

27 August 2020

Toyota Motor Finance (Netherlands) B.V.
(“TMF” or the “Company”)

Annual Financial Report for the financial year ended 31 March 2020

TMF was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands on 3 August 1987 and registered in the Trade Register of the Amsterdam Chamber of Commerce under number 33194984. TMF is a wholly-owned subsidiary of Toyota Financial Services Corporation (“TFS”), which is a wholly-owned subsidiary of Toyota Motor Corporation (“TMC”). TMF presents its Annual Financial Report for the financial year ended 31 March 2020.

References herein to “TFS group” means TFS and its subsidiaries and affiliates and “Toyota” means TMC and its consolidated subsidiaries.

1. Management Report

(A) Review of the development and performance of the Company’s business during the financial year and the position of the Company at the end of the financial year

The principal activity of the Company is to act as a group finance company for some of the subsidiaries and affiliates of TMC and TFS. The Company raises funds by issuing bonds and notes in the international capital markets and from other sources and on-lends to other Toyota companies. The Company also issues guarantees for debt issuances of certain other Toyota companies. In addition, the Company generates income from other investments and deposits incidental to its primary funding activities. As a group finance company, the Company is dependent on the performance of the subsidiaries and affiliates of TMC and TFS to which the Company grants loans and in respect of which it issues guarantees.

The Company’s principal borrowings are from its short-term Commercial Paper Programmes and from the Company’s Euro Medium Term Note Programme. In addition, the Company has raised medium-term funds from banks. The Company’s funding programmes and related costs are influenced by changes in the capital markets and prevailing interest rates, which may affect its ability to obtain cost-effective funding to support earning asset growth.

The Company lends to the subsidiaries and affiliates of TMC and TFS on both a fixed rate and floating rate basis. Almost all fixed rate lending is swapped into floating on a three-month floating basis in line with the Company’s risk management policy.

The Company’s liquidity strategy is to maintain the capacity to fund assets and repay liabilities in a timely and cost-effective manner even in the event of adverse market conditions. This capacity primarily arises from the Company’s high credit rating, its ability to raise funds in the international capital markets, and its ability to generate liquidity from its balance sheet. This strategy has led the Company to develop a

borrowing base that is diversified by market and geographic distribution and type of security, among other factors.

References herein to “fiscal 2020” denote the year ended 31 March 2020 and references herein to “fiscal 2019” denote the year ended 31 March 2019.

Certain financial data has been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

Fiscal 2020 Operating Summary

Revenue increased by 17.1% to € 154.4 million for the twelve months ended 31 March 2020 from € 131.9 million for the twelve months ended 31 March 2019, and the cost of funding increased by 23.3% to € 139.5 million for the twelve months ended 31 March 2020 from € 113.1 million for the twelve months ended 31 March 2019. Such increases were primarily due to increasing lending and borrowing volumes through the year. The volume of short-term and long-term loans to related companies increased by 22.2% to € 13.9 billion at 31 March 2020 from € 11.4 billion at 31 March 2019.

Gross profit decreased by 20.7% to € 14.9 million for the twelve months ended 31 March 2020 from € 18.8 million for the twelve months ended 31 March 2019, primarily due to higher interest expenses and fee expenses.

There was a profit before tax of € 97.1 million for the twelve months ended 31 March 2020 compared to a profit before tax of € 52.4 million for the twelve months ended 31 March 2019, primarily due to an increase in mark-to-market gains on financial instruments of € 88.7 million profit for the twelve months ended 31 March 2020 compared to € 39.2 million profit for the twelve months ended 31 March 2019. The mark-to-market gains on financial instruments are primarily caused by the decrease in interest rates in respect of originated funding currencies being more than the decrease in the operational currencies being hedged. Interest income increased by 16.8% to € 148.9 million for the financial year ended 31 March 2020 from € 127.5 million for the financial year ended 31 March 2019 and interest expenses increased by 23.3% to € 122.9 million for the financial year ended 31 March 2020 from € 99.7 million for the financial year ended 31 March 2019, in line with increased lending and borrowing volumes through the financial year ended 31 March 2020.

There was a profit for the year after tax of € 71.5 million for the twelve months ended 31 March 2020, compared to a profit of € 36.9 million for the twelve months ended 31 March 2019.

Current assets increased by 34.6% to € 6.9 billion at 31 March 2020 from € 5.1 billion at 31 March 2019. Current assets mainly consist of short-term loans to related companies. At 31 March 2020, a total equivalent amount of € 5.9 billion was lent to related companies. Other current assets include derivative financial instruments, other receivables including collateral deposits paid, cash and cash equivalents and current tax assets.

Current liabilities increased by 19.1% to € 7.0 billion at 31 March 2020 from € 5.9 billion at 31 March 2019. This was primarily due to an increase in the amount of borrowings.

During the financial year ended 31 March 2020, the Company increased the amount of funding obtained from the capital markets, by increasing funding under the Company's Euro Medium Term Note Programme, by increasing borrowing from banks and by increasing the amount of commercial paper the Company issued under its Commercial Paper Programmes. At 31 March 2020, net current liabilities decreased by 80.9% to € 152.0 million from € 794.3 million at 31 March 2019. Current liabilities exceeded current assets, and this was primarily as a result of short-term borrowings exceeding short-term lending to related companies for the financial year ended 31 March 2020.

Liquidity and Capital Resources

Liquidity risk is the risk arising from the inability to meet obligations when they come due. The Company's liquidity strategy is to maintain the capacity to fund assets and repay liabilities in a timely and cost-effective manner even in the event of adverse market conditions. This capacity primarily arises from the Company's ability to raise funds in the international capital markets as well as its ability to generate liquidity from its balance sheet. This strategy has led the Company to develop a borrowing base that is diversified by market and geographic distribution, type of security, and investor type, among other factors. Credit support provided by TFS provides an additional source of liquidity to the Company, although it is not relied upon in the Company's liquidity planning and capital and risk management.

For liquidity purposes, driven by the COVID-19 pandemic, the Company held cash and cash equivalents of € 744.6 million at 31 March 2020 compared to € 242.3 million at 31 March 2019.

The following table summarises the outstanding components of the Company's funding sources (Euro in millions):

	31 March	
	2020	2019
Commercial paper	3,781	2,425
Euro medium term notes	8,081	7,329
Loans from bank	2,389	1,742
Total borrowings	<u>14,251</u>	<u>11,496</u>

The Company does not rely on any single source of funding and may choose to realign its funding activities depending upon market conditions, relative costs, and other factors. The Company believes that its funding sources, combined with operating and investing activities, provide sufficient liquidity to meet future funding requirements and business growth. The Company's funding volume is based on asset growth and debt maturities.

(a) *Commercial Paper and Other Short-Term Loans*

Short-term funding needs are met through the issuance of commercial paper in Europe and the United States. Commercial paper outstanding under the Company's Commercial Paper Programmes ranged from approximately € 2.0 billion to € 3.8 billion during fiscal 2020, with an average outstanding balance of € 2.7 billion. The Company's Commercial Paper Programmes are supported by the liquidity facilities discussed later in this section.

(b) *Medium Term Notes*

Some of the term funding requirements are currently met through the issuance of debt securities ("EMTNs") under the Company's Euro Medium Term Note Programme (the "EMTN Programme"). To diversify its funding sources, the Company issued in a variety of markets, currencies and maturities, and to a variety of investors, which allows the Company to broaden its distribution of securities and further enhance liquidity.

The following table summarises the Company's components of unsecured term debt (Euro in millions):

	<u>Total unsecured term debt⁽¹⁾</u>
Balance at 31 March 2019	7,329
Issuances during the twelve months ended 31 March 2020 ⁽²⁾	3,586
Payments during the twelve months ended 31 March 2020	-2,645
Change in foreign exchange revaluation, amortisation and interest accruals	-189
Balance at 31 March 2020	<u>8,081</u>

(1) Consists of fixed and floating rate debt. Upon the issuance of fixed rate debt, the Company generally elects to enter into pay-floating rate interest rate swaps.

(2) EMTNs were issued in Euro and non-Euro currencies, had terms to maturity ranging from approximately 1 year to 10 years, had fixed or floating interest rates at the time of issuance ranging from 0% to 3%. Concurrent with the issuance of non-Euro denominated notes, the Company entered into cross currency interest rate swap agreements to convert payments of principal and interest on these notes to Euro, Pounds Sterling or U.S. Dollars.

The Company maintains the EMTN Programme together with its affiliates Toyota Credit Canada Inc., Toyota Finance Australia Limited and Toyota Motor Credit Corporation (the Company and such affiliates, the "EMTN Issuers"), providing for the issuance of debt securities in the international capital markets. In September 2019, the EMTN Issuers renewed the EMTN Programme for a one year period. The maximum aggregate principal amount of debt securities that may be issued by the EMTN Issuers and outstanding under the EMTN Programme at any time is € 50 billion, or the equivalent in other currencies, of which €17 billion was available for issuance at 31 March 2020. The maximum aggregate principal amount of the EMTN Programme may be increased from time to time to allow for the continued use of this source of funding. In addition, the Company may issue bonds or enter into

other unsecured financing arrangements through the international capital markets that are not issued under its EMTN Programme. Debt securities issued under the EMTN Programme are issued pursuant to the terms of an agency agreement, which contains customary terms and conditions. Certain debt securities issued under the EMTN Programme are subject to negative pledge provisions.

(c) Loans from Group Companies

During the twelve months ended 31 March 2020 there were no drawdowns under loan facilities from each of TFS and Toyota Motor Credit Corporation to the Company.

