derivative financial instruments.

In addition, Toyota procures necessary funds (mainly bank borrowings and issuing corporate bonds) based on the capital expenditure plans, and temporary surplus funds are managed with highly safe financial assets and short-term working capital is procured through bank borrowings and commercial paper. As for liquidity risk concerning fund procurement, each company manages it by preparing a monthly cash flow plan, etc.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(2) Credit risk

Receivables related to financial services are exposed to the credit risk. The risk is arisen from the failure of customers or dealers to meet the terms of their contracts with Toyota or otherwise fail to perform as agreed. Toyota manages its credit risk by defining risk management methods and management systems for specific risks in accordance with the regulations on risk management. Based on such regulations, Toyota mitigates the credit risk through periodical monitoring of the customer's credit status and undertaking the maturity control and account balance control, while detecting promptly any doubtful accounts caused by deterioration in the financial conditions.

Please see Note 3 "Allowance for credit losses on finance receivables" about measuring method of the expected credit losses on receivables related to financial services.

The carrying amount after impairment of the financial assets presented in the consolidated financial statements, as well as guarantee obligations and loan commitments that are set forth in the notes to the consolidated financial statements, are the maximum exposure to the credit risk of Toyota's financial assets that do not take into account the value of the acquired collateral. The allowance for credit exposures of loan commitments and financial agreements is measured in the same way that the allowance for retail receivables is measured.

Retail receivables and financial lease receivables are being secured by vehicles as collateral. Wholesale receivables and other dealer loans are secured by placing appropriate property as collateral. Also, during the reporting period, there is no change in the policy regarding collateral.

The net changes in the allowance for credit losses relating to the retail receivables are as follows:

	Yen in millions			
	For the year ended March 31, 2020			
	Lifetime expected credit loss			
	Expected credit loss for 12 months	Financial receivable not credit-impaired	Credit-impaired financial receivable	Total
Allowance for credit loss at beginning of year	43,918	52,553	24,770	121,242
Provision for credit loss, net of reversal	26,211	35,488	57,861	119,561
Charge-offs	—	—	(80,559)	(80,559)
Other	(10,052)	(21,229)	30,807	(473)
Allowance for credit loss at end of year	<u>60,078</u>	<u>66,813</u>	<u>32,879</u>	<u>159,770</u>
	Yen in millions			
	For the year ended March 31, 2021			
	Lifetime expected credit loss			
	Expected credit loss for 12 months	Financial receivable not credit-impaired	Credit-impaired financial receivable	Total
Allowance for credit loss at beginning of year	60,078	66,813	32,879	159,770
Provision for credit loss, net of reversal	28,378	34,992	46,232	109,602
Charge-offs	—	—	(50,485)	(50,485)
Other	(9,053)	(23,380)	11,750	(20,683)
Allowance for credit loss at end of year	<u>79,402</u>	<u>78,426</u>	<u>40,376</u>	<u>198,204</u>

"Other" primarily includes reversal of allowance for credit loss due to the collection of retail receivables.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The table below shows the retail receivables segregated into aging categories based on the numbers of the days outstanding:

	Yen in millions			
	Transition date April 1, 2019			
	Lifetime expected credit loss			
	Expected credit loss for 12 months	Financial receivable not credit-impaired	Credit-impaired financial receivable	Total
Current	11,860,985	698,245	—	12,559,230
Past due less than 90 days	70,959	103,789	1,514	176,262
Past due 90 days or more	—	366	37,487	37,853
Total	<u>11,931,944</u>	<u>802,400</u>	<u>39,001</u>	<u>12,773,344</u>

	Yen in millions			
	March 31, 2020			
	Lifetime expected credit loss			
	Expected credit loss for 12 months	Financial receivable not credit-impaired	Credit-impaired financial receivable	Total
Current	11,431,156	680,608	—	12,111,764
Past due less than 90 days	265,152	346,748	30,265	642,165
Past due 90 days or more	—	894	47,249	48,143
Total	<u>11,696,308</u>	<u>1,028,250</u>	<u>77,514</u>	<u>12,802,072</u>

	Yen in millions			
	March 31, 2021			
	Lifetime expected credit loss			
	Expected credit loss for 12 months	Financial receivable not credit-impaired	Credit-impaired financial receivable	Total
Current	13,638,143	824,508	—	14,462,651
Past due less than 90 days	213,860	273,282	17,527	504,670
Past due 90 days or more	—	1,381	79,731	81,112
Total	<u>13,852,004</u>	<u>1,099,171</u>	<u>97,258</u>	<u>15,048,433</u>

The net changes in the allowance for credit losses relating to the finance lease receivables are as follows:

	Yen in millions	
	For the years ended March 31,	
	2020	2021
Allowance for credit loss at beginning of year	26,483	30,899
Provision for credit loss, net of reversal	9,716	8,663
Charge-offs	(3,267)	(3,310)
Other	(2,033)	(2,798)
Allowance for credit loss at end of year	<u>30,899</u>	<u>33,455</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

“Other” primarily includes reversal of allowance for credit loss due to the collection of finance lease receivables.

The table below shows the finance lease receivables segregated into aging categories based on the numbers of the days outstanding:

	Yen in millions		
	Transition date April 1, 2019	March 31,	
		2020	2021
Current	1,625,893	1,641,292	1,945,198
Past due less than 90 days	6,368	44,374	50,992
Past due 90 days or more	4,275	5,752	35,089
Total	<u>1,636,536</u>	<u>1,691,418</u>	<u>2,031,280</u>

The table below shows the net movement of the allowance for credit losses on wholesale receivables and other dealer loans.

	Yen in millions			
	For the year ended March 31, 2020			
	Expected credit loss for 12 months	Lifetime expected credit loss		Total
		Financial receivable not credit-impaired	Credit-impaired financial receivable	
Allowance for credit loss at beginning of year		16,927	10,423	
Provision for credit loss, net of reversal	15,815	7,220	654	23,689
Charge-offs	—	—	(105)	(105)
Other	<u>(5,187)</u>	<u>(4,009)</u>	<u>(102)</u>	<u>(9,299)</u>
Allowance for credit loss at end of year	<u>27,556</u>	<u>13,634</u>	<u>3,989</u>	<u>45,179</u>

	Yen in millions			
	For the year ended March 31, 2021			
	Expected credit loss for 12 months	Expected credit loss for the entire period		Total
		Financial receivable not credit-impaired	Credit-impaired financial receivable	
Allowance for credit loss at beginning of year		27,556	13,634	
Provision for credit loss, net of reversal	2,293	1,975	1,593	5,861
Charge-offs	—	—	(209)	(209)
Other	<u>(12,382)</u>	<u>(8,368)</u>	<u>(437)</u>	<u>(21,188)</u>
Allowance for credit loss at end of year	<u>17,467</u>	<u>7,241</u>	<u>4,935</u>	<u>29,642</u>

“Other” primarily includes reversal of allowance for credit loss due to the collection of wholesale receivables and other dealer loans.

Toyota charges off the credit - impaired finance receivables when Toyota considers that all or part of it will not be collected. The amount of receivables related to financial services which has been charged off but subject to ongoing collection activity was not significant for the years ended March 31, 2020 and 2021.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The balances of the wholesale receivables and other dealer loan receivables portfolios by credit status, as well as loan commitments and financial guarantee contracts, as of April 1, 2019, March 31, 2020 and 2021 are as follows.

The wholesale and other dealer loan receivables portfolio segment is segregated into following credit qualities below based on internal risk assessments by dealers.

Performing: Account not classified as either

Credit Watch, At Risk or Default: Account designated for elevated attention

At Risk: Account where there is an increased likelihood that default may exist based on qualitative and quantitative factors

Default: Account is not currently meeting contractual obligations, or we have temporarily waived certain contractual requirements

	Yen in millions			
	Transition date April 1, 2019			
	Lifetime expected credit loss			
	Expected credit loss for 12 months	Financial receivable not credit-impaired	Credit-impaired financial receivable	Total
Wholesale and other dealer loan				
Performing	3,099,802	—	—	3,099,802
Credit Watch	154,093	93,105	—	247,198
At Risk	—	112,632	1,671	114,303
Default	—	—	28,454	28,454
Loan commitments	7,926,313	308,052	—	8,234,366
Financial guarantee contracts	3,047,162	31,792	—	3,078,955
Total	<u>14,227,370</u>	<u>545,583</u>	<u>30,125</u>	<u>14,803,078</u>

	Yen in millions			
	March 31, 2020			
	Lifetime expected credit loss			
	Expected credit loss for 12 months	Financial receivable not credit-impaired	Credit-impaired financial receivable	Total
Wholesale and other dealer loan				
Performing	3,102,214	—	—	3,102,214
Credit Watch	138,498	100,008	—	238,507
At Risk	—	102,074	2,888	104,962
Default	—	—	33,931	33,931
Loan commitments	8,905,778	274,214	515	9,180,507
Financial guarantee contracts	3,167,831	37,617	—	3,205,448
Total	<u>15,314,321</u>	<u>513,913</u>	<u>37,334</u>	<u>15,865,569</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions			
	March 31, 2021			
	Expected credit loss for 12 months	Lifetime expected credit loss		Total
Financial receivable not credit-impaired		Credit-impaired financial receivable		
Wholesale and other dealer loan				
Performing	2,956,452	—	—	2,956,452
Credit Watch	82,046	78,509	—	160,554
At Risk	—	48,354	2,388	50,742
Default	—	—	17,736	17,736
Loan commitments	9,917,155	96,266	412	10,013,832
Financial guarantee contracts	3,574,943	31,465	—	3,606,408
Total	<u>16,530,596</u>	<u>254,594</u>	<u>20,535</u>	<u>16,805,725</u>

For the year ended March 31, 2020 and 2021, the amount of finance receivables the terms of which were modified due to deterioration in credit conditions was not significant for any portfolio of finance receivables, and the amount of payment defaults on finance receivables so modified were not significant for any portfolio of such receivables.

(3) Liquidity risk

To secure cash on hand necessary for carrying out the operation, Toyota appropriately borrows from the financial institutions and issues corporate bonds or commercial paper, and there is a risk of failing to execute the payment on due date because of deterioration of fund procurement environment etc.,.

Toyota manages liquidity risk by monitoring the fund demand of each group company as appropriate, preparing a monthly-based funding plan, and comparing it with the daily cash flow. In addition to holding sufficient cash and cash equivalents in order to secure the liquidity and stability of funds, to prepare for emergency situations such as the sudden fund demand and market liquidity deterioration, a commitment line has been set up.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The amounts of non-derivative financial liabilities and derivative financial liabilities by a remaining contract maturity period are as follows:

As of April 1, 2019

	Yen in millions					
	Book value	Contractual cash flows	Maturities			
			Within 1 year	Between 1 and 3 years	Between 3 and 5 years	Later than 5 years
Non-derivative financial liabilities						
Short-term debt	1,490,332	(1,522,381)	(1,522,381)	—	—	—
Commercial paper	3,876,544	(3,964,956)	(3,964,956)	—	—	—
Current portion of long-term debt	4,247,655	(4,358,502)	(4,358,502)	—	—	—
Long-term debt	10,538,007	(10,807,158)	—	(6,247,464)	(3,427,698)	(1,131,995)
Lease liabilities	393,680	(420,095)	(89,976)	(90,442)	(72,359)	(167,316)
Class share	497,910	(522,786)	(11,186)	(511,600)	—	—
Total	<u>21,044,128</u>	<u>(21,595,878)</u>	<u>(9,947,002)</u>	<u>(6,849,506)</u>	<u>(3,500,057)</u>	<u>(1,299,311)</u>
Derivative financial liabilities						
Interest derivative	93,177	(64,902)	(7,077)	(53,859)	(28,028)	24,061
Currency derivative						
In	—	1,047,147	67,344	469,407	432,293	78,102
Out	138,738	(1,246,694)	(102,360)	(554,602)	(496,390)	(93,342)
Total	<u>231,915</u>	<u>(264,449)</u>	<u>(42,093)</u>	<u>(139,054)</u>	<u>(92,125)</u>	<u>8,822</u>
Total	<u><u>21,276,043</u></u>	<u><u>(21,860,327)</u></u>	<u><u>(9,989,095)</u></u>	<u><u>(6,988,560)</u></u>	<u><u>(3,592,182)</u></u>	<u><u>(1,290,488)</u></u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of March 31, 2020

	Yen in millions					
	Book value	Contractual cash flows	Maturities			
			Within 1 year	Between 1 and 3 years	Between 3 and 5 years	Later than 5 years
Non-derivative financial liabilities						
Short-term debt	1,188,652	(1,212,128)	(1,212,128)	—	—	—
Commercial paper	4,106,796	(4,137,362)	(4,137,362)	—	—	—
Current portion of long-term debt	4,568,140	(4,779,439)	(4,779,439)	—	—	—
Long-term debt	10,669,599	(11,248,721)	—	(7,052,355)	(2,895,474)	(1,300,892)
Lease liabilities	309,045	(347,291)	(48,255)	(68,680)	(48,543)	(181,812)
Class share	498,740	(511,599)	(511,599)	—	—	—
Total	<u>21,340,973</u>	<u>(22,236,539)</u>	<u>(10,688,782)</u>	<u>(7,121,035)</u>	<u>(2,944,017)</u>	<u>(1,482,705)</u>
Derivative financial liabilities						
Interest derivative	278,434	(312,443)	(49,332)	(193,700)	(60,827)	(8,584)
Currency derivative						
In	—	1,319,924	340,651	698,151	159,022	122,100
Out	158,936	(1,498,684)	(389,481)	(802,373)	(175,429)	(131,401)
Total	<u>437,369</u>	<u>(491,203)</u>	<u>(98,162)</u>	<u>(297,922)</u>	<u>(77,234)</u>	<u>(17,885)</u>
Total	<u>21,778,342</u>	<u>(22,727,742)</u>	<u>(10,786,944)</u>	<u>(7,418,957)</u>	<u>(3,021,251)</u>	<u>(1,500,590)</u>

As of March 31, 2021

	Yen in millions					
	Book value	Contractual cash flows	Maturities			
			Within 1 year	Between 1 and 3 years	Between 3 and 5 years	Later than 5 years
Non-derivative financial liabilities						
Short-term debt	1,109,904	(1,119,748)	(1,119,748)	—	—	—
Commercial paper	3,229,986	(3,233,528)	(3,233,528)	—	—	—
Current portion of long-term debt	7,584,337	(7,781,816)	(7,781,816)	—	—	—
Long-term debt	13,133,804	(13,615,831)	—	(8,135,588)	(3,871,044)	(1,609,200)
Lease liabilities	360,891	(403,757)	(52,983)	(78,623)	(52,294)	(219,857)
Class share	240,712	(243,650)	(243,650)	—	—	—
Total	<u>25,659,635</u>	<u>(26,398,330)</u>	<u>(12,431,725)</u>	<u>(8,214,211)</u>	<u>(3,923,338)</u>	<u>(1,829,057)</u>
Derivative financial liabilities						
Interest derivative	288,853	(291,818)	(75,477)	(147,811)	(45,699)	(22,832)
Currency derivative						
In	—	453,701	228,651	151,430	49,701	23,919
Out	137,127	(593,702)	(353,986)	(163,366)	(51,643)	(24,707)
Total	<u>425,980</u>	<u>(431,820)</u>	<u>(200,812)</u>	<u>(159,747)</u>	<u>(47,640)</u>	<u>(23,620)</u>
Total	<u>26,085,615</u>	<u>(26,830,150)</u>	<u>(12,632,537)</u>	<u>(8,373,958)</u>	<u>(3,970,978)</u>	<u>(1,852,677)</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Toyota has unused short-term lines of credit amounting to ¥1,892,166 million, ¥1,861,792 million and ¥1,836,532 million of which ¥274,058 million, ¥374,273 million and ¥550,408 million related to commercial paper programs as of April 1, 2019, March 31, 2020 and 2021, respectively. Under these programs, Toyota is authorized to obtain short-term financing at prevailing interest rates for periods not in excess of 360 days.