(d) Loans from Third Parties

At 31 March 2020, the Company had entered into five bilateral bank credit agreements for an aggregate amount of U.S.\$ 777 million 1-year, 3-year and 5-year loans, four bilateral bank credit agreements for an aggregate amount of Yen 91.8 billion 3-year and 4-year loans, two bilateral bank credit agreements for an aggregate amount of € 590 million 2-year and 3-year loans as well as one bilateral bank credit agreement for a 3-year loan of SG\$ 490 million. The ability to make draws under these bilateral credit agreements is subject to covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross default provisions and limitations on consolidations, mergers and sales of assets. The facilities may be used for general corporate purposes or working capital and were fully drawn upon as of 31 March 2020.

Bilateral Three Year Term Loan Credit Agreements

On 26 August 2019, the Company entered into a € 440 million Three Year Term Loan Credit Agreement for two loans of € 220 million each, the first of which was fully drawn upon on 28 August 2019 and the second of which was fully drawn upon on 16 October 2019.

On 16 October 2019, the Company entered into a JPY 30 billion Uncommitted Three Year Term Loan Credit Agreement which was fully drawn upon on 24 October 2019.

On 26 March 2020, the Company entered into a JPY 21.8 billion Uncommitted Three Year Term Loan Credit Agreement which was fully drawn upon on 30 March 2020.

Bilateral Three Year Revolving Credit Agreement

On 13 March 2020, the Company entered into a U.S.\$ 66 million Three Year Revolving Credit Agreement which was fully drawn on 19 March 2020.

Bilateral One Year Revolving Credit Agreement

On 25 March 2020, the Company entered into a U.S.\$ 100 million Uncommitted One Year Revolving Credit Agreement which was fully drawn upon on 27 March 2020.

The following table summarises the Company's total borrowings from third parties (Euro in millions):

	Total borrowings from Bank
Balance at 31 March 2019	1,742
Drawdowns during the twelve months ended 31 March 2020	1,024
Payments during the twelve months ended 31 March 2020	-352
Change in foreign exchange revaluation, amortisation and interest accruals	-25
Balance at 31 March 2020	<u>2,389</u>

(e) *Liquidity Facilities and Letters of Credit*

For additional liquidity purposes, the Company maintains syndicated and bilateral bank credit facilities with certain banks. The Company has entered into 3 committed syndicated bank credit facilities and 11 bilateral bank credit facilities.

Bilateral 364 Day Revolving Credit Agreements

On 5 June 2019, the Company entered into a € 200 million 364 day bilateral bank credit facility pursuant to a bilateral 364 Day Revolving Credit Agreement. The ability to make drawdowns under the 364 Day Revolving Credit Agreement is subject to covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross default provisions and limitations on consolidations, mergers and sales of assets. The bilateral 364 Day Revolving Credit Agreement may be used for general corporate purposes and was not drawn upon as of 31 March 2020. The previous € 200 million bilateral 364 Day Facility Agreement, entered into on 6 June 2018, terminated on 5 June 2019.

On 6 July 2019, the Company entered into a € 200 million 364 day bilateral bank credit facility pursuant to a bilateral 364 Day Revolving Credit Agreement. The ability to make drawdowns under the 364 Day Revolving Credit Agreement is subject to covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross default provisions and limitations on consolidations, mergers and sales of assets. The bilateral 364 Day Revolving Credit Agreement may be used for general corporate purposes and was not drawn upon as of 31 March 2020. The previous € 200 million bilateral 364 Day Revolving Credit Agreement, entered into on 6 July 2018, terminated on 5 July 2019.

Syndicated 364 Day, Three Year and Five Year Credit Agreements

On 8 November 2019, the Company and other Toyota affiliates entered into a U.S.\$ 5.0 billion 364 day syndicated bank credit facility pursuant to a 364 Day Credit Agreement, a U.S.\$ 5.0 billion three year syndicated bank credit facility pursuant to a Three Year Credit Agreement and a U.S.\$ 5.0 billion five year syndicated bank credit facility pursuant to a Five Year Credit Agreement. The ability to make drawdowns

under the 364 Day Credit Agreement, the Three Year Credit Agreement and the Five Year Credit Agreement is subject to covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross default provisions and limitations on consolidations, mergers and sales of assets. The 364 Day Credit Agreement, the Three Year Credit Agreement and the Five Year Credit Agreement may be used for general corporate purposes and were not drawn upon as of 31 March 2020. The 364 Day Credit Agreement, the Three Year Credit Agreement and the Five Year Credit Agreement, each dated as of 9 November 2018, terminated (in the case of the 364 Day Credit Agreement) or were terminated (in the case of the Three Year Credit Agreement and the Five Year Credit Agreement) on 8 November 2019.

Bilateral 364 Day and Three Year Credit Agreements

On 8 November 2019, the Company and other Toyota affiliates entered into a U.S.\$ 350 million 364 day bilateral bank revolving credit facility pursuant to a bilateral 364 Day Revolving Credit Agreement and a U.S.\$ 350 million three year bilateral bank revolving credit facility pursuant to a bilateral Three Year Revolving Credit Agreement. The ability to make drawdowns under the bilateral 364 Day Revolving Credit Agreement and the bilateral Three Year Revolving Credit Agreement is subject to covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross default provisions and limitations on consolidations, mergers and sales of assets. The bilateral 364 Day Revolving Credit Agreement and the bilateral Three Year Revolving Credit Agreement may be used for general corporate purposes and were not drawn upon as of 31 March 2020. The 364 Day Revolving Credit Agreement and the Three Year Revolving Credit Agreement, each dated as of 9 November 2018, terminated (in the case of the 364 Day Revolving Credit Agreement) or was terminated (in the case of the Three Year Credit Agreement) on 8 November 2019.

On 27 November 2019, the Company entered into a € 225 million 364 day bilateral bank credit facility pursuant to a bilateral 364 Day Revolving Credit Agreement and a € 225 million three year bilateral bank credit facility pursuant to a bilateral Three Year Revolving Credit Agreement. The ability to make drawdowns under the bilateral 364 Day Revolving Credit Agreement and the bilateral Three Year Revolving Credit Agreement is subject to covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross default provisions and limitations on consolidations, mergers and sales of assets. The bilateral 364 Day Revolving Credit Agreement and the bilateral Three Year Revolving Credit Agreement may be used for general corporate purposes and were not drawn upon as of 31 March 2020.

Bilateral 364 Day, Three Year and Five Year Revolving Credit Agreements

On 18 March 2020, the Company entered into a € 175 million 364 day bilateral bank credit facility pursuant to a bilateral 364 Day Revolving Credit Agreement, a € 175 million three year bilateral bank credit facility pursuant to a bilateral Three Year Revolving Credit Agreement and a € 150 million five year bilateral bank credit facility pursuant to a bilateral Five Year Revolving Credit Agreement. The ability to

make drawdowns under the bilateral 364 Day Revolving Credit Agreement, the bilateral Three Year Revolving Credit Agreement and the bilateral Five Year Revolving Credit Agreement is subject to covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross default provisions and limitations on consolidations, mergers and sales of assets. The bilateral 364 Day Revolving Credit Agreement, the bilateral Three Year Revolving Credit Agreement and the bilateral Five Year Revolving Credit Agreement may be used for general corporate purposes and were not drawn upon as of 31 March 2020. The 364 Day Revolving Credit Agreement, the Three Year Revolving Credit Agreement and the Five Year Revolving Credit Agreement, each dated as of 26 March 2019 were terminated on 18 March 2020.

Bilateral 364 Day Revolving Credit Agreements

On 27 February 2020, the Company entered into a € 150 million 364 day bilateral bank credit facility pursuant to a bilateral 364 Day Revolving Credit Agreement. The ability to make drawdowns under the 364 Day Revolving Credit Agreement is subject to covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross default provisions and limitations on consolidations, mergers and sales of assets. The 364 Day Revolving Credit Agreement was not drawn upon as of 31 March 2020. The 364 Day Revolving Credit Agreement dated 28 February 2019 terminated on 27 February 2020.

On 12 March 2020, the Company entered into a € 200 million 364 day bilateral bank credit facility pursuant to a bilateral 364 Day Revolving Credit Agreement. The ability to make drawdowns under the 364 Day Revolving Credit Agreement is subject to covenants and conditions customary in transactions of this nature, including negative pledge provisions, cross default provisions and limitations on consolidations, mergers and sales of assets. The 364 Day Revolving Credit Agreement was not drawn upon as of 31 March 2020.

(f) Credit Support Agreements

Under the terms of a credit support agreement between TMC and TFS (“**TMC Credit Support Agreement**”), TMC agreed to: 1) maintain 100 percent ownership of TFS; 2) cause TFS and its subsidiaries to have a net worth of at least ¥ 10 million; and 3) make sufficient funds available to TFS so that TFS will be able to (i) service the obligations arising out of its own bonds, debentures, notes and other investment securities and commercial paper (collectively “**TFS Securities**”) and (ii) honour its obligations incurred as a result of guarantees or credit support agreements that it has extended. The TMC Credit Support Agreement is not a guarantee by TMC of any securities or obligations of TFS. TMC’s obligations under the TMC Credit Support Agreement rank *pari passu* with its senior unsecured debt obligations. The TMC Credit Support Agreement is governed by, and construed in accordance with, the laws of Japan.

Under the terms of a similar credit support agreement between TFS and the Company (“**TFS Credit Support Agreement**”), TFS agreed to: 1) maintain 100 percent ownership of the Company; 2) cause the Company and its subsidiaries, if any, to have a net worth of at least € 100,000; and 3) make sufficient funds available to the

Company so that the Company will be able to service the obligations arising out of its own bonds, debentures, notes and other investment securities and commercial paper (collectively, “**TMF Securities**”). The TFS Credit Support Agreement is not a guarantee by TFS of any TMF Securities or other obligations of the Company. TFS’s obligations under the TFS Credit Support Agreement rank *pari passu* with its senior unsecured debt obligations. The TFS Credit Support Agreement is governed by, and construed in accordance with, the laws of Japan.

Holders of TMF Securities have the right to claim directly against TFS and TMC to perform their respective obligations under the TFS Credit Support Agreement and the TMC Credit Support Agreement by making a written claim together with a declaration to the effect that the holder will have recourse to the rights given under the TFS Credit Support Agreement and/or the TMC Credit Support Agreement, as the case may be. If TFS and/or TMC receives such a claim from any holder of TMF Securities, TFS and/or TMC shall indemnify, without any further action or formality, the holder against any loss or damage resulting from the failure of TFS and/or TMC to perform any of their respective obligations under the TFS Credit Support Agreement and/or the TMC Credit Support Agreement, as the case may be. The holder of TMF Securities who made the claim may then enforce the indemnity directly against TFS and/or TMC.

The TMC Credit Support Agreement and the TFS Credit Support Agreement each provide for termination by either party upon 30 days written notice to the other party. Such termination will not take effect until or unless all TFS Securities or all TMF Securities, respectively, have been repaid or each relevant rating agency has confirmed to TFS or the Company, respectively, that the debt ratings of all such TFS Securities or all such TMF Securities, respectively, will be unaffected by such termination.

In connection with the TFS Credit Support Agreement, the Company and TFS are parties to a credit support fee agreement (“**Credit Support Fee Agreement**”). The Credit Support Fee Agreement requires the Company to pay to TFS a semi-annual fee which is based upon the weighted average outstanding amount of TMF Securities entitled to credit support.

(g) *Credit Ratings*

The cost and availability of unsecured financing is influenced by credit ratings. Lower ratings generally result in higher borrowing costs as well as reduced access to capital markets. Credit ratings are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by the assigning nationally recognised statistical rating organisation (“**NRSRO**”). Each NRSRO may have different criteria for evaluating risk, and therefore ratings should be evaluated independently for each NRSRO. The Company’s credit ratings depend in part on the existence of the credit support agreements of TFS and TMC.

Guarantees

The Company has guaranteed the payments of principal and interest with respect to commercial paper, medium term notes and other debt issuance of other TMC

subsidiaries. The Company earned fees of € 5.2 million in the year ended 31 March 2020 (compared to € 4.2 million in the year ended 31 March 2019) for guaranteeing such payments. The nature and amounts of these guarantees are described in Note 30 – Contingent liabilities of the Notes to the Financial Statements. The TFS Credit Support Agreement and the Credit Support Fee Agreement apply to the Company’s contingent liability with respect to commercial paper, medium term notes and other debt issuance of the relevant TMC subsidiaries.

Contractual Obligations and Credit-Related Commitments

The Company has certain obligations to make future payments under contracts and credit-related financial instruments and commitments. Aggregate contractual obligations and credit-related commitments in existence at 31 March 2020 are summarised as follows (Euro in millions):

31 March 2020	Payments due by period			
	Due within 3 months	Due between 4 and 12 months	Due between 1 and 5 years	Due after 5 years
Contractual Obligations				
Bank borrowings	97	748	1,566	-
Commercial paper	2,227	1,562	-	-
EMTNs	667	1,157	6,467	56
Collateral deposits received	535	-	-	-
Total	3,526	3,467	8,033	56

Critical Accounting Estimates

The Company has identified the estimates below as critical to its business operations and the understanding of its results of operations. The evaluation of the factors used in determining the Company’s critical accounting estimates involves significant assumptions, complex analyses, and management judgment. Changes in the evaluation of these factors may significantly impact the financial statements. Different assumptions or changes in economic circumstances could result in additional changes to the determination of the Company’s results of operations and financial condition.

Derivative Instruments

The Company manages its exposure to market risks such as interest rate and foreign exchange risks with derivative instruments. These instruments include interest rate swaps, cross-currency swaps, and foreign currency contracts. The Company’s use of derivatives is limited to the management of interest rate and foreign exchange risks.

Nature of Estimates and Assumptions Required

Management determines the application of derivatives accounting through the identification of hedging instruments, hedged items, and the nature of the risk being hedged, as well as the methodology used to assess the hedging instrument’s effectiveness. The fair values of the Company’s derivative financial instruments are

calculated by applying standard valuation techniques, such as discounted cash flow analysis employing readily available market data, including interest rates, foreign exchange rates, and volatilities. However, considerable judgment is required in interpreting market data to develop estimates of fair value; therefore, the estimates are not necessarily indicative of the amounts that could be realised or would be paid in a current market exchange.

Employees

At 31 March 2020, the Company had eleven employees and two of them were seconded from Toyota affiliates.

The Company has no unionised employees in the Netherlands. The Company has not experienced any strikes or other labour disturbances that have interfered with its operations since its inception, and the Company believes that the relationship among its management and its employees is good.

(B) Risks and Uncertainties facing the Company

The Company's principal activity is to act as a group finance company for some of the subsidiaries and affiliates of TMC and TFS. The Company raises funds by issuing bonds and notes in the international capital markets which have the benefit of the credit support arrangements stated below (see "*Credit Ratings and Credit Support*") and from other sources and on-lends to other Toyota companies. The Company also issues guarantees for debt issuances of certain other Toyota companies and such guarantees issued by the Company also have the benefit of the same credit support arrangements. The Company's role as a financing vehicle exposes it to a variety of financial risks that include credit risk, liquidity risk, interest rate risk and foreign currency exchange rate risk. The Company has in place a risk management programme that seeks to limit the adverse effects on its financial performance of those risks by entering into agreements to exchange collateral, matching foreign currency assets and liabilities and through the use of financial instruments, including interest rate swaps, cross-currency swaps and foreign currency contracts, to manage interest rate and foreign currency risk.

The Company has no control over how the other Toyota companies to which the Company on-lends funds source their financing. The Company competes with other providers of finance to such Toyota companies and any increases in competitive pressures, such as cost of funding, could have an adverse impact on the Company's financing volume, revenues and margins. Further, the financial condition of the subsidiaries and affiliates of TMC and TFS to which the Company on-lends funds or the Toyota companies to which the Company provides guarantees in respect of their debt issuances, may have an impact on the financial services the Company provides to such subsidiaries and affiliates of TMC and TFS or such Toyota companies. This could have an adverse impact on the Company's results of operations and financial condition.

Each of the Company, TFS and Toyota may be exposed to certain risks and uncertainties that could have a material adverse impact directly or indirectly on its business, results of operations and financial condition. There may be additional risks

and uncertainties not presently known to each of the Company, TFS and Toyota or that it currently considers immaterial that may also have a material adverse impact on its business, results of operations and financial condition.

INDUSTRY AND BUSINESS RISKS

Health Epidemics and Other Outbreaks

The Company faces various risks related to health epidemics and other outbreaks, including the global outbreak of the coronavirus (“**COVID-19**”). The COVID-19 pandemic, changes in consumer behaviour related to illness, pandemic fears and market downturns, and restrictions intended to slow the spread of COVID-19, including quarantines, government-mandated actions, stay-at-home orders and other restrictions, have led to disruption and volatility in the global capital markets, which has increased the Company’s cost of capital and adversely affected the Company’s ability to access the capital markets. For more information on how a disruption in the global capital markets affects the Company’s liquidity, please see “*Liquidity Risk*” below.

In addition, the COVID-19 pandemic and restrictions intended to slow the spread of COVID-19 have adversely affected the Company’s business, and the business of Toyota, in a number of ways. Similar to relief options that Toyota offers to customers and dealers impacted by natural disasters such as hurricanes, floods, tornadoes and wildfires, Toyota is offering payment relief options to customers and dealers impacted by COVID-19, including finance contract extensions or payment deferrals, lease deferred payments, temporary interest deferrals for dealer floorplan financing and temporarily suspended outbound collection activities in states or countries with state-wide or countrywide stay-at-home orders and repossession activities countrywide in a number of countries for a period of time, but have since resumed such activities where legally permissible to do so in a number of countries (collectively, the “**COVID-19 Relief**”). Toyota’s payment relief programmes currently allow existing customers who request assistance to defer their loan or lease payments, but with interest continuing to accrue. These COVID-19 payment relief programmes may be terminated, or the scope, duration and terms of them may be modified, at any time. Unlike the relief options offered for natural disasters, which were limited to the affected geographies, the COVID-19 Relief is being offered countrywide due to the global impact of the COVID-19 pandemic, and may not be successful in reducing future increases to provisions for credit losses of Toyota. The COVID-19 pandemic has increased and may increase further the residual value losses (losses due to the estimated end of term market value of lease assets not being recoverable at the end of the lease term) of Toyota and may continue to do so if there is not a substantial economic recovery. The Company has also temporarily transitioned nearly all of its team members to remote work arrangements, and many Toyota and Lexus dealerships had temporarily closed and more may voluntarily close, or be mandated to close, in the near future, although some dealerships have since reopened too. Toyota Motor North America, Inc. temporarily suspended production at all of its automobile and components plants in North America from 23 March 2020 to 8 May 2020. Although Toyota and many of its suppliers are resuming production, unexpected delays affecting the supply chain or logistics network, could negatively impact dealer

inventory levels, vehicle sales, the sale of financing and insurance products, dealer profitability and creditworthiness, and the Company's future results of operations.