As of April 1, 2019, March 31, 2020 and 2021, Toyota has unused long-term lines of credit amounting to ¥6,457,394 million, ¥5,345,718 million, and ¥6,446,277 million, respectively.

(4) Foreign exchange risk

Toyota is subject to the foreign currency exposure through transactions in foreign currencies related to purchase, sale and finance associated with conducting business worldwide. Toyota is exposed to fluctuations risks related to future profitability or assets and liabilities regarding operating cash flow denominated in foreign currencies and various financial instruments. The most significant foreign currency exposure is primarily caused by the U.S. dollar and the euro.

Toyota uses derivative financial instruments including foreign exchange forward contracts, foreign currency options, interest rate currency swap agreements, and others, to manage the exposure to foreign currency exchange rate fluctuations.

Toyota uses Value-at-risk analysis measurement (“VaR”) to assess the risk of exchange rate fluctuation. Potential impact of pre-tax cash flows on VaR-integrated foreign currency positions (including derivatives) for the years ended March 31, 2020 and 2021 is as follows:

	Yen in millions			
	VaR			
	Year-end	Average	Maximum	Minimum
For the year ended March 31, 2020	202,400	216,200	227,700	202,400
For the year ended March 31, 2021	196,900	187,725	196,900	178,400

The Monte Carlo simulation method is used for Toyota’s VaR measurement, and measurement is based on a 95% confidence interval and a ten-day holding period.

(5) Interest rate risk

In preceding with business activities, Toyota is exposed to interest rate risk due to fluctuation in market interest rates as it procures and invests funds necessary for working capital and capital investment. To maintain a desirable level of exposure related to interest rate fluctuation risk and minimize interest expense, Toyota conducts various financial instruments transactions.

Sensitivity analysis of Toyota’s interest rate risk associated with holding financial instruments if the interest rate increases by 1% is as follows. In this analysis, all other variables are assumed to be constant.

	Yen in millions	
	For the years ended March 31,	
	2020	2021
Impact on income before income taxes	(74,358)	(40,536)
Impact on other comprehensive income, before tax effect	(233,820)	(238,986)

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(6) Market price fluctuation risk

Toyota is exposed to risks arising from increased costs due to commodity price fluctuations, such as iron and steel, precious metals and non-ferrous alloys used in the manufacture of automobiles. Toyota controls the price risk associated with the purchase of those commodities by maintaining inventory at the minimum level.

Toyota is exposed to stock price fluctuation risk because it owns shares of companies that have business relationships mainly for promoting smooth business activities. Toyota periodically reviews the fair values and financial situations of the business partner companies and, taking into consideration the relationship with them, continually reviews the holding status. The impact on other comprehensive income, before tax effect when the declared price of equity financial assets (shares) in active markets changes by 10% for the year ended March 31, 2020 and 2021 is ¥189,518 million and ¥262,396 million, respectively.

21. Derivative financial instruments

(1) Undesignated derivative financial instruments

Toyota uses foreign exchange forward contracts, foreign currency options, interest rate swaps, interest rate currency swap agreements, and interest rate options, to manage its exposure to foreign currency exchange rate fluctuations and interest rate fluctuations from an economic perspective, and Toyota is unable to or has elected not to apply hedge accounting. Toyota does not use derivatives for speculation or trading.

(2) Fair value and gain and losses of derivatives

The fair values of the derivatives as of April 1, 2019, March 31, 2020 and 2021 are as follows:

	Yen in millions		
	Transition date April 1, 2019	March 31, 2020 2021	
Derivative assets			
Derivative financial instruments not designated as hedging instruments:			
Interest rate and currency swap			
Current assets			
- Other financial assets	74,971	105,724	37,852
Non-current assets			
- Other financial assets	114,642	372,786	236,023
Total	189,613	478,510	273,876
Foreign exchange forward and option contracts			
Current assets			
- Other financial assets	10,720	25,316	8,488
Non-current assets			
- Other financial assets	—	—	—
Total	10,720	25,316	8,488
Total derivative assets	200,333	503,826	282,364

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions		
	Transition date	March 31,	
	April 1, 2019	2020	2021
Derivative financial liabilities			
Derivative financial instruments not designated as hedging instruments:			
Interest rate and currency swap			
Current liabilities			
- Other financial liabilities	(28,911)	(76,568)	(89,681)
Non-current liabilities			
- Other financial liabilities	(189,157)	(343,557)	(226,434)
Total	<u>(218,068)</u>	<u>(420,125)</u>	<u>(316,115)</u>
Foreign exchange forward and option contracts			
Current liabilities			
- Other financial liabilities	(13,847)	(17,245)	(109,865)
Non-current liabilities			
- Other financial liabilities	—	—	—
Total	<u>(13,847)</u>	<u>(17,245)</u>	<u>(109,865)</u>
Total derivative liabilities	<u><u>(231,915)</u></u>	<u><u>(437,369)</u></u>	<u><u>(425,980)</u></u>

The amount of underlying notional of derivatives as of April 1, 2019, March 31, 2020 and 2021 are as follows:

	Yen in millions		
	Transition date	March 31,	
	April 1, 2019	2020	2021
Derivative financial instruments not designated as hedging instruments:			
Interest rate and currency swap	21,001,883	20,310,018	21,453,268
Foreign exchange forward and option contracts	4,005,578	3,916,824	4,884,400
Total	<u>25,007,461</u>	<u>24,226,842</u>	<u>26,337,668</u>

Undesignated derivative financial instruments are used to manage economic risks of fluctuations in foreign currency exchange rates and interest rates of certain receivables and payables. Those economic risks are offset by changes in the fair value of undesignated derivative financial instruments.

The gain (loss) on derivative transactions as of March 31, 2020 and 2021 were ¥13,419 million and ¥588 million, respectively. The amounts are included in cost of financial services and foreign exchange gain (loss), net.

Cash flows from transactions of derivative financial instruments are included in cash flows from operating activities in the consolidated statement of cash flows.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(3) Credit risk related contingent features

Toyota enters into International Swaps and Derivatives Association Master Agreements with counterparties. These Master Agreements contain a provision requiring either Toyota or the counterparty to settle the contract or to post assets to the other party in the event of a ratings downgrade below a specified threshold.

The aggregate fair value amount of derivative financial instruments that contain credit risk related contingent features that are in a net liability position after being offset by cash collateral as of April 1, 2019, March 31, 2020 and 2021 is ¥4,126 million, ¥6,750 million and ¥35,148 million, respectively. The aggregate fair value amount of assets that are already posted as cash collateral as of April 1, 2019, March 31, 2020 and 2021 is ¥105,460 million, ¥230,830 million and ¥75,394 million, respectively. If the ratings of Toyota decline below specified thresholds, the maximum amount of assets to be posted or for which Toyota could be required to settle the contracts is ¥35,148 million as of March 31, 2021. See note 23 to offsetting financial assets and financial liabilities.

22. Fair value measurements

(1) Definition of fair value hierarchy

In accordance with IFRS, Toyota classifies fair value measurement into the following three levels based on the observability and significance of the inputs used.

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Fair value measurement based on inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly
- Level 3: Fair value measurement based on models using unobservable inputs for the assets or liabilities

(2) Method of fair value measurement

The fair value of assets and liabilities is determined using relevant market information and appropriate valuation methods.

The methods and assumptions for measuring the fair value of assets and liabilities are as follows;

(i) Cash and cash equivalents -

Cash equivalents include money market funds and other investments with original maturities of three months or less. In the normal course of business, substantially all cash and cash equivalents and time deposits are highly liquid and are carried at amounts which approximate fair value due to their short duration.

(ii) Trade accounts and other receivables and Trade accounts and other payables -

These receivables and payables are carried at amounts which approximate fair value due to their short duration.

(iii) Receivables related to financial services -

The fair values of receivables related to financial services are estimated by discounting expected cash flows to present value using internal assumptions, including prepayment speeds, expected credit losses and collateral value.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As unobservable inputs are utilized, the fair value of receivables related to financial services are classified as Level 3.

(iv) Other financial assets -

(Public and corporate bonds)

Public and corporate bonds include government bonds, Japanese bonds and foreign bonds, including U.S., European and other bonds, represent 17% and 83% (as of April 1, 2019), 20% and 80% (as of March 31, 2020) and 28% and 72% (as of March 31, 2021) of public and corporate bonds, respectively. Toyota uses primarily quoted market prices for identical assets to measure the fair value of these securities.

(Stocks)

Listed stocks on the Japanese stock markets represent 92% (as of April 1, 2019), 90% (as of March 31, 2020) and 89% (as of March 31, 2021) of stocks that Toyota holds. Toyota uses primarily quoted market prices for identical assets to measure fair value of these securities. Therefore, stocks with an active market are classified as Level 1.

Fair value of stocks with no active market is measured by using market approach or other appropriate methods. Therefore, stocks with no active market are thus classified as Level 3.

Price book-value ratios (“PBR”) of comparable companies and discount ratios of discounted cash flow valuation method and others are the significant unobservable inputs relating to the fair value measurement of stocks classified as Level 3. The fair value increases (decreases) as PBR of a comparable company rises (declines) or the discount rate declines (rises). The estimated increase or decrease in fair value of stocks if the unobservable inputs were to be replaced by other reasonable alternative assumptions are not significant.

These estimates are based on valuation methods that are considered appropriate in each case. The significant assumptions involved in the estimations include observable market information as well as the financial condition and future prospects and trends of the investee and the outcome of the referenced transactions. Due to the uncertain nature of these assumptions or by using different assumptions and estimates, the fair value may be impacted materially.

The shares classified as Level 3 are measured by the responsible department using quarterly available information in accordance with Toyota’s consolidated financial accounting policies and reported to the supervisors along with the basis of the change in fair value.

(v) Derivative financial instruments -

Toyota employs derivative financial instruments, including foreign exchange forward contracts, foreign currency options, interest rate swaps, interest rate currency swap agreements and interest rate options to manage its exposure to fluctuations in interest rates and foreign currency exchange rates. Toyota primarily estimates the fair value of derivative financial instruments using industry-standard valuation models that require observable inputs including interest rates and foreign exchange rates, and the contractual terms. The usage of these models does not require significant judgment to be applied. These derivative financial instruments are classified as Level 2. In other certain cases when market data is not available, key inputs to the fair value measurement include quotes from counterparties, and other market data. Toyota assesses the reasonableness of changes of the quotes using observable market data. These derivative financial instruments are classified as Level 3. Toyota’s derivative fair value measurements consider assumptions about counterparty and Toyota’s own non-performance risk, using such as credit default probabilities.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(vi) Short-term and long-term debt -

The fair values of short-term and long-term debt including the current portion, except for secured loans provided by securitization transactions using special-purpose entities, are estimated based on the discounted amounts of future cash flows using Toyota's current borrowing rates for similar liabilities. As these inputs are observable, the fair value of these debts are classified as Level 2.

The fair values of the secured loans entered into in connection with securitization transactions are estimated based on current market rates and credit spreads for debt with similar maturities. Internal assumptions including prepayment speeds and expected credit losses are used to estimate the timing of cash flows to be paid on the underlying securitized assets. As these valuations utilize unobservable inputs, the fair value of these secured loans are classified as Level 3.

(3) Financial instrument measured at fair value on recurring basis

The following table summarizes the fair values of the assets and liabilities measured at fair value on a recurring basis. Transfers between levels of the fair value are recognized annually at each fiscal year end:

	Yen in millions			
	Transition date			
	April 1, 2019			
	Level 1	Level 2	Level 3	Total
Other financial assets:				
Financial assets measured at fair value through profit or loss				
Public and corporate bonds	19,209	25,047	15,171	59,426
Stocks	—	—	110,991	110,991
Derivative financial instruments	—	200,256	77	200,333
Other	182,470	103,989	—	286,459
Total	201,678	329,292	126,239	657,209
Financial assets measured at fair value through other comprehensive income				
Public and corporate bonds	4,359,335	1,427,428	19,739	5,806,502
Stocks	2,155,236	—	177,389	2,332,625
Other	6,920	469	—	7,388
Total	6,521,490	1,427,897	197,218	8,146,515
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative financial instruments	—	(231,915)	—	(231,915)
Total	—	(231,915)	—	(231,915)

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

		Yen in millions			
		March 31, 2020			
		Level 1	Level 2	Level 3	Total
Other financial assets:					
Financial assets measured at fair value through profit or loss					
Public and corporate bonds		17,676	28,203	12,831	58,711
Stocks		—	—	149,905	149,905
Derivative financial instruments		—	503,826	—	503,826
Other		188,122	98,060	—	286,182
Total		<u>205,798</u>	<u>630,090</u>	<u>162,737</u>	<u>998,625</u>
Financial assets measured at fair value through other comprehensive income					
Public and corporate bonds		3,197,097	2,155,491	20,099	5,372,687
Stocks		1,895,189	—	220,547	2,115,736
Other		5,964	27,104	—	33,067
Total		<u>5,098,250</u>	<u>2,182,595</u>	<u>240,646</u>	<u>7,521,491</u>
Other financial liabilities:					
Financial liabilities measured at fair value through profit or loss					
Derivative financial instruments		—	(437,369)	—	(437,369)
Total		<u>—</u>	<u>(437,369)</u>	<u>—</u>	<u>(437,369)</u>
		Yen in millions			
		March 31, 2021			
		Level 1	Level 2	Level 3	Total
Other financial assets:					
Financial assets measured at fair value through profit or loss					
Public and corporate bonds		22,926	28,269	8,406	59,600
Stocks		—	—	317,101	317,101
Derivative financial instruments		—	282,364	—	282,364
Other		366,570	123,255	—	489,824
Total		<u>389,495</u>	<u>433,887</u>	<u>325,506</u>	<u>1,148,889</u>
Financial assets measured at fair value through other comprehensive income					
Public and corporate bonds		3,075,042	2,981,239	19,218	6,075,498
Stocks		2,623,964	—	321,816	2,945,780
Other		7,986	—	—	7,986
Total		<u>5,706,991</u>	<u>2,981,239</u>	<u>341,034</u>	<u>9,029,264</u>
Other financial liabilities:					
Financial liabilities measured at fair value through profit or loss					
Derivative financial instruments		—	(425,980)	—	(425,980)
Total		<u>—</u>	<u>(425,980)</u>	<u>—</u>	<u>(425,980)</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(4) Changes in financial instruments classified as Level 3 and measured at fair value on recurring basis

The following table summarizes the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended March 31, 2020 and 2021:

	Yen in millions			
	For the year ended March 31, 2020			
	Public and corporate bonds	Stocks	Derivative financial instruments	Total
Balance at beginning of year	34,910	288,380	77	323,366
Total gains (losses)				
Net income (loss)	(932)	(2,507)	—	(3,439)
Other comprehensive income (loss)	—	13,822	—	13,822
Purchases and issuances	7,284	157,643	—	164,927
Sales and settlements	(8,770)	(1,184)	(77)	(10,031)
Transfer from Level 3	—	(61,008)	—	(61,008)
Others	439	(24,693)	—	(24,254)
Balance at end of year	<u>32,931</u>	<u>370,452</u>	<u>—</u>	<u>403,383</u>
Unrealized gains or losses included in profit or loss on assets held at March 31	(815)	(2,507)	—	(3,322)
Total	<u>(815)</u>	<u>(2,507)</u>	<u>—</u>	<u>(3,322)</u>

	Yen in millions			
	For the year ended March 31, 2021			
	Public and corporate bonds	Stocks	Derivative financial instruments	Total
Balance at beginning of year	32,931	370,452	—	403,383
Total gains (losses)				
Net income (loss)	980	162,055	—	163,035
Other comprehensive income (loss)	—	72,014	—	72,014
Purchases and issuances	316	58,578	—	58,894
Sales and settlements	(5,223)	(497)	—	(5,720)
Transfer from Level 3	(2,760)	—	—	(2,760)
Others	1,380	(23,686)	—	(22,306)
Balance at end of year	<u>27,623</u>	<u>638,917</u>	<u>—</u>	<u>666,540</u>
Unrealized gains or losses included in profit or loss on assets held at March 31	983	162,055	—	163,038
Total	<u>983</u>	<u>162,055</u>	<u>—</u>	<u>163,038</u>

“Net income (loss)” in public and corporate bonds, stocks and derivative financial instruments, other than transactions related to financial services, are each included in “Other finance income” and “Other financial costs” in the accompanying consolidated statement of income. Transactions related to financial services are included in each of “Financial services” and “Cost of financial services” in the consolidated statement of income.

In the reconciliation table above, derivative financial instruments are presented as net of assets and liabilities. “Other” includes currency translation adjustments for the year ended March 31, 2020 and 2021.

Transfer from Level 3 recognized in the year ended March 31, 2020 is due to the listing of investees.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(5) Financial assets and liabilities measured at amortized cost

The following table summarizes the carrying amount and the fair value of financial assets and liabilities measured on an amortized cost basis:

Yen in millions					
Transition date April 1, 2019					
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Receivables related to financial services	16,938,395	—	—	17,167,354	17,167,354
Interest-bearing liabilities					
Long-term debt (Including current portion)	14,785,662	—	12,805,942	1,833,623	14,639,565
Yen in millions					
March 31, 2020					
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Receivables related to financial services	17,039,401	—	—	17,235,037	17,235,037
Interest-bearing liabilities					
Long-term debt (Including current portion)	15,237,740	—	13,128,224	1,966,646	15,094,870
Yen in millions					
March 31, 2021					
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Receivables related to financial services	19,205,715	—	—	19,939,810	19,939,810
Interest-bearing liabilities					
Long-term debt (Including current portion)	20,718,142	—	17,749,022	3,244,912	20,993,934

Of financial assets and liabilities that are measured on an amortized cost basis, those with carrying values that approximate fair value are excluded from the table above.

TOYOTA MOTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

23. Offsetting Financial Assets and Liabilities

The following table summarizes the amounts of financial assets and financial liabilities that are subject to an enforceable master netting agreement or similar agreement but not set off because they do not meet some or all of the offsetting criteria for financial assets and financial liabilities. With respect to financial instruments that may be offset in the future based on set-off rights associated with master netting agreements or similar agreements, as well as the associated collateral, the set-off will be enforceable only when certain circumstances, such as when the counterparty cannot perform on its obligations due to bankruptcy or other reasons, arise.

	Yen in millions			
	Transition date			
	April 1, 2019			
	Gross amounts of recognized financial assets and financial liabilities	Amounts not offset		Net amount
		Financial instruments	Collateral of financial instruments	
Other financial assets Derivatives	200,333	(89,364)	(46,590)	64,379
Other financial liabilities Derivatives	231,915	(89,364)	(110,159)	32,392
	Yen in millions			
	March 31, 2020			
	Gross amounts of recognized financial assets and financial liabilities	Amounts not offset		Net amount
		Financial instruments	Collateral of financial instruments	
Other financial assets Derivatives	503,826	(176,541)	(121,979)	205,306
Other financial liabilities Derivatives	437,369	(176,541)	(234,909)	25,919
	Yen in millions			
	March 31, 2021			
	Gross amounts of recognized financial assets and financial liabilities	Amounts not offset		Net amount
		Financial instruments	Collateral of financial instruments	
Other financial assets Derivatives	282,364	(163,054)	(62,795)	56,515
Other financial liabilities Derivatives	425,980	(163,054)	(89,849)	173,078

The amounts offset, as presented in the consolidated statement of financial position, in accordance with the criteria for offsetting financial assets and financial liabilities were immaterial.

24. Employee benefits

(1) Overview of post-employment benefit Plans

Upon terminations of employment, employees of TMC and subsidiaries in Japan are entitled, under the retirement plans of each company, to lump-sum indemnities or pension payments, based on current rates of pay and lengths of service or the number of “points” mainly determined by those. Under normal circumstances, the minimum payment prior to retirement age is an amount based on voluntary retirement. Employees receive additional benefits on involuntary retirement, including retirement at the age limit.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Effective October 1, 2004, TMC amended its retirement plan to introduce a “point” based retirement benefit plan. Under the new plan, employees are entitled to lump-sum or pension payments determined based on accumulated “points” vested in each year of service.

There are three types of “points” that vest in each year of service consisting of “service period points” which are attributed to the length of service, “job title points” which are attributed to the job title of each employee, and “performance points” which are attributed to the annual performance evaluation of each employee. Under normal circumstances, the minimum payment prior to retirement age is an amount reflecting an adjustment rate applied to represent voluntary retirement. Employees receive additional benefits upon involuntary retirement, including retirement at the age limit.

Effective October 1, 2005, TMC partly amended its retirement plan and introduced the quasi cash-balance plan under which benefits are determined based on the variable-interest crediting rate rather than the fixed-interest crediting rate as was in the pre-amended plan.

TMC and most subsidiaries in Japan have contributory funded defined benefit pension plans, which are pursuant to the Corporate Defined Benefit Pension Plan Law (CDBPPL). The contributions to the plans are funded with several financial institutions in accordance with the applicable laws and regulations. These pension plan assets consist principally of common stocks, government bonds and insurance contracts.

Most foreign subsidiaries have pension plans or severance indemnity plans covering substantially all of their employees under which the cost of benefits are currently invested or accrued. The benefits for these plans are based primarily on lengths of service and current rates of pay.

These post-employment benefit plans are exposed to general investment risk, interest rate risk and inflation risk.

Pension costs and defined benefit obligations are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, retirement rate, salary increase rate, mortality rates and other factors. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect Toyota’s pension costs and obligations.

The most critical assumption impacting the calculation of pension costs and defined benefit obligations is the discount rates. Toyota determines the discount rates mainly based on the rates of high quality fixed income bonds currently available and expected to be available during the period to maturity of the defined benefit pension plans.

Toyota uses a March 31 measurement date for its post-employment benefit plans.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(2) Defined benefit obligations and plan assets

The changes in present value of defined benefit obligations and fair value of plan assets are as follows:

	Yen in millions			
	For the years ended March 31,			
	2020		2021	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Present value of defined benefit obligations:				
Benefit obligations at beginning of year	2,107,986	1,186,896	2,058,893	1,207,815
Current service cost	92,921	46,869	91,079	52,334
Interest cost	10,514	40,335	10,970	49,914
Remeasurements:				
Changes in demographic assumptions	2,976	10,997	(7,569)	28,690
Changes in financial assumptions	(15,395)	(11,642)	13,888	14,490
Other	(36,066)	(2,220)	(5,835)	51,296
Past service cost	(1,090)	3,308	1,035	3,159
Plan participants' contributions	1,014	2,018	1,397	2,093
Benefits paid	(48,897)	(40,200)	(72,441)	(48,478)
Acquisition and other	(55,070)	(28,547)	(2,155)	58,597
Benefit obligations at end of year	<u>2,058,893</u>	<u>1,207,815</u>	<u>2,089,263</u>	<u>1,419,910</u>
Fair value of plan assets:				
Plan assets at beginning of year	1,606,630	882,785	1,519,254	868,903
Interest income	8,400	33,929	8,907	48,729
Remeasurement				
Actual return on plan assets, excluding interest income	(79,268)	(20,508)	286,089	120,232
Employer contributions	38,303	29,407	37,469	31,227
Plan participants' contributions	1,014	2,018	1,397	2,093
Benefits paid	(15,010)	(30,661)	(39,471)	(36,217)
Acquisition and other	(40,815)	(28,067)	(7,380)	44,576
Plan assets at end of year	<u>1,519,254</u>	<u>868,903</u>	<u>1,806,265</u>	<u>1,079,543</u>
Effect of the asset ceiling	—	—	—	—
Net defined benefit liability (asset)	<u>539,639</u>	<u>338,912</u>	<u>282,999</u>	<u>340,368</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The funded defined benefit obligations and the unfunded defined benefit obligations are as follows:

	Yen in millions					
	Transition date April 1, 2019		March 31,			
	Japanese plans	Foreign plans	2020		2021	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Funded defined benefit obligations	1,587,810	953,639	1,555,715	956,503	1,575,647	1,127,974
Plan assets	(1,606,630)	(882,785)	(1,519,254)	(868,903)	(1,806,265)	(1,079,543)
Subtotal	(18,820)	70,854	36,461	87,601	(230,618)	48,432
Unfunded defined benefit obligations	520,176	233,257	503,179	251,311	513,616	291,936
Total	<u>501,356</u>	<u>304,111</u>	<u>539,639</u>	<u>338,912</u>	<u>282,999</u>	<u>340,368</u>

The net defined benefit liability (asset) recognized in the consolidated statement of financial position are comprised of the following:

	Yen in millions					
	Transition date April 1, 2019		March 31,			
	Japanese plans	Foreign plans	2020		2021	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Retirement benefit liabilities	693,452	309,258	675,366	346,795	680,021	355,075
Other non-current assets (Retirement benefit assets)	(192,096)	(5,147)	(135,727)	(7,883)	(397,023)	(14,707)
Net amount recognized	<u>501,356</u>	<u>304,111</u>	<u>539,639</u>	<u>338,912</u>	<u>282,999</u>	<u>340,368</u>

(3) The major items of actuarial assumption

The weighted-average discount rates used to determine the present value of defined benefit obligations are as follows:

	Yen in millions					
	Transition date April 1, 2019		March 31,			
	Japanese plans	Foreign plans	2020		2021	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Discount rate	0.6%	3.8%	0.6%	3.5%	0.6%	3.3%

(4) Fair value of plan assets

Toyota's policy and objective for plan asset management is to maximize returns on plan assets to meet future benefit payment requirements under risks which Toyota considers permissible. Asset allocations under the plan asset management are determined based on plan asset management policies of each plan which are established to achieve the optimized asset compositions in terms of the long-term overall plan asset management. When actual allocations are not in line with target allocations, Toyota rebalances its investments in accordance with the policies. Prior to making individual investments, Toyota performs in-depth assessments of corresponding factors including category of products, industry type, currencies and liquidity of each potential investment under consideration to mitigate concentrations of risks such as market risk and foreign currency exchange rate risk. To assess performance of the investments, Toyota establishes bench mark return rates for each individual investment, combines these

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

individual bench mark rates based on the asset composition ratios within each asset category, and compares the combined rates with the corresponding actual return rates on each asset category.

The following table summarizes the fair value of classes of plan assets.

	Yen in millions					
	Transition date April 1, 2019					
	Japanese plans			Foreign plans		
	Quoted prices in active markets			Quoted prices in active markets		
	Available	Not available	Total	Available	Not Available	Total
Stocks	531,159	—	531,159	123,875	—	123,875
Government bonds	98,578	—	98,578	141,054	—	141,054
Bonds (other)	—	54,652	54,652	—	164,877	164,877
Commingled funds	—	484,934	484,934	—	298,012	298,012
Insurance contracts	—	226,093	226,093	—	—	—
Other	84,208	127,006	211,214	10,292	144,675	154,967
Total	<u>713,945</u>	<u>892,685</u>	<u>1,606,630</u>	<u>275,221</u>	<u>607,564</u>	<u>882,785</u>

	Yen in millions					
	March 31, 2020					
	Japanese plans			Foreign plans		
	Quoted prices in active markets			Quoted prices in active markets		
	Available	Not available	Total	Available	Not Available	Total
Stocks	467,885	—	467,885	111,997	—	111,997
Government bonds	86,212	—	86,212	181,702	—	181,702
Bonds (other)	—	75,644	75,644	—	170,650	170,650
Commingled funds	—	420,604	420,604	—	253,189	253,189
Insurance contracts	—	226,043	226,043	—	—	—
Other	89,986	152,881	242,867	10,425	140,939	151,364
Total	<u>644,083</u>	<u>875,171</u>	<u>1,519,254</u>	<u>304,124</u>	<u>564,779</u>	<u>868,903</u>

	Yen in millions					
	March 31, 2021					
	Japanese plans			Foreign plans		
	Quoted prices in active markets			Quoted prices in active markets		
	Available	Not available	Total	Available	Not Available	Total
Stocks	607,727	—	607,727	194,927	—	194,927
Government bonds	110,699	—	110,699	113,476	—	113,476
Bonds (other)	—	72,496	72,496	—	203,640	203,640
Commingled funds	—	500,243	500,243	—	385,663	385,663
Insurance contracts	—	216,423	216,423	—	—	—
Other	145,801	152,876	298,677	16,182	165,655	181,837
Total	<u>864,227</u>	<u>942,038</u>	<u>1,806,265</u>	<u>324,584</u>	<u>754,958</u>	<u>1,079,543</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

“Other” consists of cash equivalents, other private placement investment funds and other assets.

(5) The sensitivity analysis

The following table illustrates the effects on defined benefit obligations of the change in weighted-average discount rates, assuming all other assumptions are consistent.

	Yen in millions					
	Transition date April 1, 2019		March 31,			
	Japanese plans	Foreign plans	2020		2021	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans	Japanese plans	Foreign plans
0.5% decrease	181,320	151,579	177,929	109,224	177,741	99,253
0.5% increase	(158,925)	(154,893)	(155,770)	(91,642)	(154,265)	(179,276)

(6) Impact on future cash flow

Contributions to plan assets by TMC and some of its consolidated subsidiaries are determined by various factors such as employee salary levels and years of service, funded status of plan assets, and actuarial calculations. In addition, according to the rules of the defined benefit corporate pension law, the corporate pension fund system recalculates the amount of the balance every five years with the end date of the reporting period as the base date so that financial balance can be maintained in the future. TMC and some of its consolidated subsidiaries may make a necessary contribution if the reserve amount is below the minimum reserve amount.

In the following year (the year ending March 31, 2022), Toyota expects to contribute ¥39,392 million for Japanese plans and ¥16,604 million for Foreign plans to the post-employment benefit plans.

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years ending March 31,	Yen in millions	
	Japanese plans	Foreign plans
2022	77,543	50,206
2023	81,611	52,457
2024	84,235	54,480
2025	81,464	55,532
2026	82,566	57,408
From 2027 to 2031	406,542	312,785
Total	<u>813,960</u>	<u>582,868</u>

(7) Benefit obligations for non-retirement pension for retirees and benefit obligations for absentee

Toyota’s U.S. subsidiaries provide certain health care and life insurance benefits to eligible retired employees. In addition, Toyota provides benefits to certain former or inactive employees after employment, but before retirement. These benefits are provided through various insurance companies, health care providers and others. The costs of these benefits are recognized over the period the employee provides credited service to Toyota. Toyota’s obligation under these arrangements are not material.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(8) Payroll expenses

Payroll expenses included in “Cost of products sold” and “Selling, general and administrative” in the consolidated statement of income (including expenses for post-employment benefit plans) for the years ended March 31, 2020 and 2021 are ¥3,403,555 million and ¥3,281,292 million, respectively.

25. Liabilities for quality assurance

Toyota provides product warranties for certain defects mainly resulting from manufacturing based on warranty contracts with its customers at the time of sale of products. Toyota accrues estimated warranty costs to be incurred in the future in accordance with the warranty contracts. In addition to product warranties, Toyota initiates recalls and other safety measures to repair or to replace parts which might be expected to fail from products safety perspectives or customer satisfaction standpoints. Toyota accrues for costs of recalls and other safety measures based on the amount estimated from historical experience.