These events have disrupted the supply chains of the vehicles that Toyota companies' finance, and have had a material adverse effect on the sale of vehicles by Toyota companies as well as financing by the Company. These events have also caused an unprecedented level of unemployment claims, resulted in a significant decline in consumer confidence and spending and a sharp decline in economic conditions. In addition, these events have caused and may in the future cause a significant decline in used vehicle prices and a significant increase in delinquencies and may cause an increase in dealer defaults, which have resulted in materially increased provisions for credit losses and residual value losses, which may continue if there is not a substantial economic recovery. The foregoing events, and the uncertainty relating thereto, have also adversely affected the credit ratings of TMC and the Company and may result in further actions or downgrades by credit rating agencies. For more information regarding the impacts of credit ratings changes on the Company, please see "*Credit Ratings and Credit Support*" below.

If significant portions of the workforce of Toyota companies, including the Company, are unable to work effectively as a result of the COVID-19 pandemic, including because of illness, quarantines, facility closures, ineffective remote work arrangements or technology failures or limitations, Toyota's operations, including those of the Company, would be adversely impacted. Some of the third-party suppliers and business partners that the Company relies on to deliver its products and services and to operate its business may not be able to perform fully, which could adversely impact the Company's ability to operate its business and increase its costs and expenses. These increased costs and expenses may not be fully recoverable or adequately covered by insurance. Toyota, including the Company, is working with its stakeholders (including customers, dealers, team members, suppliers and business partners (for the Company, as relevant to the Company)) to assess the ongoing impact of the COVID-19 pandemic and to take actions in an effort to mitigate adverse consequences.

The duration and possible resurgence of the COVID-19 pandemic is uncertain. The extension of curtailed economic activities as a result of further outbreaks of COVID-19, extended or additional government restrictions intended to slow the spread of the virus, or delayed consumer response once restrictions have been lifted could have further negative impacts on used vehicle values, consumer economics, dealerships and auction sites, which could have a material adverse impact on Toyota's, including the Company's, future results of operations.

The foregoing impacts and other unforeseen impacts not referenced above, as well as the ultimate impact of the COVID-19 pandemic, are difficult to predict, and have had and are expected to have a material adverse effect on Toyota's, including the Company's, business, financial condition, results of operations and cash flows.

General Business, Economic, Geopolitical and Market Conditions

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

Market conditions are subject to periods of volatility which can have the effect of reducing activity in a range of consumer and industry sectors which can adversely impact the financial performance of the Company. Elevated levels of market disruption and volatility, such as in the United States, Europe and Asia, could increase the Company's cost of capital and adversely affect its ability to access the international capital markets and fund its business in a similar manner, and at a similar cost, to the funding raised in the past. These market conditions could also have an adverse effect on the results of operations and financial condition of the Company by increasing the Company's cost of funding. If, as a result, the Company increases the rates it charges its customers, the Company's competitive position could be negatively affected. Challenging market conditions may result in less liquidity, greater volatility, widening of credit spreads and lack of price transparency in credit markets. Changes in investment markets, including changes in interest rates, exchange rates and returns from equity, property and other investments, will affect (directly or indirectly) the financial performance of the Company.

If there is a continued and sustained period of market disruption and volatility:

- there can be no assurance that the Company will continue to have access to the capital markets in a similar manner and at a similar cost as it has had in the past;
- issues of debt securities by the Company may be undertaken at spreads above benchmark rates that are greater than those on similar issuances undertaken during the prior several years;
- the Company may be subject to over-reliance on a particular funding source or a simultaneous increase in funding costs across a broad range of sources; and

- the ratio of the Company's short-term debt outstanding to total debt outstanding may increase if negative conditions in the debt markets lead the Company to replace some maturing long-term liabilities with short-term liabilities (for example, commercial paper).

Any of these developments could have an adverse effect on the Company's results of operations and financial condition.

Geopolitical conditions and other market events may also impact the Company's results of operations and financial condition. Restrictive exchange or import controls or other disruptive trade policies, disruption of operations as a result of systemic political or economic instability, social unrest, outbreak of war or expansion of hostilities, health epidemics and other outbreaks, and acts of terrorism, could each have a material adverse effect on the Company's results of operations and financial condition. Developments related to the United Kingdom's recent withdrawal from the European Union ("**Brexit**") have created significant political and economic uncertainty in the United Kingdom and in European Union member states. While the Company does not operate in the United Kingdom, the global financial, trade, and legal implications of Brexit could lead to declines in market liquidity and activity levels, volatile market conditions, a contraction of available credit, fluctuations in interest rates, weaker economic growth, and reduced business confidence on an international level, each of which could have a material adverse effect on the Company's results of operations and financial condition.

Sales of Toyota and Lexus Vehicles

The Company's business is dependent upon the performance of Toyota companies to which the Company grants loans and/or in respect of which it issues guarantees and, thereby, sales of Toyota and Lexus vehicles by Toyota companies.

Changes in the volume of Toyota distributor sales may result from:

- governmental action;
- changes in governmental regulation or trade policies;
- changes in consumer demand;
- new vehicle incentive programmes;
- recalls;
- the actual or perceived quality, safety or reliability of Toyota and Lexus vehicles;
- changes in economic conditions;
- increased competition;
- increases in the price of vehicles due to increased raw material costs, changes in import fees or tariffs on raw materials or imported vehicles, changes to, or withdrawals from, trade agreements;
- currency fluctuations;

- fluctuations in interest rates; and
- decreased or delayed vehicle production due to natural disasters, supply chain interruptions or other events, including the global outbreak of the COVID-19 pandemic.

In addition, many manufacturers have increased their level of incentive programmes on new vehicles in an attempt to maintain and grow market share; these incentives historically have included a combination of subsidy, price rebates as well as other incentives. In addition, the volume of Toyota distributor sales may also be affected by Toyota's ability to successfully grow through investments in the area of emerging opportunities such as mobility and connected services, vehicle electrification, fuel cell technology and autonomy, which depends on many factors, including advancements in technology, regulatory changes and other factors that are difficult to predict. Any negative impact on the volume of Toyota distributor sales could have a material adverse effect on the Company's business, results of operations and financial condition.

Changes in Consumer Behaviour

A number of trends are affecting the automotive industry. These include a market shift from cars to sport utility vehicles (SUVs) and trucks, high demand for incentives, the rise of mobility services such as vehicle sharing and ride hailing, the development of autonomous and alternative-energy vehicles, the impact of demographic shifts in attitudes and behaviours toward vehicle ownership and use, the development of flexible alternatives to traditional financing and leasing such as subscription service offerings, changing expectations around the vehicle buying experience, adjustments in the geographic distribution of new and used vehicle sales, and advancements in communications and technology. Any one or more of these trends could adversely affect the automotive industry, Toyota distributors and Toyota, and could in turn have an adverse impact on the Company's business, results of operations and financial condition.

Recalls and Other Related Announcements

Toyota periodically conducts vehicle recalls which could include temporary suspensions of sales and production of certain Toyota and Lexus models. As the Company's business is dependent upon the performance of Toyota companies to which the Company grants loans and/or in respect of which it issues guarantees, such events could adversely affect the Company's business, results of operations and financial condition.

A decrease in the level of sales, including as a result of the actual or perceived quality, safety or reliability of Toyota and Lexus vehicles or a change in standards of regulatory bodies, will have a negative impact on the level of the Company's financing volume. Further, certain Toyota affiliated entities are or may become subject to litigation and governmental investigations, and have been or may become subject to fines or other penalties. These factors could affect sales of Toyota and Lexus vehicles and, accordingly, could have a negative effect on the Company's business, results of operations and financial condition.

Competition Risk

The Company operates in a highly competitive environment and the Company has no control over how Toyota dealers source financing for their customers. Competitors of the Company include commercial banks, credit unions and other financial institutions. To a lesser extent, the Company competes with other motor vehicle manufacturers' affiliated finance companies. In addition, online financing options provide consumers with alternative financing sources. Increases in competitive pressures could have an adverse impact on contract volume, market share, net financing revenues and margins. Further, the financial condition and viability of competitors and peers of the Company may have an adverse impact on the financial services industry in which the Company operates, resulting in a decrease in demand for its products and services. This could have an adverse impact on the volume of the Company's business and results of operations.

Operational Risk

Operational risk is the risk of loss resulting from, among other factors, lack of established processes, inadequate or failed processes, systems or internal controls, theft, fraud, natural disasters or other catastrophes (including without limitation, explosions, fires, floods, earthquakes, terrorist attacks, riots, civil disturbances, health epidemics and other outbreaks) that could affect the Company.

Operational risk can occur in many forms including, but not limited to, errors, business interruptions, failure of controls, failure of systems or other technology, deficiencies in the Company's insurance risk management programme, inappropriate behaviour or misconduct by employees of, or those contracted to perform services for, the Company and vendors that do not perform in accordance with their contractual agreements. These events can potentially result in financial losses or other damages to the Company, including damage to reputation.