Liabilities for product warranties and liabilities for recalls and other safety measures have been combined into “Liabilities for quality assurance” in the consolidated statement of financial position due to the fact that both are liabilities for costs to repair or replace defects of vehicles and the amounts incurred for recalls and other safety measures may affect the amounts incurred for product warranties and vice versa.

The net change in liabilities for quality assurance above for the years ended March 31, 2020 and 2021 consist of the following:

	Yen in millions	
	For the years ended March 31,	
	2020	2021
Liabilities for quality assurance at beginning of year	1,769,514	1,552,970
Additional provisions	372,619	345,563
Utilization	(482,918)	(347,806)
Reversals	(99,533)	(77,479)
Other	(6,712)	9,624
Liabilities for quality assurance at end of year	<u>1,552,970</u>	<u>1,482,872</u>

“Other” primarily includes the impact of currency translation adjustments and the impact of consolidation and deconsolidation of certain entities due to changes in ownership interest.

The table below shows the net changes in liabilities for recalls and other safety measures which are comprised in liabilities for quality assurance above for the years ended March 31, 2020 and 2021.

	Yen in millions	
	For the years ended March 31,	
	2020	2021
Liabilities for recalls and other safety measures at beginning of year	1,302,309	1,104,711
Additional provisions	225,373	229,763
Utilization	(354,759)	(228,044)
Reversals	(61,099)	(74,907)
Other	(7,113)	3,458
Liabilities for recalls and other safety measures at end of year	<u>1,104,711</u>	<u>1,034,981</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

26. Equity and other equity items

(1) Equity management

Toyota will efficiently invest in maintenance and replacement of conventional manufacturing facilities and the introduction of new products, and will focus on capital investment and research and development in areas contributing to strengthening competitiveness and future growth. Through these activities, Toyota aims to improve corporate value and keep sustainable growth for realization of a new mobility society. Generally, Toyota Motor Corporation shareholder's equity cover such activities, with additional short-term and long-term debt, if necessary.

The amount of Toyota Motor Corporation shareholder's equity and short-term and long-term debt are as follows:

	Yen in millions		
	Transition date April 1, 2019	March 31,	
		2020	2021
Toyota Motor Corporation Shareholders' equity	19,907,100	20,618,888	23,404,547
Short-term and long-term debt	21,044,128	21,340,973	25,659,635

(2) Number of shares

As of April 1, 2019, March 31, 2020 and 2021, the total number of authorized shares of TMC's common stock is 10,000,000,000.

The changes in the number of common stocks issued are as follows:

	For the years ended March 31,	
	2020	2021
Common stock issued:		
Balance at beginning of year	3,262,997,492	3,262,997,492
Issuance during the year	—	—
Purchase and retirement	—	—
Balance at end of year	<u>3,262,997,492</u>	<u>3,262,997,492</u>

The common stock issued by TMC is a no-parity stock without any limitations on the content of the rights, and the issued stock is fully paid

(3) Capital surplus and retained earnings

Capital surplus consists of capital reserves and other capital surplus. Retained earnings consist of retained earnings reserve and other retained earnings. The Companies Act of Japan provides that an amount equal to 10% of distributions from surplus paid by TMC and its Japanese subsidiaries be appropriated as a capital reserve or a retained earnings reserve. No further appropriations are required when the total amount of the capital reserve and the retained earnings reserve reaches 25% of stated capital. The Companies Act provides that the retained earnings reserve of TMC and its Japanese subsidiaries is restricted and unable to be used for dividend payments, and is excluded from the calculation of the profit available for dividend.

The amounts of statutory retained earnings of TMC available for dividend payments to shareholders were ¥10,276,666 million and ¥11,215,850 million as of March 31, 2020 and 2021, respectively. In accordance with customary practice in Japan, the distributions from surplus are not accrued in the financial statements for the corresponding period, but are recorded in the subsequent accounting period after shareholders' approval has been obtained.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Retained earnings at March 31, 2021 include ¥2,933,901 million relating to equity in undistributed earnings of associates and joint ventures.

(4) Treasury stock

The reissuance and repurchase of treasury stock are as follows:

For the year ended March 31, 2020

Repurchase of treasury stock

Reason for repurchasing treasury stock -

The repurchase was made to return capital to shareholders in addition to promoting capital efficiency and agile capital policy in view of the business environment.

Details of matters relating to repurchase -

Number of common shares repurchased	69,532,900 shares
Total purchase price for repurchase of shares	¥500,139 million

Reissuance of treasury stock

Reason for reissuing treasury stock -

On May 9, 2019, TMC resolved to conclude contracts aimed toward the establishment of a new joint venture, Prime Life Technologies, related to a town development business with Panasonic. Pursuant to these contracts, TMC, THC and Misawa Homes conducted a share exchange in which common shares of Toyota were allotted in exchange for common shares of Misawa Homes so that THC, a consolidated subsidiary of TMC, will become the wholly owning parent company resulting from the share exchange and Misawa Homes, a consolidated subsidiary of THC, will become the wholly owned subsidiary resulting from the share exchange.

Details of matters relating to reissuance -

Number of common shares reissued	3,269,500 shares
Amount of reissuance	¥24,181 million

For the year ended March 31, 2021

Reissuance of treasury stock

Reason for reissuing treasury stock -

At its Directors' Meeting held on March 24, 2020, TMC resolved to purchase shares issued by NIPPON TELEGRAPH AND TELEPHONE CORPORATION ("NTT") and conduct a reissuance of treasury stock through third-party allotment with NTT as the allottee to form a business and capital alliance with NTT. The parties entered into a memorandum of understanding concerning the business and capital alliance on the same day. Based on the agreement, TMC has completed the purchase of NTT shares and reissuance of treasury stock with NTT as the allottee on April 9, 2020.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Details of matters relating to reissuance -

Number of common shares reissued	29,730,900 shares
Amount of reissuance	¥199,999 million

(5) Other components of equity

Other components of equity are as follows:

	Yen in millions			
	Net changes in revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange differences on translating foreign operations	Total
Balance at April 1, 2019	1,016,035	—	—	1,016,035
Other comprehensive income, net of tax	(58,946)	(54,176)	(395,523)	(508,645)
Reclassification to retained earnings	(4,935)	55,580	—	50,644
Other comprehensive income for the period attributable to non-controlling interests	<u>1,916</u>	<u>(1,404)</u>	<u>27,002</u>	<u>27,514</u>
Balance at March 31, 2020	954,070	—	(368,520)	585,549
Other comprehensive income, net of tax	380,814	221,409	410,253	1,012,476
Reclassification to retained earnings	(31,321)	(219,047)	—	(250,369)
Other comprehensive income for the period attributable to non-controlling interests	<u>(8,211)</u>	<u>(2,362)</u>	<u>(29,357)</u>	<u>(39,930)</u>
Balance at March 31, 2021	<u>1,295,351</u>	<u>—</u>	<u>12,375</u>	<u>1,307,726</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(6) Other comprehensive income

The breakdown of other comprehensive income and the corresponding tax benefits (including non-controlling interests) are as follows:

	Yen in millions					
	For the year ended March 31, 2020			For the year ended March 31, 2021		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Items that will not be reclassified to profit (loss)						
Net changes in revaluation of financial assets measured at fair value through other comprehensive income						
Amount incurred during the year . . .	(353,261)	109,409	(243,853)	560,225	(172,798)	387,427
Net changes	(353,261)	109,409	(243,853)	560,225	(172,798)	387,427
Remeasurements of defined benefit plans						
Amount incurred during the year . . .	(48,426)	5,026	(43,399)	311,360	(95,087)	216,272
Net changes	(48,426)	5,026	(43,399)	311,360	(95,087)	216,272
Shares of other comprehensive income of equity method investees						
Amount incurred during the year . . .	62,568	—	62,568	80,472	—	80,472
Net changes	62,568	—	62,568	80,472	—	80,472
Items that may be reclassified subsequently to profit (loss)						
Exchange differences on translating foreign operations						
Amount incurred during the year . . .	(390,427)	—	(390,427)	403,636	—	403,636
Reclassification to profit (loss)	28,329	—	28,329	—	—	—
Net changes	(362,098)	—	(362,098)	403,636	—	403,636
Net changes in revaluation of financial assets measured at fair value through other comprehensive income						
Amount incurred during the year . . .	141,795	(43,367)	98,427	(119,441)	35,938	(83,503)
Reclassification to profit (loss)	20,380	(5,417)	14,963	—	—	—
Net changes	162,174	(48,784)	113,390	(119,441)	35,938	(83,503)
Shares of other comprehensive income of equity method investees						
Amount incurred during the year . . .	(35,253)	—	(35,253)	8,172	—	8,172
Reclassification to profit (loss)	—	—	—	—	—	—
Net changes	(35,253)	—	(35,253)	8,172	—	8,172
Total other comprehensive income	(574,296)	65,651	(508,645)	1,244,424	(231,947)	1,012,476

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(7) Dividends

The paid dividend amounts are as follows:

For the year ended March 31, 2020

<u>Resolution</u>	<u>Type of shares</u>	<u>Total amount of dividends (yen in millions)</u>	<u>Dividend per share (yen)</u>	<u>Record date</u>	<u>Effective date</u>
The Board of Directors Meeting on May 8, 2019	Common shares	339,893	120.00	March 31, 2019	May 24, 2019
The Board of Directors Meeting on November 7, 2019	Common shares	278,908	100.00	September 30, 2019	November 27, 2019

For the year ended March 31, 2021

<u>Resolution</u>	<u>Type of shares</u>	<u>Total amount of dividends (yen in millions)</u>	<u>Dividend per share (yen)</u>	<u>Record date</u>	<u>Effective date</u>
The Board of Directors Meeting on May 12, 2020	Common shares	331,938	120.00	March 31, 2020	May 28, 2020
The Board of Directors Meeting on November 6, 2020	Common shares	293,576	105.00	September 30, 2020	November 27, 2020

Dividends of which record date falls within the year ended March 31, and effective date is after the year ended March 31 are as follows:

For the year ended March 31, 2021

<u>Resolution</u>	<u>Type of shares</u>	<u>Total amount of dividends (yen in millions)</u>	<u>Dividend per share (yen)</u>	<u>Record date</u>	<u>Effective date</u>
The Board of Directors Meeting on May 12, 2021	Common shares	377,453	135.00	March 31, 2021	May 28, 2021

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

27. Sales revenues

(1) Summary by business segments and products

The table below shows Toyota’s sales revenues from external customers by business and by product category.

	Yen in millions	
	For the years ended March 31,	
	2020	2021
Sales of products		
Automotive		
Vehicles	22,647,701	20,509,606
Parts and components for production	1,197,089	1,287,053
Parts and components for after service	2,170,448	2,049,187
Other	755,141	752,000
Total automotive	26,770,379	24,597,846
All other	923,314	479,553
Total sales of products	27,693,693	25,077,398
Financial services	2,172,854	2,137,195
Total sales revenues	29,866,547	27,214,594

The majority of sales of products are revenues recognized from contracts with customers under IFRS 15 “Revenue from Contracts with Customers” (“IFRS 15”), and receivables related to such revenues are recognized as “Trade accounts and other receivables”.

The breakdown of income from leases included in financial service revenues is as follows:

	Yen in millions	
	For the years ended March 31,	
	2020	2021
Finance leases		
Financial income related to net lease investment	98,865	106,724
Operating leases	1,051,822	1,017,707
Total	1,150,688	1,124,431

Financial service revenues other than income from leases mainly consist of interest income using the effective interest method. The amount of interest income using the effective interest method is not significant.

For the years ended March 31, 2020 and 2021, ¥127,113 million and ¥125,748 million of financial service revenues were accounted for under IFRS 15.

(2) Contract liabilities

Contract liabilities consist of the following:

	Yen in millions		
	Transition date April 1, 2019	March 31,	
		2020	2021
Contract liabilities	695,235	700,229	854,679

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Contract liabilities are primarily related to advances received from customers. Contract liabilities are included in “Other current liabilities” and “Other non-current liabilities” in the consolidated statement of financial position. For the year ended March 31, 2020 and 2021, the amounts transferred from contract liabilities at the beginning of the fiscal year to operating income were ¥372,786 million and ¥370,278 million, respectively.

(3) Performance obligations

The aggregate amounts of transaction prices allocated to unsatisfied performance obligations related to contracts that have original expected durations in excess of one year were ¥553,218 million, ¥587,547 million and ¥618,668 million as of April 1, 2019, March 31, 2020 and 2021, respectively. The main contents of unsatisfied performance obligations are insurance revenues and maintenance revenues.

For insurance revenues, Toyota receives payment agreed upon in the contract at the inception of the contract, and revenue is recognized over the term of the contract, which ranges from 3 to 120 months. As of April 1, 2019, the unsatisfied performance obligations related to insurance revenues were ¥212,384 million, and Toyota expected to recognize as revenue ¥63,611 million in fiscal 2020, and ¥148,773 million thereafter. As of March 31, 2020, the unsatisfied performance obligations related to insurance revenues were ¥223,754 million, and Toyota expected to recognize as revenue ¥65,262 million in fiscal 2021, and ¥158,493 million thereafter. As of March 31, 2021, the unsatisfied performance obligations related to insurance revenues were ¥237,805 million, and Toyota expects to recognize as revenue ¥67,537 million in fiscal 2022, and ¥170,268 million thereafter.

For maintenance revenues, Toyota receives payments agreed upon in the contract at the inception of the contract, and revenue is recognized over the term of the contract, which ranges from 18 to 84 months.

Unsatisfied performance obligations for sales of products related to contracts that have an original expected duration of one year or less have been excluded from this disclosure.

28. Research and development cost

Research and development costs consist of the following:

	Yen in millions	
	For the years ended March 31,	
	2020	2021
Research and development expenditures incurred during the year	1,110,369	1,090,424
Amount capitalized	(164,127)	(158,246)
Amortization of capitalized development costs	149,776	152,542
Total	1,096,019	1,084,721

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

29. Other finance income and costs

Other finance income and costs consist of the following:

	Yen in millions	
	For the years ended March 31,	
	2020	2021
Other finance income		
Interest income		
Financial assets measured at amortized cost	37,201	17,526
Financial assets measured at fair value through other comprehensive income	84,629	88,074
Dividend income		
Financial assets measured at fair value through other comprehensive income	110,243	88,837
Other	73,772	240,791
Total	305,846	435,229
Other finance costs		
Interest expense		
Financial liabilities measured at amortized cost	(44,114)	(42,421)
Other	(3,041)	(5,116)
Total	(47,155)	(47,537)

The increase in “Other finance income–Other” was due mainly to an increase during fiscal 2021 in profit on securities revaluation.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

30. Earnings per share

Reconciliation of the difference between basic and diluted earnings per share attributable to Toyota Motor Corporation are as follows:

	<u>Yen in millions</u>	<u>Thousands of shares</u>	<u>Yen</u>
	<u>Net income attributable to Toyota Motor Corporation</u>	<u>Weighted-average common shares</u>	<u>Earnings per share attributable to Toyota Motor Corporation</u>
For the year ended March 31, 2020			
Net income attributable to Toyota Motor Corporation	2,036,140	_____	_____
Basic earnings per share attributable to Toyota Motor Corporation	2,036,140	2,798,918	727.47
Effect of dilutive securities			
Model AA Class Shares	13,265	47,100	_____
Diluted earnings per share attributable to Toyota Motor Corporation	<u>2,049,405</u>	<u>2,846,018</u>	<u>720.10</u>
For the year ended March 31, 2021			
Net income attributable to Toyota Motor Corporation	2,245,261	_____	_____
Basic earnings per share attributable to Toyota Motor Corporation	2,245,261	2,795,288	803.23
Effect of dilutive securities			
Model AA Class Shares	12,569	45,939	_____
Diluted earnings per share attributable to Toyota Motor Corporation	<u>2,257,830</u>	<u>2,841,227</u>	<u>794.67</u>

In addition to the disclosure requirements under IFRS, Toyota discloses the information below in order to provide financial statements users with valuable information.

The following table shows Toyota Motor Corporation shareholders' equity per share. Toyota Motor Corporation shareholders' equity per share amounts are calculated by dividing Toyota Motor Corporation shareholders' equity in the consolidated statement of financial position by common shares issued and outstanding at the end of the year (excluding treasury stock).

	<u>Yen in millions</u>	<u>Thousands of shares</u>	<u>Yen</u>
	<u>Toyota Motor Corporation shareholders' equity</u>	<u>Common shares issued and outstanding at the end of the year (excluding treasury stock)</u>	<u>Toyota Motor Corporation shareholders' equity per share</u>
As of April 1, 2019	19,907,100	2,832,439	7,028.25
As of March 31, 2020	20,618,888	2,766,153	7,454.00
As of March 31, 2021	23,404,547	2,795,949	8,370.88

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

31. Contractual commitments and contingent liabilities

(1) Contractual commitments

Contractual commitments relating to purchase of property, plant and equipment, other assets, and services are ¥363,319 million, ¥362,071 million, ¥359,214 million as of April 1, 2019, March 31, 2020 and 2021.

(2) Guarantees

Toyota enters into contracts with Toyota dealers to guarantee customers' payments of their installment payables that arise from installment contracts between customers and Toyota dealers, as and when requested by Toyota dealers. Guarantee periods are set to match maturity of installment payments, and as of March 31, 2021, range from 1 month to 8 years; however, they are generally shorter than the useful lives of products sold. Toyota is required to execute its guarantee primarily when customers are unable to make required payment.

The maximum potential amount of future payments are ¥3,078,955 million, ¥3,333,385 million and ¥3,710,352 million as of April 1, 2019, March 31, 2020 and 2021. Liabilities for guarantees totaling ¥8,921 million, ¥10,615 million, and ¥18,493 million have been provided as of April 1, 2019, March 31, 2020 and 2021. Under these guarantee contracts, Toyota is entitled to recover any amount paid by Toyota from the customers whose original obligations Toyota has guaranteed.

(3) Market treatment such as recalls, damages and lawsuits

Toyota and other automakers have been named in certain class actions filed in Mexico, Canada, Australia, Israel and Brazil, as well as some other actions by states or territories of the United States relating to Takata airbag issues. The actions in Mexico, Australia, Israel, and Brazil are being litigated. The actions by states or territories of the United States have been resolved.

As previously disclosed, Toyota entered into a consent decree on January 14, 2021 with the U.S. EPA, the Department of Justice ("DOJ") and the Civil Division of the U.S. Attorney's Office for the Southern District of New York ("SDNY") to resolve investigations stemming from a self-reported process gap in fulfilling certain emissions defect information reporting requirements. Under the consent decree, Toyota agreed to pay, and has paid, a \$180 million civil penalty and to comply with certain additional periodic reporting requirements. The U.S. District Court for the Southern District of New York approved the consent decree on April 2, 2021.

In April 2020, Toyota reported possible anti-bribery violations related to a Thai subsidiary to the SEC and the DOJ, and is cooperating with their investigations. Investigations by governmental authorities related to these matters could result in the imposition of civil or criminal penalties, fines or other sanctions, or litigation. Toyota cannot predict the scope, duration or outcome of these matters at this time.

Toyota also has various other pending legal actions and claims, including without limitation personal injury and wrongful death lawsuits and claims in the United States, and is subject to government investigations from time to time.

Beyond the amounts accrued with respect to all aforementioned matters, Toyota is unable to estimate a range of reasonably possible loss, if any, for the pending legal matters because (i) many of the proceedings are in evidence gathering stages, (ii) significant factual issues need to be resolved, (iii) the legal theory or nature of the claims is unclear, (iv) the outcome of future motions or appeals is unknown and/or (v) the outcomes of other matters of these types vary widely and do not appear sufficiently similar to offer meaningful guidance. Therefore, for all of the aforementioned matters, which Toyota is in discussions to resolve, any losses that are beyond the amounts accrued could have an adverse effect on Toyota's financial position, results of operations or cash flows.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

TMC has a concentration of labor supply in employees working under collective bargaining agreements and a substantial portion of these employees are working under the agreement that will expire on December 31, 2023.

32. Details of company organization

(1) Major subsidiaries

Toyota's major subsidiaries are follows;

Toyota primarily conducts business in the automotive industry. Toyota also conducts business in finance and other industries.

Automobiles are mainly manufactured by TMC, Hino Motors Ltd. and Daihatsu Motor Co., Ltd., but some of them are outsourced in Japan. Toyota Motor Manufacturing Kentucky, Inc. and others manufacture overseas.

Auto parts are manufactured by TMC and others. These products are sold through dealers such as TOYOTA Mobility Tokyo Inc. in Japan, and through dealers such as Toyota Motor Sales, U.S.A., Inc. overseas.

In the financing business, Toyota Finance Corporation and others provide sales finance services in Japan and Toyota Motor Credit Corporation and others overseas.

Other business consists of information technology business and others.

(2) Structured entities

(i) Consolidated structured entities

Toyota periodically securitizes receivables related to financial services and vehicles on leases for liquidity and funding purposes and transfers them to special purpose entities. Toyota is deemed to have the power to direct the activities of these entities that most significantly impact the entities' economic performances. Therefore, Toyota has consolidated them.

The creditors of these entities do not have recourse to Toyota's general credit with the exception of debts guaranteed by Toyota. Risks to which Toyota is exposed including credit, interest rate, and/or prepayment risks are not incremental compared with the situation before Toyota enters into securitization transactions.

Toyota has equity in investment trusts and other special purpose entities. With respect to some of the investment trusts, Toyota has both the obligation to absorb losses of or the right to receive benefits from the investment trusts that could potentially be significant to the investment trusts and the power to direct the activities of the investment trusts that most significantly impact the investment trusts' economic performance through the asset manager. Therefore, Toyota has consolidated them.

Related to securitization transactions, ¥1,872,564 million, ¥1,906,256 million and ¥3,132,734 million receivables related to financial services, ¥1,893,073 million, ¥1,979,563 million and ¥3,211,211 million secured debt were included in Toyota's consolidated financial statements as of April 1, 2019, March 31, 2020 and 2021, respectively.

(ii) Unconsolidated structured entities

Other investment trusts and other special purpose entities are instructed based on contractual arrangements, and are designed so that voting or similar rights are not the dominant factor in deciding who controls the entities.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(2) Transactions with other related parties

For the year ended March 31, 2021, Akio Toyoda, President of TMC, invested ¥5,000 million in Woven Planet Holdings, Inc., a consolidated subsidiary of TMC.

(3) Compensation of key management

The compensation for the directors and audit & supervisory board members of TMC is as follows:

	Yen in millions	
	For the years ended March 31,	
	2020	2021
Monthly compensation	1,023	987
Bonus	1,039	748
Share compensation	477	364
Other	—	747
Total	2,540	2,847

“Other” refers to income tax compensation that was granted to a member of the Board of Directors, Mr. Didier Leroy, with respect to his remuneration during the period in which he served as a member of the Board of Directors. Mr. Leroy retired on June 11, 2020.

34. Supplemental cash flow information

“Other, net” in cash flows from investing activities includes a net increase in time deposits of ¥1,700,254 million for the year ended March 31, 2021.

35. Significant subsequent events

Common stock split

TMC authorized a stock split of shares of its common stock and partial amendment to the Articles of Incorporation due to the stock split, at a meeting of its board of directors held on May 12th, 2021.

(1) Purpose of the Stock Split

The purpose is to reduce the minimum investment price through the stock split, thereby creating an environment where it is easier to invest in TMC’s shares and expanding TMC’s investor base.

(2) Stock Split Method

The record date for the stock split will be September 30, 2021. Each share of TMC’s common stock held by shareholders as of the record date will be split into five shares.

(3) Increase in Number of Shares as a Result of the Stock Split

Number of shares outstanding prior to the stock split: 3,262,997,492 shares
 Increase in total number of issued shares as a result of this stock split: 13,051,989,968 shares
 Number of issued shares after the stock split: 16,314,987,460 shares
 Total number of authorized shares after the stock split: 50,000,000,000 shares

(4) Stock Split Schedule

Date of public notice of the record date: September 14, 2021 (Scheduled)
 Record date: September 30, 2021 (Scheduled)
 Effective date: October 1, 2021 (Scheduled)

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(5) Partial Amendment to Articles of Incorporation

Due to the stock split described above, TMC will partially amend its Articles of Incorporation, to increase the total number of shares which the Corporation is authorized to issue from ten billion (10,000,000,000) to fifty billion (50,000,000,000), effective as of October 1, 2021, pursuant to Article 184, Paragraph 2 of the Companies Act.

(6) Impact on per share information

Per share information assuming that the stock split was performed at the beginning of the fiscal year ended March 31, 2020 is as follows:

	Yen	
	For the year ended March 31,	
	2020	2021
Basic earnings per share attributable to Toyota Motor Corporation	145.49	160.65
Diluted earnings per share attributable to Toyota Motor Corporation	144.02	158.93
Toyota Motor Corporation shareholders' equity per share	1,490.80	1,674.18

36. First-time adoption

(1) Transition to reporting in accordance with IFRS

TMC has prepared its consolidated financial statements in accordance with IFRS from the first quarter ended June 30, 2020.

Up to the fiscal year ended March 31, 2020, Toyota prepared its consolidated financial statements in accordance with U.S. GAAP. The Transition Date was April 1, 2019.

IFRS 1 stipulates that, in principle, the retrospective application of IFRS is required. However, it provides some voluntary and mandatory exemptions from full retrospective applications. TMC elected such exemptions with respect to the following items.

(i) Business combination

IFRS 3 “Business Combinations”, was not applied retrospectively to business combinations that occurred before the Transition Date.

(ii) Foreign currency translation adjustments of foreign operations

The cumulative foreign currency translation adjustments were reclassified from other comprehensive income to retained earnings as of the Transition Date.

(iii) Designation of equity financial assets

Equity financial assets recognized before the Transition Date were designated as financial assets measured at fair value through other comprehensive income based on the facts and circumstances that existed as of the Transition Date.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(iv) Deemed cost

IFRS 1 permits a first-time adopter to elect to use fair value at the Transition Date as deemed cost for items of property, plant and equipment. For some property, plant and equipment, the fair value at the Transition Date is used as deemed cost.

(v) Recognition of right of use assets and lease liabilities

When a first-time adopter that is a lessee recognizes right of use assets and lease liabilities, it is permitted to measure right of use assets and lease liabilities at the Transition Date under IFRS 1. Toyota measured all lease liabilities at the Transition Date, using the present value of the remaining lease payments discounted by the lessee's incremental borrowing rate at the Transition Date. Toyota measured right of use assets at the Transition Date, making them equal to the lease liabilities.

For leases for which the lease term ends within 12 months of the Transition Date, lease payments associated with those leases were recognized as profit or loss on a straight-line basis over the lease term.

(2) Reconciliation of U.S. GAAP to IFRS

Toyota has made the necessary adjustments to the previously disclosed U.S. GAAP consolidated financial statements in transition to IFRS.

Items that do not affect retained earnings and comprehensive income are included in "Reclassification," and items that affect retained earnings and comprehensive income are included in "Adjustment of recognition and measurement" of the reconciliation tables.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(i) Reconciliation of equity as of the Transition Date April 1, 2019

Yen in millions						
Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Adjustment of recognition and measurement	IFRS	Notes	Presentation under IFRS
Assets						Assets
Current assets						Current assets
Cash and cash equivalents	3,574,704	—	28,101	3,602,805		Cash and cash equivalents
Trade accounts and notes receivable, less allowance for doubtful accounts . . .	2,372,734	568,156	13,728	2,954,617	A	Trade accounts and other receivables
Other receivables	568,156	(568,156)	—	—	A	Receivables related to financial services
Finance receivables, net . . .	6,647,771	—	9,596	6,657,367		Other financial assets
Time deposits	1,126,352	1,508,812	5,228	2,640,392	B,C,D	
Marketable securities	1,127,160	(1,127,160)	—	—	B	
Inventories	2,656,396	—	74,644	2,731,040	a	Inventories
	—	84,281	293	84,574	E	Income tax receivable
Prepaid expenses and other current assets	805,964	(297,502)	(807)	507,654	C,D,E	Other current assets
Total current assets	18,879,237	168,431	130,781	19,178,450		Total current assets
Non-current assets						Non-current assets
Investments in affiliated companies	3,313,723	54,004	99,516	3,467,242		Investments accounted for using the equity method
Noncurrent finance receivables, net	10,281,118	—	(90)	10,281,028		Receivables related to financial services
Marketable securities and other securities investments	7,479,926	238,009	51,806	7,769,740	D,F,G,b	Other financial assets
Employees receivables	21,683	(21,683)	—	—	F	
Property, plant and equipment						Property, plant and equipment
Land	1,386,308	1,353	(28,391)	1,359,271	c	Land
Buildings	4,802,175	(14,489)	45,593	4,833,278		Buildings
Machinery and equipment	11,857,425	(6,097)	105,445	11,956,773		Machinery and equipment
Vehicles and equipment on operating leases . . .	6,139,163	—	—	6,139,163		Vehicles and equipment on operating leases
Construction in progress	651,713	61	4,293	656,067		Construction in progress
Total property, plant and equipment, at cost	24,836,784	(19,172)	126,939	24,944,551		Total property, plant and equipment, at cost
Less - Accumulated depreciation	(14,151,290)	(8,140)	(101,016)	(14,260,446)		Less - Accumulated depreciation and impairment losses
Total property, plant and equipment, net	10,685,494	(27,313)	25,923	10,684,105		Total property, plant and equipment, net
	—	27,313	369,517	396,830	d	Right of use assets
	—	297,394	611,343	908,737	G,e	Intangible assets
	—	501,872	(55,489)	446,383	G,f	Deferred tax assets
Other	1,275,768	(991,888)	9	283,889	G	Other non-current assets
	33,057,712	77,709	1,102,535	34,237,955		Total non-current assets
Total assets	51,936,949	246,140	1,233,316	53,416,405		Total assets