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

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

FINANCIAL MARKET AND ECONOMIC RISKS

Credit Ratings and Credit Support

The credit ratings for notes, bonds and commercial paper issued by the Company, depend, in large part, on the existence of the credit support arrangements with TFS and TMC and on the results of operations and financial condition of TMC and its

consolidated subsidiaries. If these arrangements (or replacement arrangements acceptable to the rating agencies) are not available to the Company, or if the credit ratings of TMC and TFS as credit support providers were lowered, the credit ratings for notes, bonds and commercial paper issued by the Company would be adversely impacted.

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

Liquidity Risk

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

Use of Models, Estimates and Assumptions

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

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

Credit Risk

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

Economic slowdown and recession, natural disasters, health epidemics, such as the COVID-19 pandemic, and other factors increase the risk that a customer may not meet the terms of a contract with the Company or may otherwise fail to perform as agreed. A weak economic environment evidenced by, among other things, unemployment, underemployment and consumer bankruptcy filings, may affect some of the Company's customers' ability to make their scheduled payments.

Market Risk

Market risk is the risk that changes in interest rates and foreign currency exchange rates cause volatility in the Company's results of operations, financial condition and cash flows. An increase in interest rates could have an adverse effect on the Company's business, results of operations and financial condition by increasing the Company's cost of capital and the rates it may charge other Toyota companies, which could, in turn, decrease the Company's financing volumes and market share, thereby resulting in a decline in the competitive position of the Company.

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

On 27 July 2017, and in a subsequent speech by its Chief Executive on 12 July 2018, the United Kingdom Financial Conduct Authority, which regulates the London Inter-bank Offered Rate ("**LIBOR**"), announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after calendar year 2021. It is not possible to predict whether LIBOR will cease to exist after calendar year 2021, whether additional reforms to LIBOR may be enacted, or whether the Secured Overnight Financing Rate (SOFR) or other alternative reference rates will gain market acceptance, and any of these outcomes could increase the Company's interest rate risk related to its financing activities, derivative contracts, secured and unsecured debt, and investment securities currently tied to LIBOR.

Changes in interest rates or foreign currency exchange rates could affect the Company's interest expense and the value of its derivative financial instruments, which could result in volatility in its results of operations, financial condition and cash flows.

Counterparty Credit Risk

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

REGULATORY, LEGAL AND OTHER RISKS

Impact of Changes to Accounting Standards

The audited financial statements of the Company for the financial year ended 31 March 2020 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as adopted by the European Union.

The International Accounting Standards Board ("**IASB**") is continuing its programme to develop new accounting standards where it perceives they are required and to rewrite existing standards where it perceives they can be improved. Any future change in IFRS adopted by the IASB may have a beneficial or detrimental impact on the reported earnings of the Company.

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

Risk of Failure or Interruption of the Information Systems

The Company relies on internal and third party information and technological systems to manage its operations which creates meaningful operational risk for the Company. Any failure or interruption of the Company's information systems or the third party information systems on which it relies as a result of inadequate or failed processes or systems, human error, employee misconduct, catastrophic events, external or internal

security breaches, acts of vandalism, computer viruses, malware, ransomware, misplaced or lost data, or other events could disrupt the Company's normal operating procedures, damage its reputation and have an adverse effect on its business, results of operations and financial condition.

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

Risk of a Security Breach or a Cyber-attack

The Company collects and stores certain personal and financial information from customers, employees and other third parties. Security breaches or cyber-attacks involving the Company's systems or facilities, or the systems or facilities of the Company's service providers, could expose the Company to a risk of loss of personally identifiable information of customers, employees and third parties or other confidential, proprietary or competitively sensitive information, business interruptions, regulatory scrutiny, actions and penalties, litigation, reputational harm, a loss of confidence and other financial and non-financial costs, all of which could potentially have an adverse impact on the Company's future business with current and potential customers, results of operations and financial condition.

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

an attempted cyber incident or other security breach is successfully avoided or thwarted, it may require the Company to expend substantial resources or to take actions that could adversely affect customer satisfaction or behaviour and expose the Company to reputational harm.

The Company could also be subjected to cyber-attacks that could result in slow performance and loss or temporary unavailability of its information systems. Information security risks have increased because of new technologies, the use of the internet and telecommunications technologies (including mobile devices) to conduct financial and other business transactions, and the increased sophistication and activities of organised crime, perpetrators of fraud, hackers, terrorists, and others. The Company may not be able to anticipate or implement effective preventative measures against all security breaches of these types, especially because the techniques used change frequently and because attacks can originate from a wide variety of sources. The occurrence of any of these events could have a material adverse effect on the Company's business, results of operations and financial condition.

Changes to Data Protection Regulations

The Company's enterprise data practices, including the collection, use, sharing, disposal and security of personally identifiable and financial information of its customers and employees, are subject to increasingly complex, restrictive, and punitive laws and regulations which could adversely affect the Company's business, results of operations and financial condition. Under these laws and regulations, the failure to maintain compliant data practices could result in consumer complaints, lawsuits and regulatory inquiry, resulting in civil or criminal penalties, as well as brand impact or other harm to the Company's business. In addition, increased consumer sensitivity to real or perceived failures in maintaining acceptable data practices could damage the Company's reputation and deter current and potential customers from using its products and services. For example, recent, well-publicised allegations involving the misuse or inappropriate sharing of personal information have led to expanded governmental scrutiny of practices relating to the safeguarding of personal information and the use or sharing of personal data by companies in the Netherlands and other countries. That scrutiny has in some cases resulted in, and could in the future lead to, the adoption of stricter laws and regulations relating to the use and sharing of personal information which if applicable to the Company, could impact its business. These types of laws and regulations could prohibit or significantly restrict financial services providers such as the Company from sharing information among affiliates or with third parties such as vendors, and thereby increase compliance costs, or could restrict the Company's use of personal data when developing or offering products or services to its customers. These restrictions could inhibit the Company's development or marketing of certain products or services, or increase the costs of offering them to customers. Because many of these laws and regulations are new, there is little clarity as to their interpretation, as well as a lack of precedent for the scope of enforcement. The cost of compliance with these laws and regulations will be high and is likely to increase in the future. Any failure or perceived failure of the Company to comply with applicable privacy or data protection laws and regulations could, for the Company, result in requirements to

modify or cease certain of its operations or practices, significant liabilities or fines, penalties or other sanctions.

Regulatory Risk

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

Changes to Laws, Regulations or Government Policies

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

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

Legal Proceedings

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

Industry and Business Risks - Toyota

The worldwide automotive market is highly competitive

The worldwide automotive market is highly competitive. Toyota faces intense competition from automotive manufacturers in the markets in which it operates. 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 globalisation in the worldwide automotive industry, possibly resulting in industry reorganisations. Factors affecting competition include product quality and features, safety, reliability, fuel economy, the amount of time required for innovation and development, pricing, customer service and financing terms. Increased competition may lead to lower vehicle unit sales, which may result in further downward price pressure and adversely affect Toyota's financial condition and results of operations. Toyota's ability to adequately respond to the recent rapid changes in the automotive market 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 31 March 2020, the economy changed from a trend of moderate expansion to a sharp slowdown due to the effects of trade frictions and the impact of COVID-19 spreading from China to North America, Europe and the rest of Asia. Thereafter, the further spread of COVID-19 continued worldwide in the fiscal year ending 31 March 2021. In the fiscal year ended 31 March 2020, automotive markets slumped in China and some emerging countries, but remained stable in developed countries and declined only slightly in the world as a whole. However, COVID-19 continues to have a major impact, which may lead to the temporary suspension of operations at factories and the temporary suspension of 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 continue or progress 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 unauthorised access or attacks by hackers, computer viruses, breaches due to unauthorised use, errors or malfeasance by employees and others who have or gain access to the networks and systems Toyota depends on, 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

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 localised production of its products have reduced, but not eliminated, the effects of interest rate and foreign currency exchange rate fluctuations. Nonetheless, a negative impact resulting from fluctuations in foreign currency exchange rates and changes in interest rates may adversely affect Toyota's financial condition and results of operations.

High prices of raw materials and strong pressure on Toyota's suppliers 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 aluminium, 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 – Toyota

The automotive industry is subject to various governmental regulations and actions

The worldwide automotive industry is subject to various laws and governmental regulations including those related to vehicle safety and environmental matters such as emission levels, fuel economy, noise and pollution. In particular, automotive manufacturers such as Toyota are required to implement safety measures such as recalls for vehicles that do not or may not comply with the safety standards of laws and governmental regulations. In addition, Toyota may, in order to reassure its customers of the safety of Toyota's vehicles, decide to voluntarily implement 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.

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

Toyota is subject to various risks associated with conducting business worldwide. These risks include natural calamities, epidemics, political and economic instability, fuel shortages, interruption in social infrastructure including energy supply, transportation systems, gas, water or communication systems resulting from natural hazards or technological hazards, wars, terrorism, labour strikes and work stoppages. 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 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 aforementioned factors adversely affected Toyota's net revenues and operating income for the fourth quarter of the fiscal year ended 31 March 2020 and the first quarter of the fiscal year ending 31 March 2021, in particular through reducing Toyota's vehicle sales and through increases in provisions relating to credit losses and residual value losses. Such factors are expected to adversely affect results for the fiscal year ending 31 March 2021 as well.

The duration of the global spread of COVID-19 and the resulting future effects are uncertain, and the foregoing impacts and other effects not referenced above, as well as the ultimate impact of COVID-19, are difficult to predict and could have an adverse effect on Toyota's financial condition and results of operations.