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Yen in millions						
Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Adjustment of recognition and measurement	IFRS	Notes	Presentation under IFRS
Liabilities						
Current liabilities						
Accounts payable	2,645,984	1,180,657	29,492	3,856,133	H	Trade accounts and other payables
Other payables	1,102,802	(1,102,802)	—	—	H	
Short-term borrowings	5,344,973	4,254,260	102,580	9,701,813	I,d	Short-term and current portion of long-term debt
Current portion of long-term debt	4,254,260	(4,254,260)	—	—	I	
Accrued expenses	3,222,446	(1,870,433)	(1,761)	1,350,252	J	Accrued expenses
Income taxes payable	—	475,409	(107)	475,302	D,K	Other financial liabilities
	320,998	—	318	321,316		Income taxes payable
	—	1,769,275	239	1,769,514	J	Liabilities for quality assurance
Other current liabilities	1,335,475	(339,131)	11,688	1,008,032	D,K	Other current liabilities
Total current liabilities	18,226,938	112,975	142,449	18,482,362		Total current liabilities
Long-term liabilities						
Long-term debt	10,550,945	498,073	293,298	11,342,315	L,d	Non-current liabilities
Accrued pension and severance costs	—	189,957	—	189,957	D	Long-term debt
Deferred income taxes	963,406	37,532	1,771	1,002,710		Other financial liabilities
	1,014,851	11,670	200,771	1,227,292	f	Retirement benefit liabilities
Other long-term liabilities	615,599	(105,994)	6,955	516,560		Deferred tax liabilities
Total long-term liabilities	13,144,801	631,238	502,794	14,278,833		Other non-current liabilities
Total liabilities	31,371,739	744,213	645,244	32,761,195		Total non-current liabilities
Mezzanine equity	498,073	(498,073)	—	—	L	Total liabilities
Shareholders' equity						
Toyota Motor Corporation shareholders' equity						
Common stock, no par value	397,050	—	—	397,050		Common stock
Additional paid-in capital	487,162	—	—	487,162		Additional paid-in capital
Retained earnings	21,987,515	—	(1,373,738)	20,613,776	j	Retained earnings
Accumulated other comprehensive income (loss)	(916,650)	—	1,932,686	1,016,035	b,g,h	Other components of equity
Treasury stock, at cost	(2,606,925)	—	—	(2,606,925)		Treasury stock
Total Toyota Motor Corporation shareholders' equity	19,348,152	—	558,947	19,907,100		Total Toyota Motor Corporation shareholders' equity
Noncontrolling interests	718,985	—	29,125	748,110		Non-controlling interests
Total shareholders' equity	20,067,137	—	588,072	20,655,210		Total shareholders' equity
Total mezzanine equity and shareholders' equity	20,565,210	(498,073)	588,072	20,655,210		
Commitments and contingencies						
Total liabilities, mezzanine equity and shareholders' equity	51,936,949	246,140	1,233,316	53,416,405		Total liabilities and shareholders' equity

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(ii) Reconciliation of equity as of March 31, 2020

Yen in millions						
Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Adjustment of recognition and measurement	IFRS	Notes	Presentation under IFRS
Assets						Assets
Current assets						Current assets
Cash and cash equivalents	4,190,518	—	(92,068)	4,098,450		Cash and cash equivalents
Trade accounts and notes receivables, less allowance for doubtful accounts	2,094,894	564,854	(11,389)	2,648,360	A	Trade accounts and other receivables
Other receivables	564,854	(564,854)	—	—	A	
Finance receivables, net	6,614,171	—	7,433	6,621,604		Receivables related to financial services
Time deposits	828,220	1,316,339	(958)	2,143,602	B,C,D	Other financial assets
Marketable securities	678,731	(678,731)	—	—	B	
Inventories	2,434,918	—	98,974	2,533,892	a	Inventories
Prepaid expenses and other current assets	1,236,225	(578,614)	22,193	679,804	C,D,E	Income tax receivable Other current assets
Total current assets	18,642,531	296,327	24,462	18,963,320		Total current assets
Non-current assets						Non-current assets
Investments in affiliated companies	4,123,453	81,731	92,380	4,297,564		Investments accounted for using the equity method
Noncurrent finance receivables, net	10,423,858	49	(6,109)	10,417,797		Receivables related to financial services
Marketable securities and other securities investments	7,348,651	502,296	50,570	7,901,517	D,F,G,b	Other financial assets
Employees receivables	21,484	(21,484)	—	—	F	
Property, plant and equipment						Property, plant and equipment
Land	1,346,988	165	(28,189)	1,318,964	c	Land
Buildings	4,730,783	(19,860)	30,528	4,741,451		Buildings
Machinery and equipment	11,939,121	(43,092)	83,419	11,979,449		Machinery and equipment
Vehicles and equipment on operating leases	5,929,233	—	(400)	5,928,833		Vehicles and equipment on operating leases
Construction in progress	510,963	60	6,438	517,460		Construction in progress
Total property, plant and equipment, at cost	24,457,088	(62,728)	91,797	24,486,156		Total property, plant and equipment, at cost
Less - Accumulated depreciation	(13,855,563)	2,355	(98,933)	(13,952,141)		Less - Accumulated depreciation and impairment losses
Total property, plant and equipment, net	10,601,525	(60,373)	(7,136)	10,534,016		Total property, plant and equipment, net
	—	337,442	(107)	337,335	G	Right of use assets
	—	374,263	625,994	1,000,257	G,e	Intangible assets
	—	354,785	(28,420)	326,364	G,f	Deferred tax assets
Other	1,518,934	(1,331,576)	6,834	194,192	G	Other non-current assets
	34,037,905	237,133	734,005	35,009,043		Total non-current assets
Total assets	52,680,436	533,460	758,468	53,972,363		Total assets

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Yen in millions						
Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Adjustment of recognition and measurement	IFRS	Notes	Presentation under IFRS
Liabilities						
Current liabilities						
Accounts payable	2,434,180	1,064,224	(375)	3,498,029	H	Trade accounts and other payables
Other payables	1,020,270	(1,020,270)	—	—	H	
Short-term borrowings	5,286,026	4,611,537	9,192	9,906,755	I	Short-term and current portion of long-term debt
Current portion of long-term debt	4,574,045	(4,574,045)	—	—	I	
Accrued expenses	2,926,052	(1,689,158)	19,901	1,256,794	J	Accrued expenses
Income taxes payable	—	546,378	(7,637)	538,740	D,K	Other financial liabilities
	218,117	—	(5,841)	212,276		Income taxes payable
	—	1,553,816	(846)	1,552,970	J	Liabilities for quality assurance
Other current liabilities	1,443,687	(252,101)	(14,942)	1,176,645	D,K	Other current liabilities
Total current liabilities	<u>17,902,377</u>	<u>240,382</u>	<u>(549)</u>	<u>18,142,209</u>		Total current liabilities
Long-term liabilities						
Long-term debt	10,692,898	739,633	1,688	11,434,219	L,M	Non-current liabilities
Accrued pension and severance costs	—	360,588	—	360,588	D	Long-term debt
Deferred income taxes	978,626	41,356	2,179	1,022,161	f	Other financial liabilities
Other long-term liabilities	1,043,169	1,487	153,349	1,198,005	f	Retirement benefit liabilities
	821,515	(345,816)	471	476,169	M	Deferred tax liabilities
	—	—	—	—		Other non-current liabilities
Total long-term liabilities	<u>13,536,208</u>	<u>797,247</u>	<u>157,687</u>	<u>14,491,142</u>		Total non-current liabilities
Total liabilities	<u>31,438,585</u>	<u>1,037,629</u>	<u>157,138</u>	<u>32,633,351</u>		Total liabilities
Mezzanine equity	504,169	(504,169)	—	—	L	
Shareholders' equity						
Toyota Motor Corporation shareholders' equity						
Common stock, no par value	397,050	—	—	397,050		Common stock
Additional paid-in capital	489,334	—	—	489,334	j	Additional paid-in capital
Retained earnings	23,427,613	—	(1,193,552)	22,234,061	j	Retained earnings
Accumulated other comprehensive income (loss)	(1,166,273)	—	1,751,822	585,549	b,g,h	Other components of equity
Treasury stock, at cost	(3,087,106)	—	—	(3,087,106)		Treasury stock
Total Toyota Motor Corporation shareholders' equity	<u>20,060,618</u>	<u>—</u>	<u>558,270</u>	<u>20,618,888</u>		Total Toyota Motor Corporation Shareholders' equity
Noncontrolling interests	677,064	—	43,060	720,124		Non-controlling interests
Total shareholders' equity	<u>20,737,682</u>	<u>—</u>	<u>601,330</u>	<u>21,339,012</u>		Total shareholders' equity
Total mezzanine equity and shareholders' equity	<u>21,241,851</u>	<u>(504,169)</u>	<u>601,330</u>	<u>21,339,012</u>		
Commitments and contingencies						
Total liabilities, mezzanine equity and shareholders' equity	<u>52,680,436</u>	<u>533,460</u>	<u>758,468</u>	<u>53,972,363</u>		Total liabilities and shareholders' equity

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(iii) Reconciliation of net profit or loss for the year ended March 31, 2020

Yen in millions						
Presentation under U.S. GAAP	U.S. GAAP	Reclassification	Adjustment of recognition and measurement	IFRS	Notes	Presentation under IFRS
Net revenues						Sales revenues
Sales of products	27,759,749	—	(66,056)	27,693,693	i	Sales of products
Financing operations	2,170,243	—	2,611	2,172,854		Financial services
Total net revenues	<u>29,929,992</u>	<u>—</u>	<u>(63,445)</u>	<u>29,866,547</u>		Total sales revenues
Costs and expenses						Costs and expenses
Cost of products sold	23,142,744	(12,761)	(26,387)	23,103,596	i	Cost of products sold
Cost of financing operations	1,379,620	—	2,134	1,381,755		Cost of financial services
Selling, general and administrative	2,964,759	(3,391)	20,597	2,981,965		Selling, general and administrative
Total costs and expenses	<u>27,487,123</u>	<u>(16,153)</u>	<u>(3,655)</u>	<u>27,467,315</u>		Total costs and expenses
Operating income	<u>2,442,869</u>	<u>16,153</u>	<u>(59,790)</u>	<u>2,399,232</u>		Operating income
Other income (expense)	—	271,152	39,094	310,247		Share of profit (loss) of investments accounted for using the equity method
Interest and dividend income	232,870	77,241	(4,266)	305,846		Other finance income
Interest expense	(32,217)	(2,573)	(12,365)	(47,155)		Other finance costs
Foreign exchange gain (loss), net	(79,020)	—	(15,599)	(94,619)		Foreign exchange gain (loss), net
Unrealized gains (losses) on equity securities	(24,600)	—	24,600	—	b	
Other income (loss), net	14,705	(90,821)	(4,491)	(80,607)		Other income (loss), net
Income before income taxes and equity in earnings of affiliated companies	<u>2,554,607</u>	<u>271,152</u>	<u>(32,817)</u>	<u>2,792,942</u>		Income before income taxes
Provision for income taxes	683,430	—	(1,613)	681,817	b	Income tax expense
Equity in earnings of affiliated companies	271,152	(271,152)	—	—		
Net income	<u>2,142,329</u>	<u>—</u>	<u>(31,204)</u>	<u>2,111,125</u>		Net income
Net income attributable to Toyota Motor Corporation	2,076,183	—	(40,043)	2,036,140		Net income attributable to Toyota Motor Corporation
Net income attributable to noncontrolling interests	66,146	—	8,839	74,985		Non-controlling interests
	<u>2,142,329</u>	<u>—</u>	<u>(31,204)</u>	<u>2,111,125</u>		Net income

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(iv) Reconciliation of other comprehensive income for the year ended March 31, 2020

Presentation under U.S. GAAP	Yen in millions					Notes	Presentation under IFRS
	U.S. GAAP	Reclassification	Adjustment of recognition and measurement	IFRS			
Net income	2,142,329	—	(31,204)	2,111,125		Net income	
Other comprehensive income (loss), net of tax						Other comprehensive income, net of tax	
						Items that will not be reclassified to profit (loss)	
						Net changes in revaluation of financial assets measured at fair value through other comprehensive income	
Unrealized gains (losses) on securities	118,363	(118,363)	(243,853)	(243,853)	b	Remeasurements of defined benefit plans	
Pension liability adjustments	(60,196)	(612)	17,409	(43,399)		Shares of other comprehensive income of equity method investees	
	—	612	61,956	62,568		Total of items that will not be reclassified to profit (loss)	
	58,167	(118,363)	(164,488)	(224,684)		Items that may be reclassified subsequently to profit (loss)	
						Exchange differences on translating foreign operations	
Foreign currency translation adjustments	(333,854)	89,371	(117,614)	(362,098)		Net changes in revaluation of financial assets measured at fair value through other comprehensive income	
	—	118,363	(4,973)	113,390		Shares of other comprehensive income of equity method investees	
	—	(89,371)	54,118	(35,253)		Total of items that may be reclassified subsequently to profit (loss)	
	(333,854)	118,363	(68,469)	(283,961)		Total other comprehensive income, net of tax	
Total other comprehensive income (loss)	(275,687)	—	(232,958)	(508,645)		Comprehensive income	
Comprehensive income	1,866,642	—	(264,162)	1,602,480		Comprehensive income for the period attributable to	
						Toyota Motor Corporation	
Comprehensive income attributable to Toyota Motor Corporation	1,820,764	—	(265,756)	1,555,009		Non-controlling interests	
Comprehensive income attributable to noncontrolling interests	45,878	—	1,594	47,472		Comprehensive income	
	1,866,642	—	(264,162)	1,602,480			

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(3) Notes to reconciliation

(i) Changes in presentation

- A. Other receivables separately presented under U.S. GAAP have been reclassified into trade accounts and other receivables under IFRS.
- B. Marketable securities separately presented under U.S. GAAP have been reclassified into other financial assets in current assets under IFRS.
- C. Other financial assets included in prepaid expenses and other current assets under U.S. GAAP are separately presented under IFRS.
- D. Derivative assets and liabilities that meet certain requirements are offset under U.S. GAAP. Under IFRS they are presented in gross amount.
- E. Income tax receivable included in prepaid expenses and other current assets under U.S. GAAP are separately presented under IFRS.
- F. Employees receivables separately presented under U.S. GAAP have been reclassified into other financial assets in non-current assets under IFRS.
- G. Right of use assets, intangible assets, deferred tax assets and other financial assets in non-current assets included in other in investment and other assets under U.S. GAAP are separately presented under IFRS.
- H. Other payables separately presented under U.S. GAAP have been reclassified into trade accounts and other payables under IFRS.
- I. Current portion of long-term debt separately presented under U.S. GAAP have been reclassified into short-term and current portion of long-term debt under IFRS.
- J. Liabilities for quality assurance included in accrued expenses under U.S. GAAP are separately presented under IFRS.
- K. Other financial liabilities included in other current liabilities under U.S. GAAP are separately presented under IFRS.
- L. Model AA Class Shares presented as mezzanine equity under U.S. GAAP have been reclassified into long-term debt under IFRS.
- M. Lease liabilities included in other long-term liabilities under U.S. GAAP have been reclassified into long-term debt under IFRS.

(ii) Difference in recognition and measurement

For the following reconciliation, the related allocation to the non-controlling interests is recorded.

a. Inventory valuation method

Under U.S. GAAP, inventories of some subsidiaries are calculated using the last-in, first-out method, but under IFRS, they are calculated using the weighted-average method.

b. Fair value measurement of equity financial assets

Unlisted stocks are recorded at acquisition cost under U.S. GAAP but are measured at fair value under IFRS. For equity financial assets, U.S. GAAP recognizes valuation gains and losses, gains and losses on sales and impairment as profit or loss, but under IFRS, changes in fair value are recognized as other comprehensive income.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

c. Deemed cost

In accordance with IFRS 1, Toyota has elected to use fair value at the Transition Date as deemed cost for certain items of property, plant and equipment. The carrying amount of property, plant and equipment under U.S. GAAP to which the exemption is applied is ¥59,456 million and the fair value is ¥21,225 million.

d. Recognition of right of use assets and lease liabilities

Under IFRS, newly recognized right of use assets and lease liabilities are recorded as a result of the adoption of IFRS 16 “Leases”.

e. Capitalization of costs incurred for development of products

Under U.S. GAAP, development expense is expensed as incurred. Under IFRS, costs incurred for development of products are capitalized if it meets the capitalization requirements.

f. Deferred income taxes

Deferred income taxes have been adjusted due to the other adjustments from U.S. GAAP to IFRS. The adjustment mainly related to ¥188,837 million (as of April 1, 2019) and ¥193,271 million (as of March 31, 2020) of the capitalization of development costs.

g. Exchange differences on translating foreign operations

In accordance with the first-time exemption, the cumulative translation differences of foreign operations as of the Transition Date are transferred from other components of equity to retained earnings.

h. Retirement benefit obligations for defined benefit plans

Under U.S. GAAP, actuarial gains and losses and past service cost are recognized in other comprehensive income when they are incurred and amortized over a certain period of future years. Under IFRS, remeasurements arising from defined benefit plans, including actuarial gains and losses are recognized in other comprehensive income and reclassified directly from other components of equity to retained earnings when they are incurred. Past service cost is recognized in profit or loss when incurred.

i. Unification of a reporting period

For certain consolidated subsidiaries and companies accounted for by the equity method that have closing dates different from Toyota, the reporting period has been unified to Toyota’s closing date on the Transition Date.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

j. Reconciliation of retained earnings

	Yen in millions	
	Transition Date April 1, 2019	March 31, 2020
b. Fair value measurement of equity financial assets	(990,815)	(799,568)
g. Exchange differences on translating foreign operations	(649,532)	(649,532)
h. Retirement benefit obligations for defined benefit plans	(265,867)	(324,014)
Subtotal	(1,906,213)	(1,773,114)
e. Capitalization of cost incurred for development of product	410,531	432,202
i. Unification of a reporting period	85,211	51,480
Others	36,732	95,880
Total	(1,373,738)	(1,193,552)

Subtotal represents reclassification from other components of equity.

Adjustments on the Cash Flows

Additions, collections and sales of receivables from financial services which were classified as cash flows from investing activities under U.S. GAAP are classified as cash flows from operating activities under IFRS.

ITEM 19. EXHIBITS

Index to Exhibit

- 1.1 Amended and Restated Articles of Incorporation of the Registrant (English translation)
- 1.2 Amended and Restated Regulations of the Board of Directors of the Registrant (English translation) (incorporated by reference to Exhibit 1.2 to Toyota's Annual Report on Form 20-F for the fiscal year ended March 31, 2019, filed with the SEC on June 21, 2019 (file no. 001-14948))
- 1.3 Amended and Restated Regulations of the Audit & Supervisory Board of the Registrant (English translation) (incorporated by reference to Exhibit 1.3 to Toyota's Annual Report on Form 20-F for the fiscal year ended March 31, 2016, filed with the SEC on June 24, 2016 (file no. 001-14948))
- 2.1 Amended and Restated Share Handling Regulations of the Registrant (English translation)
- 2.2 Form of Deposit Agreement among the Registrant, The Bank of New York (predecessor of The Bank of New York Mellon), as depositary, and the owners and beneficial owners from time to time of American Depositary Receipts, including the form of American Depositary Receipt (incorporated by reference to Exhibit 1 to Toyota's Registration Statement on Form F-6, filed with the SEC on November 7, 2006 (file no. 333-138477))
- 2.3 Form of ADR (included in Exhibit 2.2)
- 2.4 Description of Toyota's Common Stock (incorporated by reference to "Item 10.B. Memorandum and Articles of Incorporation" of this annual report)
- 2.5 Description of Toyota's American Depositary Shares (incorporated by reference to "Description of the American Depositary Shares" within Exhibit 2.4 to Toyota's Annual Report on Form 20-F for the fiscal year ended March 31, 2020, filed with the SEC on June 24, 2020 (file no. 001-14948))
- 8.1 List of Principal Subsidiaries (See "Organizational Structure" in "Item 4. Information on the Company")
- 11.1 Code of Ethics of the Registrant applicable to its members of the board of directors and operating officers, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions (English translation)
- 12.1 Certifications of the Registrant's President and Member of the Board, as well as Operating Officer, pursuant to Section 302 of the Sarbanes-Oxley Act
- 13.1 Certifications of the Registrant's President and Member of the Board, as well as Operating Officer, pursuant to Section 906 of the Sarbanes-Oxley Act
- 15.1 Consent of Independent Registered Public Accounting Firm
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF XBRL Taxonomy Extension Definition Linkbase
- 101.LAB XBRL Taxonomy Extension Label Linkbase
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase

ARTICLES OF INCORPORATION OF TOYOTA MOTOR CORPORATION
(As amended on June 16, 2021)

CHAPTER I. GENERAL PROVISIONS

Article 1. (Trade Name)

The name of the Corporation shall be “Toyota Jidosha Kabushiki Kaisha” to be expressed in English as “TOYOTA MOTOR CORPORATION”.

Article 2. (Purpose)

The purpose of the Corporation shall be to engage in the following businesses:

- (1) the manufacture, sale, leasing and repair of motor vehicles, industrial vehicles, ships, aircraft, other transportation machinery and apparatus, spacecraft and space machinery and apparatus, and parts thereof;
- (2) the manufacture, sale, leasing and repair of industrial machinery and apparatus and other general machinery and apparatus, and parts thereof;
- (3) the manufacture, sale, leasing and repair of electrical machinery and apparatus, and parts thereof;
- (4) the manufacture, sale, leasing and repair of measuring machinery and apparatus, and medical machinery and apparatus, and parts thereof;
- (5) the manufacture and sale of ceramics and products of synthetic resins, and materials thereof;
- (6) the manufacture, sale and repair of construction materials and equipment, furnishings and fixtures for residential buildings;
- (7) the planning, designing, supervision, execution and undertaking of construction works, civil engineering works, land development, urban development and regional development;
- (8) the sale, purchase, leasing, brokerage and management of real estate;
- (9) the service of information processing, information communications and information supply, and the development, sale and leasing of software;
- (10) the design and development of product sales systems that utilize networks such as the Internet; sale, leasing, maintenance of computers included within such systems, and sales of products by utilizing such systems;
- (11) the inland transportation, marine transportation, air transportation, stevedoring, warehousing and tourism businesses;
- (12) the printing, publishing, advertising and publicity, general leasing, security and workers dispatch businesses;
- (13) the credit card operations, purchase and sale of securities, investment consulting, investment trust operation, and other financial services;
- (14) the operation and management of such facilities as parking lots, showrooms, educational facilities, medical care facilities, sports facilities, marinas, airfields, food and drink stands and restaurants, lodging facilities, retail stores and others;
- (15) the non-life insurance agency business and life insurance agency business;
- (16) the production and processing by using biotechnology of agricultural products including trees, and the sale of such products;

- (17) power generation and the supply and sale of electric power
- (18) the sale of goods related to each of the preceding items and mineral oil;
- (19) the conducting of engineering, consulting, invention and research relating to each of the preceding items and the utilization of such invention and research; and
- (20) any businesses incidental to or related to any of the preceding items.

Article 3. (Location of Principal Office)

The principal office of the Corporation shall be located in Toyota City, Aichi Prefecture, Japan.

Article 4. (Public Notices)

Public notices of the Corporation shall be given electronically; provided, however, that in the case that an electronic public notice is impracticable due to an accident or any other unavoidable reason, public notices of the Corporation shall be given in the newspaper “The Nihon Keizai Shimbun”.

CHAPTER II. SHARES

Article 5. (Total Number of Authorized Shares)

The total number of shares which the Corporation is authorized to issue shall be ten billion (10,000,000,000).

Article 6. (Number of Shares Constituting One Unit (tangen) and Rights to Shares Constituting Less than One Unit (tangen))

1. The number of shares constituting one unit (tangen) of shares of the Corporation shall be one hundred (100).
2. The shareholders of the Corporation are not entitled to exercise any rights to shares constituting less than one unit (tangen) of shares held by the shareholders, other than the rights provided for in each Item of Article 189, Paragraph 2 of the Companies Act (Kaisha-hou).

Article 7. (Acquisition of Own Shares)

The Corporation may acquire its own shares by a resolution of the Board of Directors in accordance with the provisions of Article 165, Paragraph 2 of the Companies Act.

Article 8. (Transfer Agent)

1. The Corporation shall have a transfer agent (*Kabunushimeibo-Kanrinin*).
2. The transfer agent and the location of its office shall be designated by a resolution of the Board of Directors, and public notice thereof shall be given.

The register of shareholders and the register of stock acquisition rights shall be kept at the office of the transfer agent. The entry or recording into the register of shareholders and the register of stock acquisition rights, the purchase of shares constituting less than one unit (tangen) and any other matters related to the shares and stock acquisition rights shall be handled by the transfer agent and not by the Corporation.

Article 9. (Share Handling Regulations)

The procedures for and fees for the entry or recording into the register of shareholders and the register of stock acquisition rights, purchasing shares constituting less than one unit (tangen) and any other matters relating to the handling of shares and stock acquisition rights shall be subject to the Share Handling Regulations established by the Board of Directors.

Article 10. (Record Date)

1. The Corporation shall deem any shareholder entered or recorded in the final register of shareholders as of March 31 in such year to be a shareholder entitled to exercise its rights at the ordinary general meeting of shareholders for that business year.

2. In addition to the case provided for in the preceding paragraph, the Corporation may, after giving prior public notice, fix a date as the record date, where it deems it necessary to do so.

CHAPTER III. GENERAL MEETINGS OF SHAREHOLDERS

Article 11. (Ordinary General Meetings and Extraordinary General Meetings of Shareholders)

1. The ordinary general meeting of shareholders of the Corporation shall be convened in June of each year. Extraordinary general meetings of shareholders may be called whenever necessary.

2. Each general meeting of shareholders may be convened at the place where the principal office of the Corporation is located, or at a place adjacent thereto, or in Nagoya City.

Article 12. (Resolutions)

1. All resolutions of a general meeting of shareholders shall be adopted by a majority of the votes of the shareholders present at the meeting who are entitled to vote, unless otherwise provided by laws and regulations or these Articles of Incorporation of the Corporation.

2. Special resolutions as specified by Article 309, Paragraph 2 of the Companies Act shall be adopted by not less than two-thirds (2/3) of the votes of the shareholders present at the meeting who hold shares representing in aggregate not less than one-third (1/3) of the voting rights of all shareholders who are entitled to vote.

Article 13. (Chairman of General Meeting)

1. The Chairman of the Board or the President of the Corporation shall preside as chairman at a general meeting of shareholders.

2. In the event that the positions of both the Chairman of the Board and the President are vacant or that both of them are prevented from so presiding as chairman, another Director of the Corporation shall preside in their place according to the order of precedence previously established by the Board of Directors.

Article 14. (Exercise of Voting Rights by Proxy)

1. A shareholder may exercise its voting rights by proxy, provided, however, that the proxy shall be a shareholder of the Corporation who is entitled to exercise its own voting rights.

2. In cases where the preceding paragraph applies, the shareholder or its proxy shall file with the Corporation a document establishing the proxy's power of representation for each general meeting of shareholders.

3. The Corporation may refuse a shareholder having two (2) or more proxies attend a general meeting of shareholders.

Article 15. (Deemed Delivery of Reference Documents, etc. for General Meeting of Shareholders)

Upon convening a general meeting of shareholders, the Corporation may deem that the information which is required to be described or indicated in reference documents for the general meeting of shareholders, business reports, financial statements and consolidated financial statements shall be provided to the shareholders, in the event that it is disclosed, pursuant to laws and regulations, through the method by which shareholders may receive such information through an electronic means.

CHAPTER IV. MEMBERS OF THE BOARD OF DIRECTORS AND BOARD OF DIRECTORS

Article 16. (Number of Directors)

The Corporation shall have no more than twenty (20) Directors.

Article 17. (Election of Directors)

1. Directors shall be elected by a resolution of a general meeting of shareholders.
2. A resolution for the election of Directors shall be adopted by a majority vote of the shareholders present at the meeting who hold shares representing in aggregate not less than one-third (1/3) of the voting rights of all the shareholders who are entitled to vote.
3. The election of Directors shall not be made by cumulative voting.

Article 18. (Term of Office of Directors)

1. The term of office of Directors shall expire at the closing of the ordinary general meeting of shareholders to be held for the last business year of the Corporation ending within one (1) year after their election.
2. The term of office of any Director elected in order to increase the number of Directors or to fill a vacancy shall be the balance of the term of office of the other Directors who hold office at the time of his/ her election.

Article 19. (Board of Directors)

1. The Corporation shall have a Board of Directors.
2. Notice of a meeting of the Board of Directors shall be dispatched to each Director and each Audit & Supervisory Board Member at least three (3) days before the date of the meeting. In case of urgency, however, such period may be shortened.
3. With respect to matters to be resolved by the Board of Directors, the Corporation shall deem that such matters were approved by a resolution of the Board of Directors when all the Directors express their agreement in writing or by electronic records. Provided, however, that this provision shall not apply when any Audit & Supervisory Board Member expresses his/her objection to such matters.
4. In addition to the preceding two (2) paragraphs, the management of the Board of Directors shall be subject to the Regulations of the Board of Directors established by the Board of Directors.

Article 20. (Representative Directors and Executive Directors)

1. The Board of Directors shall designate one or more Representative Directors by its resolution.
2. The Board of Directors may appoint one Chairman of the Board, one President and one or more Vice Chairmen of the Board and Executive Vice Presidents by its resolution.

Article 21. (Honorary Chairmen and Senior Advisors)

The Board of Directors may appoint Honorary Chairmen and Senior Advisors by its resolution.

Article 22. (Exemption from Liability of Directors)

In accordance with the provisions of Article 426, Paragraph 1 of the Companies Act, the Corporation may, by a resolution of the Board of Directors, exempt Directors (including former Directors) from liabilities provided for in Article 423, Paragraph 1 of the Companies Act within the limits stipulated by laws and regulations.

Article 23. (Limited Liability Agreement with members of the Board of Directors)

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Corporation may enter into an agreement with Members of the Board of Directors (excluding Executive Members of the Board of Directors, etc.) limiting liabilities provided for in Article 423, Paragraph 1 of the Companies Act; provided, however, that the limit of the liability under the agreement shall be the minimum amount of liability stipulated by laws and regulations.

CHAPTER V. AUDIT & SUPERVISORY BOARD MEMBERS AND AUDIT & SUPERVISORY BOARD

Article 24. (Establishment of Audit & Supervisory Board Members and Number of Audit & Supervisory Board Members)

The Corporation shall have no more than seven (7) Audit & Supervisory Board Members.

Article 25. (Election of Audit & Supervisory Board Members)

1. Audit & Supervisory Board Members shall be elected by a resolution of a general meeting of shareholders.

2. A resolution for the election of Audit & Supervisory Board Members shall be adopted by a majority vote of the shareholders present at the meeting who hold shares representing in aggregate not less than one-third (1/3) of the voting rights of all the shareholders who are entitled to vote.

Article 26. (Term of Office of Audit & Supervisory Board Members)

1. The term of office of Audit & Supervisory Board Members shall expire at the closing of the ordinary general meeting of shareholders to be held for the last business year of the Corporation ending within four (4) years after their election.

2. The term of office of any Audit & Supervisory Board Member elected to fill a vacancy shall be the balance of the term of office of the Audit & Supervisory Board Member whom he/she succeeds.

Article 27. (Audit & Supervisory Board)

1. The Corporation shall have an Audit & Supervisory Board.

2. Notice of a meeting of the Audit & Supervisory Board shall be dispatched to each Audit & Supervisory Board Members at least three (3) days before the date of the meeting. In case of urgency, however, such period may be shortened.

3. In addition to the provisions of the preceding paragraph, the management of the Audit & Supervisory Board shall be subject to the Regulations of the Audit & Supervisory Board established by the Audit & Supervisory Board.

Article 28. (Full-time Audit & Supervisory Board Member)

The Audit & Supervisory Board shall, by its resolution, select one or more full-time Audit & Supervisory Board Members.

Article 29. (Exemption from Liability of Audit & Supervisory Board Members)

In accordance with the provisions of Article 426, Paragraph 1 of the Companies Act, the Corporation may, by a resolution of the Board of Directors, exempt Audit & Supervisory Board Members (including former Audit & Supervisory Board Members) from liabilities provided for in Article 423, Paragraph 1 of the Companies Act within the limits stipulated by laws and regulations.