2. Annual Report & Financial Statements for the financial year ended 31 March 2020 and Auditor's Report

The Annual Report & Financial Statements were adopted by the Annual General Meeting held on 7 August 2020

**TOYOTA MOTOR FINANCE
(NETHERLANDS) B.V.
REGISTERED NUMBER: 33194984**

**Annual Report & Financial Statements
for the year ended 31 March 2020**

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BOARD OF MANAGEMENT

Hiroyasu Ito
Toshiaki Kawai

Report of the Board of Management for the year ended 31 March 2020

The Board of Management herewith submits its report and the Financial Statements of Toyota Motor Finance (Netherlands) B.V. ("the Company") for the year ended 31 March 2020. The Company operates under a single tier board structure.

Overview of activities

The principal activity of the Company is to act as a group finance company and to provide finance services to Toyota group companies. The Company raises funds by issuing bonds and notes in the international capital markets and from other sources and on-lends to other Toyota companies. The Company also issues guarantees for debt issuances of other Toyota companies. The Company is not engaged in any Research and Development activities.

A profit of € 71.5 million was incurred in the year compared to a profit of € 36.9 million for the year ended 31 March 2019.

At the reporting date, a total equivalent amount of € 13,943 million had been lent to related companies, compared to € 11,414 million at 31 March 2019.

Gross profit for the year decreased to € 14.9 million from € 18.8 million for the year ended 31 March 2019. The profit before tax for the year of € 97.1 million compares to a profit before tax of € 52.4 million for the year ended 31 March 2019. The increase in interest income from € 127.5 million to € 148.9 million and interest expenses from € 99.7 million to € 122.9 million is in line with increasing lending and borrowing volumes through the year. The increase in profit is primarily due to an increase of mark-to-market gains on financial instruments. The mark-to-market gains on derivatives are caused by interest rate decrease in originated funding currencies more than the decrease in the operational currencies being hedged as well as the reversal of previous losses for derivatives coming to maturity during the period. More details of the reasons for the volatility of the Company's results are given in note 11 of the Notes to the Financial Statements.

During the year the Company has increased funding from the financial markets by increasing MTN funding, bank loans and issuance of commercial paper. At 31 March 2020, there were net current liabilities of € 152.0 million, compared to net current liabilities of € 794.3 million for the year ended 31 March 2019. The decline in excess of current liabilities over current assets is primarily due to a relative greater increase in short-term lending compared to short term borrowing during the year ended 31 March 2020.

The nature of the activities of the Company has remained unchanged during the year ended 31 March 2020 from the prior year.

The global spread of COVID-19 and the responses to it by governments and other stakeholders have adversely affected Toyota Motor Corporation and its subsidiaries, through reduced demand for its vehicles and production decreases. As the Company lends to a portion of these subsidiaries, there is a potential indirect impact on the lending portfolio and associated expected credit loss. Management of the Company is closely monitoring the financial performance of its customers as well as financial markets as a whole. The Company's liquidity strategy is to maintain its capacity to fund assets and repay liabilities in a timely and cost effective manner even in adverse market conditions. A disruption in the Company's funding sources may adversely affect its ability to meet its obligations as they become due. An inability to meet obligations in a timely manner would have a negative impact on the Company's ability to refinance maturing debt and fund new assets growth of its customers and would have an adverse effect on its results of operations and financial conditions. The duration of the global spread of COVID-19 is uncertain, and the foregoing impacts and other effects not referenced above, as well as the ultimate impact of COVID-19, are difficult to predict and could have an adverse effect on the Company's financial condition and results of operations.

Risk management

The Board of Management utilises risk management policies and receives regular reports from the business to enable prompt identification of risks so that appropriate actions may be taken.

Financial risk: the Company employs written policies and procedures that set out specific guidelines to manage foreign exchange risk, interest rate risk, credit risk, liquidity risk and the use of financial instruments to manage these. Please refer to note 31 of the Financial Statements where the Company has explained the risks and uncertainties to which the Company is exposed and its use of financial instruments.

Operational risk: the Company has an adequate administrative organisation and system of internal controls in place. There are control mechanisms in place to test the adequacy of the internal controls and security, and risk evaluations of operational activities are performed on a continuous basis.

Legal and Compliance risk: the regulatory environment in which the Company operates is continuously changing with existing legislation being regularly updated or new laws being implemented. Greater emphasis is being placed by

regulators on integrity risks, particularly in respect of customer due diligence and transparency. The Company is continuously reviewing the changes in the legal and compliance environment and implements where applicable changes in its policies and processes.

Financial reporting and disclosure risk: governance surrounding financial reporting and disclosure risk promotes the importance of accurate, timely and complete financial reporting. The accounting department is responsible for financial reporting. Policies, procedures and controls are in place to prevent and detect errors in the financial information and to reduce subjective judgements in measurement and reporting.

Composition of the Board

The size and composition of the Board of Management and the combined experience and expertise should reflect the best fit for the profile and strategy of the Company. Currently the Board consists of two male board members. The Company is aware that the gender diversity is below the goals as set out in article 2.276 section 2 of the Dutch Civil Code and the Company will pay close attention to gender diversity in the process of recruiting and appointing new managing directors.

Future outlook

It is expected that the nature of the activities of the Company will remain unchanged during the year to 31 March 2021. Future financial performance is expected to be profitable and will depend largely on the net interest margin earned on loans to Toyota group companies and changes in value of financial instruments entered into for risk management purposes. The Company does not expect changes in its capacity to extract funds from the capital markets. The number of personnel is expected to remain at eleven.

Report of the Board of Management
for the year ended 31 March 2020

Board of Management

Hiroyasu Ito

Toshiaki Kawai

Statement of comprehensive income for the year ended 31 March 2020

	Note	2020 €'000	2019 €'000
Interest income	5	148,927	127,467
Dividend income	6	295	190
Guarantee fee income	7	5,171	4,231
Revenue	4	154,393	131,888
Interest expense	8	(122,942)	(99,672)
Fee expenses	9	(16,555)	(13,431)
Cost of funding		(139,497)	(113,103)
Gross profit		14,896	18,785
Administration expenses	10	(5,818)	(5,322)
Net gains on financial instruments	11	88,727	39,219
Adjustment credit loss on group loans	14	(744)	(293)
Profit before tax		97,061	52,389
Taxation	13	(25,512)	(15,454)
Profit for the year		71,549	36,935
Other comprehensive income, net of tax:			
Items that will be reclassified subsequently to Profit or Loss			
Items that will not be reclassified subsequently to Profit or Loss			
Net gain on equity instruments designated at fair value through other comprehensive income	28	(26)	104
Total comprehensive income for the year, net of tax		71,523	37,039
Attributable to:			
Equity holder		71,523	37,039

The notes on pages 9 to 38 are an integral part of these Financial Statements

Statement of financial position as at 31 March 2020

	Note	31 March 2020 €'000	31 March 2019 €'000
Assets			
Current assets			
Loans to related companies	14	5,855,495	4,558,193
Other receivables	20	68,099	58,243
Current tax assets	21	469	-
Derivative financial instruments	16	211,030	250,718
Cash and cash equivalents	22	744,607	242,263
Total current assets		6,879,700	5,109,417
Non-current assets			
Loans to related companies	14	8,085,863	6,855,066
Derivative financial instruments	16	377,468	150,549
Equity investment – related company	15	1,197	1,223
Property, plant and equipment	17	20	12
Intangible assets	18	96	16
Total non-current assets		8,464,644	7,006,866
Liabilities			
Current liabilities			
Borrowings	23	6,359,870	5,569,338
Derivative financial instruments	16	118,130	47,569
Financial guarantee liability	24	8,864	8,612
Current tax liability	21	-	584
Other liabilities and accrued expenses	25	544,875	277,624
Bank overdraft	22	-	3
Total current liabilities		7,031,739	5,903,730
Net current liabilities		(152,039)	(794,313)
Non-current liabilities			
Borrowings	23	7,891,330	5,926,677
Derivative financial instruments	16	141,283	95,489
Deferred tax liabilities	19	25,962	7,880
Total non-current liabilities		8,058,575	6,030,046
Net assets		254,030	182,507
Shareholder's equity			
Equity attributable to owners of the parent			
Share capital	27	908	908
Retained earnings		252,680	181,131
Equity instruments FVOCI	28	442	468
Total shareholder's equity		254,030	182,507

The notes on pages 9 to 38 are an integral part of these Financial Statements

Statement of changes in equity for the year ended 31 March 2020

	Note	Share Capital €'000	Retained Earnings €'000	Fair Value Reserves €'000	Total €'000
Balance at 31 March 2018		908	144,734	364	146,006
Expected Credit Loss/Deferred Tax Adjustment 1 April 2018		-	(538)	-	(538)
Balance at 1 April 2018		908	144,196	364	145,468
Equity instruments	28	-	-	104	104
Result for the year		-	36,935	-	36,935
Total comprehensive income for the year		-	36,935	104	37,039
Balance at 31 March 2019		908	181,131	468	182,507
Equity instruments	28	-	-	(26)	(26)
Result for the year		-	71,549	-	71,549
Total comprehensive income for the year		-	71,549	(26)	71,523
Balance at 31 March 2020		908	252,680	442	254,030

The notes on pages 9 to 38 are an integral part of these Financial Statements

Statement of cash flows for the year ended 31 March 2020

	Note	2020 €'000	2019 €'000
Profit / (Loss) for the year		71,549	36,935
Adjustments for:			
Depreciation and amortisation	17 / 18	14	2
Dividend income	6	(295)	(190)
Taxation	13	25,512	15,454
Interest income	5	(148,927)	(127,467)
Interest expense	8	122,942	99,672
Fair value unrealised gains and losses		(63,055)	(402,906)
Unrealised foreign exchange gains and losses		(43,118)	280,016
Increase in loans to related companies	14	(2,773,757)	(2,531,116)
(Increase) / decrease in other current assets		(9,761)	189,558
Increase / (decrease) in other current liabilities		267,250	214,768
		(2,551,646)	(2,225,274)
Interest received		152,177	118,750
Interest paid		(120,091)	(75,126)
Tax paid		(8,481)	(6,372)
Cash flow from operating activities		(2,528,041)	(2,188,022)
Purchase of PPE and intangible assets	17 / 18	(102)	(30)
Dividend received	6	295	190
Cash flow from investing activities		193	160
Proceeds from borrowings	23	34,411,490	34,218,871
Repayment of borrowings	23	(31,393,977)	(31,930,248)
Cash flow from financing activities		3,017,513	2,288,623
Net increase in cash and cash equivalents		489,665	100,761
Cash and cash equivalents at the beginning of the year		242,260	126,633
Exchange gains on cash and cash equivalents		12,682	14,866
Cash and cash equivalents at the end of the year	22	744,607	242,260

The notes on pages 9 to 38 are an integral part of these Financial Statements

Notes to the Financial Statements

1. General information

Toyota Motor Finance (Netherlands) B.V. ('the Company') is a wholly-owned subsidiary of Toyota Financial Services Corporation. The principal activity of the Company is to act as a group finance company. The Company raises funds by issuing bonds and notes in the international capital markets and from other sources and on-lends to other Toyota companies. The Company also issues guarantees for debt issuance of other Toyota companies.

The Company is incorporated and domiciled in the Netherlands. The address of its registered office is World Trade Center, Tower H, Level 10, Zuidplein 90, 1077 XV, Amsterdam, the Netherlands.

The ultimate management company and controlling party and the largest undertaking into which the Company's results are consolidated is Toyota Motor Corporation (TMC), which is incorporated in Japan.

The smallest undertaking into which the Company's results are consolidated is Toyota Financial Services Corporation (TFSC), which is incorporated in Japan.

The Financial Statements of Toyota Motor Corporation can be obtained from <http://www.toyota-global.com>.

These Financial Statements have been approved for issue by the Board of Management on 5 August 2020.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Company has no subsidiary, joint venture or associated company investments and is therefore not required to prepare consolidated financial statements.

Basis of preparation

- The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union and also in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code.
- As a result of the accounting policies adopted, the Financial Statements of the Company are also consistent with all IFRS issued by the International Accounting Standards Board (IASB) and interpretations issued by IFRIC.
- The Financial Statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets and liabilities held for trading or designated as measured at fair value through profit or loss, financial instruments not held in a hold to collect business model, debt instruments that do not meet the Solely Payments of Principal and Interest (SPPI) test, all of which are measured at fair value.
- The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note 3.
- The Company's Financial Statements are presented in Euro, which is the Company's functional and reporting currency. Except as indicated financial information presented has been presented in Euro and rounded to the nearest thousand.

Going concern

There was an excess of current liabilities over current assets at 31 March 2020. Management of liquidity risk is explained in note 31.5 and, having assessed the available liquidity facilities and credit support facilities in place, the directors have a reasonable expectation that the Company has adequate resource to continue to fund its current obligations for the foreseeable future and therefore the Financial Statements have been prepared on a going concern basis.

At the end of the fiscal year, the impact of Covid-19 was considered a potentially adjusting event in accordance with IAS 10. However such impact was limited and deemed not material to the fiscal year. See Note 33 *Events occurring after the reporting date* for more information on the ongoing impact of Covid-19.

Changes in accounting policy and disclosures

New and amended standards effective for the financial year starting 1 April 2019

IFRS 16

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. The objective of IFRS 16 is to report information that (a) faithfully represents lease transactions and (b) provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognise assets and liabilities arising from a lease.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Company is engaged in an immaterial number of lease contracts, consisting of an office lease, car leases (four) and apartment leases (two) for a limited period of time (less than three years). Upon projecting the future contractual lease obligations and using the incremental borrowing rate, the right-of-use asset and the lease liability were less than € 300,000. Based upon the immateriality of this impact, the company elected to not record such an asset and liability, even while adopting the principles of IFRS 16.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the Financial Statements of the Company.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2019 and not early adopted

On 26 September 2019, the IASB issued 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as a first reaction to the potential effects the IBOR reform could have on financial reporting. The amendments are effective for annual reporting periods beginning on or after 1 January 2020. The amendment is expected to have no impact on the Financial Statements of the Company.

On 22 October 2018, the IASB issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. The amendment is expected to have no impact on the Financial Statements of the Company.

On 31 October 2018, the IASB issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual reporting periods beginning on or after 1 January 2020. The amendment is expected to have no impact on the Financial Statements of the Company.

Together with the revised 'Conceptual Framework' published in March 2018, the IASB also issued 'Amendments to References to the Conceptual Framework in IFRS Standards'. The amendments are effective for annual periods beginning on or after 1 January 2020. The amendment is expected to have no impact on the Financial Statements of the Company.

There are no other IFRS or IFRIC interpretations that would be expected to have a material impact on the Company.

Segmental reporting

The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Management that makes strategic decisions.

Foreign currency

Transactions and balances

The Financial Statements are presented in Euro, which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, in 'Net gains / (losses) on financial instruments'.

Financial assets

The classification and measurement of financial assets under IFRS 9 is determined by the business model in which the assets are held and whether the contractual cash flows are Solely Payments of Principal and Interest (SPPI). Under IFRS 9, financial assets can be measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value Through Profit or Loss (FVTPL).

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the investments at initial recognition. Regular-way trades of derivatives contracts are accounted for on a trade date basis, and regular-way trades of all other financial assets are accounted for on a settlement date basis. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when the rights to receive cash flows from the assets has expired.

a) Debt instruments at amortised cost

The Company's loans to Toyota group related entities, cash and cash equivalents, and other receivables are classified as debt instruments at amortised cost. Loans to related entities are initially recognised at fair value including any incremental transaction costs. Subsequent recognition is at amortised cost using the effective interest method. Guarantee fees receivable from fellow subsidiaries in respect of debt guaranteed by the Company are included in 'Other receivables' in the Statement of financial position.

b) Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Company irrevocably classifies its equity investments at FVOCI. Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as Dividend income. Equity instruments at FVOCI are not subject to an impairment assessment.

c) Financial assets at FVPTL

Financial assets at fair value through profit or loss include management's derivative portfolio. The Company enters into derivatives to mitigate the risks associated with other underlying financial assets and financial liabilities.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently adjusted at fair value. Transaction costs are expensed in the Statement of comprehensive income. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Consequently, all changes in the fair value of any financial instruments, net of accrued interest on derivatives, are recognised immediately in the Statement of comprehensive income, within 'Net gains / (losses) on financial instruments'. Accrued interest on derivatives is recorded in the income statement within "Interest expense".

Property, plant and equipment

Items of property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is charged to profit or loss on a straight-line basis so as to write off the depreciable amount of property, plant and equipment over the estimated useful life of the assets as follows:

- o Fixture & Fittings: 5 years
- o Furniture: 5 years
- o Computer hardware: 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing proceeds with the carrying amount. These are included in 'Administration expenses' in the Statement of comprehensive income.

Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the asset's estimated useful life and is included in 'Administration expenses' in the Statement of comprehensive income.

The estimated useful economic lives are as follows:

- Computer software: 5 years

The assets' values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposal of items of intangible assets are determined by comparing proceeds with the carrying amount. These are included in 'Administration expenses' in the Statement of comprehensive income.

Impairment of non-financial assets

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

At each reporting date the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated.

Property, plant, equipment as well as intangible assets are subject to an impairment review if there are events or changes in circumstance which indicate that the carrying amount may not be recoverable.

Cash and cash equivalents

Cash and cash equivalents are defined as cash and deposits which can be realised within three months. These include overnight money market deposits with banks, current account and deposit account balances with banks and short-term investments.

Cash and cash equivalents are measured at amortised cost.

The cash flow statement has been drawn up in accordance with the indirect method, making a distinction between cash flows from operating, investment and financing activities. Cash flows related to interest payments, receipts and tax payments are classified as cash flows from operating activities.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently at amortised cost. Recognition and de-recognition is on a settlement basis.

Depending on the maturity date of the contract the borrowing is classified as current or non-current.

Taxation

The charge for current tax is based on the results for the period as adjusted for items that are not taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Guarantees

The Company issues guarantees to debt holders of other TMC subsidiaries. The Company receives guarantee fees from TMC subsidiaries in respect of the guaranteed debt in issuance. The guarantees are issued under the credit support the Company has with TFSC and for which the Company pays a credit support fee. The initial fair value is the present value of the future cash flows at the point of issuance of the guarantee.

Revenue recognition

Interest income

Interest income is recorded using the Effective Interest Rate (EIR) method for all financial assets measured at amortised cost. The EIR is the rate that discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

Guarantee fee income

Guarantee fee income is recognised during the life of the guarantee on an accruals basis in accordance with the substance of the relevant agreements.

Dividend income

Dividend income is recognised when the right to receive payment is established.

3. Critical accounting estimates and judgements

The notes to the Financial Statements set out areas where significant judgement, complex calculations or assumptions have been used to arrive at the Financial Statements presented. Areas of significant judgement or complexity will include the fair valuation of financial instruments as well as expected credit losses.