Article 30. (Limited Liability Agreement with Audit & Supervisory Board Members)

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Corporation may enter into an agreement with Audit & Supervisory Board Members limiting liabilities provided for in Article 423, Paragraph 1 of the Companies Act; provided, however, that the limit of the liability under the agreement shall be the minimum amount of liability stipulated by laws and regulations.

CHAPTER VI. ACCOUNTING AUDITOR

Article 31. (Accounting Auditor)

The Corporation shall have an Accounting Auditor (*kaikeikansa-nin*).

CHAPTER VII. ACCOUNTS

Article 32. (Business Year)

The business year of the Corporation shall be one (1) year from April 1 of each year until March 31 of the following year.

Article 33. (Dividends from Surplus, etc.)

1. Dividends from Surplus of the Corporation shall be paid to the shareholders or registered share pledgees entered or recorded in the final register of shareholders as of March 31 of each year.

2. The Corporation may, by a resolution of the Board of Directors, distribute dividends from surplus as provided for in Article 454, Paragraph 5 of the Companies Act to the shareholders or registered share pledgees entered or recorded in the final register of shareholders as of September 30 of each year.

3. In addition to the preceding two (2) paragraphs, the Corporation may, by a resolution of the Board of Directors, decide on matters provided for in each Item of Article 459, Paragraph 1 of the Companies Act.

4. No interest shall be paid on unpaid dividends from surplus.

Article 34. (Dispensation from Payment of Dividends from Surplus, etc.)

In the case where the dividends from surplus are paid by cash, the Corporation shall not be obliged to pay any dividends from surplus after three (3) years have expired from the date of tender thereof.

(TRANSLATION)

**SHARE HANDLING REGULATIONS
OF
TOYOTA MOTOR CORPORATION**

Established: November 28, 1951
As last amended on June 16, 2021

**CHAPTER I.
GENERAL PROVISIONS**

Article 1. (Purpose)

1. Matters relating to the handling of shares and stock acquisition rights (including the procedures relating to the exercise of shareholders' rights) of Toyota Motor Corporation (the "Company") under the Articles of Incorporation of the Company, shall be governed by provisions of these share handling regulations (these "Regulations"), in addition to the provisions set forth by Japan Securities Depository Center, Inc. ("JASDEC"), the book-entry transfer institution, and account management institutions such as securities companies and trust banks (each referred to as the "Securities Company").
2. Matters relating to the handling of special accounts opened in accordance with agreements executed between the Company and a trust bank designated by the Company, and the fees in connection with such special accounts shall be governed by these Regulations, in addition to the provisions set forth by the trust bank.

Article 2. (Transfer Agent and its Handling Office)

The transfer agent (the "Transfer Agent") of the Company and its handling office shall be as follows:

Transfer Agent:

Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo

Handling office:

Mitsubishi UFJ Trust and Banking Corporation,
Corporate Agency Division
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo

Article 3. (Request or Notification)

1. Any request or notification with respect to the matters provided for in these Regulations shall be made in a written format designated by the Company. However, the foregoing shall not apply if such request or notification is submitted through the Securities Company and JASDEC, or as provided for in Article 17, Paragraph 1.
2. Should any request or notification as set forth in the preceding paragraph be submitted by the shareholder through the Securities Company and JASDEC, or through the Securities Company, it may be deemed that such request or notification has been made by such shareholder.
3. The Company may request the person who submitted the request or notification as stipulated in Paragraph 1 of this article to the Company, to submit materials certifying that the person is a shareholder of the Company or an agent of a shareholder of the Company.
4. In the event that the Company requests a person to submit materials as described in the preceding paragraph, the Company shall not process such request or notification unless such material is submitted.

Article 4. (*Agent*)

Should the procedure mentioned in Paragraph 1 of the preceding article be taken by an agent, such agent shall submit a documentation evidencing his/her power of representation. In addition, if the consent of curator or assistant is required for the procedure mentioned in Paragraph 1 of the preceding article, the shareholder shall submit a documentation evidencing such consent.

Article 5. (*Certification Document and Guarantor*)

If the Company deems it necessary in connection with the procedure mentioned in Article 3, Paragraph 1, the Company may require, in addition to those provided for in these Regulations, such certification document or such guarantor as the Company may deem appropriate.

**CHAPTER II.
ENTRY OR RECORDING, ETC. IN THE REGISTER OF SHAREHOLDERS**

Article 6. (*Entry or Recording in the Register of Shareholders*)

1. The Company shall enter or record items in the register of shareholders (the “Register of Shareholders”) in accordance with the general shareholders notification (*sou kabunushi tsuchi*) received from JASDEC.
2. If the Company receives notification regarding changes in address or other matters indicated in the Register of Shareholders of a person who is entered or recorded in the Register of Shareholders (the “Shareholder”), the Company shall revise the Register of Shareholders in accordance with such notification.
3. In addition to Paragraphs 1 and 2 of this article, the Company shall enter or record, in the Register of Shareholders, the issuance of new shares and such other matters provided for in laws and regulations.

Article 7. (*Letters, Symbols, etc. to be Used in the Register of Shareholders*)

Entries in the Register of Shareholders shall be made using the letters and symbols specified by JASDEC.

**CHAPTER III.
NOTIFICATION OF VARIOUS MATTERS**

Article 8. (*Notification of Shareholder’s Name/Corporate Name and Address, etc.*)

1. A Shareholder shall file a notification of name/corporate name and address; provided, however, that if any of the following items is applicable to the Shareholder, notification of the matters specified in such item shall be filed:
 - (1) If the Shareholder has a statutory agent such as a person in parental authority or guardian, the name/corporate name and address of such statutory agent.
 - (2) If the Shareholder is a corporation, the corporate name and address of the judicial person, and the title and name of its representative.
 - (3) If the shares are jointly owned, the name/corporate name and address of a representative of the joint owners.
 - (4) If the Shareholder resides outside of Japan, in addition to the name/corporate name and address of the Shareholder, the address in Japan at which such Shareholder shall receive notices or, if the Shareholder appoints a standing proxy in Japan, the name/corporate name and address of such standing proxy.
2. A Shareholder shall file a notification of amendment, if there is any amendment to the matters mentioned in the preceding paragraph.

3. The notifications or notifications of amendment described in Paragraphs 1 and 2 of this article shall be filed through the Securities Company and JASDEC. However, this shall not apply to the cases stipulated in Article 6, Paragraph 3.

Article 9. *(Other Notifications)*

1. In addition to notifications set forth in the preceding article, a Shareholder submitting any notification to the Company shall do so through the Securities Company and JASDEC, or through the Securities Company, unless otherwise designated by the Company. However, this shall not apply to the cases stipulated in Article 6, Paragraph 3.
2. Notifications which cannot be received or handled by the Securities Company shall be submitted to the Transfer Agent.

Article 10. *(Application to Registered Pledgeses)*

The provisions in this Chapter shall be applied *mutatis mutandis* to registered pledgeses of shares.

**CHAPTER IV.
PURCHASE OF COMMON SHARES CONSTITUTING LESS THAN ONE UNIT**

Article 11. *(Request for Purchase of Shares)*

In the event that a shareholder requests the Company for the purchase of common shares constituting less than one unit, such shareholder shall submit the request through the Securities Company and JASDEC in accordance with the provisions set forth by JASDEC.

Article 12. *(Determination of Purchase Price)*

If a purchase request is made for common shares constituting less than one unit, the purchase price of such shares shall be the amount obtained by multiplying the number of common shares requested to be purchased by the amount equivalent to the closing price of the common shares of the Company on the Tokyo Stock Exchange on the date on which the purchase request is received at the Handling Office of the Transfer Agent (“Date of Request”); provided, however, that if there is no sale and purchase transaction on the Tokyo Stock Exchange on the Date of Request or if the Date of Request falls on a holiday of the Tokyo Stock Exchange, the amount equivalent to the price at which the common shares of the Company are first traded on the trading day immediately following such date and thereafter shall be used.

Article 13. *(Payment of Purchase Price)*

Unless otherwise specified by the Company, the purchase price under the preceding article shall be paid by the Company to the applicant on the fourth business day of the Transfer Agent from the date immediately following the date on which the purchase price is determined and the purchase request is received at the Handling Office of the Transfer Agent.

Article 14. *(Transfer of Shares Purchased)*

The common shares constituting less than one unit for which the request for purchase is made shall be transferred to the transfer account of the Company on the date on which procedures for the payment of the purchase price as set forth in the preceding article have been completed.

**CHAPTER V.
ENTRY OR RECORDING, ETC. IN REGISTER OF STOCK ACQUISITION RIGHTS**

Article 15. (*Entry or Recording, etc. in Register of Stock Acquisition Rights*)

1. Any request for (i) entry or recording in the register of the stock acquisition rights (the “Register of the Stock Acquisition Rights”), (ii) registration, transfer or cancellation of the right of the pledge in connection with the stock acquisition rights and (iii) representation or cancellation of the trust assets, shall be made to the Transfer Agent.
2. In addition to the provisions set forth in the preceding paragraph, the handling of stock acquisition rights may be governed separately.

Article 16. (*Matters and Methods of Notifications Required to the Holder of Stock Acquisition Rights*)

The provisions in Articles 8 and 9 of these Regulations regarding matters and methods of notifications required shall be applied *mutatis mutandis* to the holders of the stock acquisition rights that are entered or recorded in the Register of the Stock Acquisition Rights; provided, however, unless as otherwise governed pursuant to Paragraph 2 of the preceding article, such notifications shall be made to the Transfer Agent.

**CHAPTER VI.
PROCEDURES FOR EXERCISE OF MINORITY SHAREHOLDERS’ RIGHTS, ETC.**

Article 17. (*Procedures for Exercise of Minority Shareholders’ Rights, etc.*)

1. Where minority shareholders’ rights and other rights as provided for in Article 147, Paragraph 4 of the Law Concerning Book-entry Transfer of Corporate Bonds, Stocks, etc. (the “Transfer Law”) are exercised directly to the Company, the exercising shareholder shall submit the request in writing bearing the name and seal of the shareholder, with an acceptance form (*uketsuke hyou*) of an Individual Shareholder Notice (*kobetsu kabunushi tsuchi*) (a notification set forth in Article 154, Paragraph 3 of the Transfer Law) delivered by the Securities Company attached. Non-Japanese citizens may provide a signature as a substitute for the name and seal.
2. The provisions in Article 3, Paragraphs 3 and 4, Articles 4 and 5 shall be applied to the exercise of minority shareholders’ rights and other rights as described in the preceding paragraph.

**CHAPTER VII.
FEES**

Article 18. (*Fees*)

The fees for the handling of shares shall be free of charge; provided, however, that the fees payable by shareholders to the Securities Company or JASDEC shall be borne by the Shareholders.

SUPPLEMENTARY PROVISIONS

Article 1. (*Amendment to Regulations*)

Any amendment to these Regulations shall be made by a resolution of the meetings of the Board of Directors of the Company.

Article 2. (*Effective Date*)

These Regulations, as amended, shall become effective as of June 16, 2021.

(End of Document)

The Code of Ethics for Directors and Officers

Article 1. (Purpose)

This document comprises a code of ethics (the “Code”) for directors and officers (including presidents, executive vice presidents and fellows who are appointed under Article 2 of the Regulations Concerning Operating Officers; together with directors, collectively called the “Officers”) of Toyota Motor Corporation (the “Company”) that sets forth the basic rules that, in addition to those outlined in “Guiding Principles at Toyota,” “Toyota Code of Conduct” and other guidelines and internal regulations of the Company, each Officer shall comply with in the performance of their professional management duties.

Article 2. (Objective)

This Code seeks to ensure honest and ethical conduct by all Officers, as well as their compliance with applicable laws and regulations.

Article 3. (Scope of Application)

This Code shall be applicable to all Officers.

Article 4. (Disclosure of this Code of Ethics)

This Code shall be appropriately disclosed in accordance with applicable laws and regulations.

Article 5. (Honest and Ethical Conduct)

1. Each Officer shall act honestly and ethically in the course of any business activity of the Company.
2. No Officer may engage in or otherwise enter into any act or transaction that gives rise to an actual or potential conflict of interest between such Officer and the Company without first reporting such matter to the Board of Directors and obtaining prior approval therefrom in accordance with the applicable provisions of the Companies Act of Japan and the internal regulations of the Company. Such Officer may not participate in the determination of the Board of Directors resolution relating to the granting of such approval.

Article 6. (Ensuring Fairness and Accuracy of Financial Disclosure; Appropriate Disclosure)

1. The chairman of the board, president, accounting and financial officers and persons performing similar functions shall be responsible for ensuring that documents submitted to applicable governmental authorities and other information made public by the Company with respect to the Company’s financial position and financial statements are fair and readily comprehensible in content and the method of presentation, and that such documents and information are timely disclosed.
2. The chairman of the board, president, accounting and financial officers and persons performing similar functions shall be responsible for establishing and maintaining disclosure controls and internal controls for documents and information specified in the previous paragraph.
3. In connection with the preparation of the Company’s financial statements, an Officer may not act in a way that may cause a material misunderstanding to or otherwise materially mislead any employee or independent public accountant involved in the preparation of such financial statements.

Article 7. (Compliance with Laws and Regulations)

The Officers shall comply with all applicable laws, rules and regulations, including those related to the prohibition of insider trading, in each of the countries and regions in which the Company operates.

Article 8. (Reporting of Unlawful Acts and Unethical Conduct)

1. Each Officer shall promptly report to the Board of Directors, Representative Director, Disclosure Committee, Sustainability Meeting, or other responsible division or person appointed by these committees, in the event that such Officer or other Officers have acted in violation of the applicable laws or ethics.
2. Officers may contact the “Speak-up Hotline” set up by the Company at an outside law firm with any legal or ethical inquiries or to report any breach of applicable laws or ethics. Upon receiving such report or other such inquiry, the designated law firm shall conduct necessary investigations and provide a report or recommendation to the Company while ensuring the anonymity of the person making such a contact. The Company shall then take appropriate measures based on such report or recommendation.

Article 9. (Accountability for Adherence to the Code)

1. Each Officer recognizes that legal compliance and ethical conduct form the basis for all corporate activities, and is obligated to comply with this Code.
2. The Company shall take appropriate disciplinary action in accordance with applicable laws and internal regulations of the Company against any Officer who acts in violation of the Code.
3. Officers who are subject to disciplinary action pursuant to the previous paragraph may not participate in any meeting, relating to the determination of such disciplinary action, of the Board of Directors, Disclosure Committee, Sustainability Meeting, or other investigative committees appointed thereby.

Article 10. (Exemption)

An exemption from the Code shall only be granted pursuant to a resolution of the Board of Directors, and any such exemption shall be appropriately disclosed in accordance with applicable laws.

Article 11. (Amendment)

1. Any amendment of this Code shall only be effected by a resolution of the Board of Directors.
2. The Sustainability Meeting shall be responsible for regularly evaluating the appropriateness of this Code, and for making recommendations relating to any necessary amendments of the Code to the Board of Directors.

Supplementary Provision

Article 1. (Effective Date)

This Code shall become effective on May 1, 2021.

CERTIFICATIONS

I, Akio Toyoda, certify that:

1. I have reviewed this annual report on Form 20-F of Toyota Motor Corporation (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the Audit & Supervisory Board (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: June 24, 2021

/s/ AKIO TOYODA

Akio Toyoda
President, Member of the Board of Directors
Toyota Motor Corporation

CERTIFICATIONS

I, Kenta Kon, certify that:

1. I have reviewed this annual report on Form 20-F of Toyota Motor Corporation (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the Audit & Supervisory Board (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: June 24, 2021

/s/ KENTA KON

Kenta Kon
Member of the Board of Directors
Toyota Motor Corporation

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form F-3 (No. 333-225851) of Toyota Motor Corporation of our report dated June 24, 2021 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Aarata LLC
Nagoya, Japan
June 24, 2021