3.1 Fair value estimation of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and market assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine the fair value for the remaining financial instruments. The fair value of interest rate swaps, cross currency swaps and forward foreign exchange contracts is calculated as the present value of the estimated future cash flows.

The nominal value less impairment provision of other receivables and payables, normally maturing within 30 days, are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

3.2 Initial recognition and valuation of guarantees

The initial fair value recognition of guarantee liabilities, in relation to related party debt issuance, is required by IFRS 9. As the guarantees of related party debt are not actively traded and no initial fee is charged for entering into the guarantee, a valuation technique is required to assess the initial liability to the third-party debt holder.

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The Company uses the discounted future income cash flows over the life of the guarantee to assess the initial guarantee liability. The initial recognition of the guarantee liability is calculated using the market interest rates applicable to the specific currency of debt issuance on the date the related party issues the debt. The estimation of the initial fair value of the guarantees is subject to a significant level of management judgement and complexity, as the individual related group companies do not have a separate credit rating from that of the overall Toyota Motor Corporation group. A guarantee asset is recognised of an amount equal to the guarantee liability. Changes in the value of the guarantee liability are matched by equal changes in the value of the guarantee asset; since such changes have no impact on the Statement of comprehensive income, no sensitivity analysis of the guarantee liability is included in the notes to the Financial Statements.

4. Breakdown by geographical market

The Company consists of a single operating reporting segment as defined under IFRS 8. Income generation is principally from lending to related companies, with other income generation from guarantees of related companies and from other investment and deposit income incidental to the primary funding activities.

Income can be categorised geographically as follows:

Income by area	2020 €'000	2019 €'000
Thailand (group)	36,275	29,911
UK (group)	35,753	33,719
South Africa (group)	18,139	15,702
Norway (group)	16,163	12,835
Russia (group)	14,688	18,888
Poland (group)	6,138	5,035
Other countries (group)	18,572	10,420
Interest received from others	8,665	5,378
Total	154,393	131,888

5. Interest income

Interest income	2020 €'000	2019 €'000
Interest income on loans to related companies	140,262	122,089
Interest income on deposits	6,724	3,584
Interest (premium) income on commercial paper	43	1,242
Interest income on collateral deposits paid	1,037	507
Interest income on corporate tax	861	45
Total	148,927	127,467

6. Dividend income

The Company received a dividend from Toyota Leasing (Thailand) Co. Ltd. of € 295,000 in the year (2019: € 190,000).

7. Guarantee fee income

The Company guarantees the debt of certain other TMC subsidiaries for which it receives guarantee fee income. All guarantee fee income is from related parties. Guarantee fee income for the year 2020 was € 5,171,000 (2019: € 4,231,000).

8. Interest expense

Interest expense	2020 €'000	2019 €'000
Interest charge on Euro medium term notes	(125,521)	(128,824)
Interest expense on commercial paper	(38,792)	(45,770)
Interest expense on bank loans	(30,727)	(40,316)
Interest paid on loan assets	(1,923)	(1,289)
Interest expense on collateral deposits received	(22)	(91)
Interest component of foreign exchange derivative contracts	13,267	3,711
Net interest on swap agreements	60,756	112,907
Bank overdraft interest refund	20	-
Total	(122,942)	(99,672)

9. Fee expenses

The Company has the benefit of credit support agreements with Toyota Financial Services Corporation and Toyota Motor Corporation, for which it pays credit support fees based on the Company's debt issuance and guarantees issued to related parties. The credit support fees charged in the year by related parties were € 16,555,000 (2019: € 13,431,000).

10. Administration expenses

Administration expenses	2020 €'000	2019 €'000
Staff costs	(1,382)	(1,336)
Legal fees	(1,090)	(953)
Related party costs	(1,090)	(919)
Committed facilities	(493)	(667)
Independent auditor's expenses	(296)	(238)
Other assurance services	(47)	(82)
Communication expenses	(222)	(197)
Office rent	(116)	(110)
Rating annual fees	(146)	(128)
Tax advisor fees	(20)	(13)
Other administration expenses	(902)	(677)
Depreciation of PPE	(5)	(1)
Amortisation intangible assets	(9)	(1)
Total	(5,818)	(5,322)

The Company had an average of 11 employees, 2 seconded and 9 local (2019: 10 employees, 2 seconded and 8 local) during the year.

Other assurance services consist of fees paid to PricewaterhouseCoopers Aarata (Japan) for Comfort Letters relating to the issuing of Euro medium term notes and translation services provided in translating the Comfort Letters and accompanying documents.

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Staff costs consist of the following expenses and include the payroll costs of seconded employees:

Staff costs	2020 €'000	2019 €'000
Wages, salaries and bonuses (on accruals basis)	(1,249)	(1,210)
Social security costs	(89)	(78)
Pension premiums (defined pension scheme on accruals basis)	(44)	(48)
Total	(1,382)	(1,336)

Wages, salaries and bonuses (on accruals basis) include remuneration of key management. The table below consist of all payments and benefits to directors of the Company.

Compensation to key management	2020 €'000	2019 €'000
Short-term employee benefits	(254)	(265)
Total	(254)	(265)

11. Net gains / (losses) on financial instruments

Net gains and losses arise from both foreign exchange rate movements and from interest rate movements on the following categories of financial instruments:

Net gains / (losses) on financial instruments	2020 €'000	2019 €'000
Gains / (losses) arising from foreign exchange rate movements		
Derivative financial instruments	211,223	363,635
Debt instruments at amortised cost	(296,694)	99,561
Financial liabilities measured at amortised cost	85,327	(463,099)
	(144)	97
Gains / (losses) arising from interest rate movements		
Fair value gains / (losses) on financial instruments	88,871	39,122
Total	88,727	39,219

The Company issues debt to third parties and loans to related parties in a number of currencies, and then swaps this borrowing and lending back into one of four funding books: US Dollar (USD), Pound Sterling (GBP), Japanese Yen (JPY) and Euro (EUR).

The effect of foreign exchange rate movements on the market value of the financial instruments is offset by equal and opposite exchange losses or gains on the underlying financial assets and liabilities. The net gains and losses arising from foreign exchange rate movements arise from the Company's net foreign exposure to GBP, USD and other currencies.

The Company measures derivatives at fair value whereas the other financial assets and liabilities are measured at amortised cost. The Company does not apply hedge accounting. Therefore, the effect of interest movements on the market value of the financial instruments is not offset by an opposite movement on the underlying financial assets and liabilities leading to volatility in the Statement of comprehensive income.

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The result on financial instruments increased from € 39,219,000 gains for the year ended March 2019 to € 88,727,000 gains for the year ended March 2020. The result was caused by (i) the decrease in interest rates for the funding currencies (AUD, NZD, USD) more than the decrease in operational currencies being hedged (EUR, GBP), and (ii) the reversal of previous losses for derivatives coming to maturity during the period.

12. Independent auditor's expenses

Administration expenses include the following fees paid to the Company's independent auditors EY for the statutory audit:

Independent auditor's expenses	2020 €'000	2019 €'000
Audit (statutory)	(228)	(130)
Audit – other assurance services	(68)	(108)
	(296)	(238)

13. Taxation

Taxation	2020 €'000	2019 €'000
Current		
Taxation on profit (loss) for the year	(8,481)	(6,656)
Prior period tax adjustment	1,051	909
	(7,430)	(5,747)
Deferred		
Origination / reversal of timing differences	(18,082)	(9,707)
Total	(25,512)	(15,454)

The tax on the Company's result before tax differs from the amounts that would arise using the weighted average statutory tax rate applicable to the result of the Company as follows:

Reconciliation of tax charge	2020 €'000	2019 €'000
Result before tax	97,061	52,388
Weighted average tax rate for the year	24.85%	24.93%
Tax calculated at weighted average tax rate applicable	(24,117)	(13,060)
Change in tax rates on deferred tax balances	3,814	(27)
Irrecoverable withholding tax	(6,332)	(3,322)
Taxable expense	(1)	(1)
Non-taxable income	73	47
Prior period tax adjustment	1,051	909
Total	(25,512)	(15,454)

The current tax rate is 25% for calendar year 2020 (2019: 25%) in the Netherlands.

14. Loans to related companies

The Company lends to other TMC subsidiaries on both a fixed rate and a floating rate basis. All fixed rate lending (with tenors longer than six months) is swapped into three month floating basis in line with the Company's risk management policy.

The currency of related party lending is determined by counterparty demand and then either funded directly from one of four main funding books (USD, GBP, JPY and EUR) or swapped back into the appropriate funding currency using a matching currency swap.

Under IFRS 9 the Company has developed an impairment model for financial assets. The expected credit loss is calculated over all outstanding loan assets (current and non-current). The total calculated amount is deducted from outstanding current loan assets.

Current loans to related companies	2020 €'000	2019 €'000
Current assets		
Loans to related companies	5,857,249	4,559,203
Expected credit loss	(1,754)	(1,010)
Current loans to related companies	5,855,495	4,558,193
Loans to related companies	2020 €'000	2019 €'000
Current loans to related companies	5,855,495	4,558,193
Non-current loans to related companies	8,085,863	6,855,066
Total	13,941,358	11,413,259

Movement in expected credit loss	€'000
At 1 April 2019	(1,010)
Additional provision	(744)
At 31 March 2020	(1,754)

In accordance with IFRS 9, the entire portfolio of financial assets are classified as stage 1 given the creditworthiness and payment history of the related companies. Further, all current year movement in the ECL relates to additional reserve based upon an updated ECL calculation from the increase in the loan balance.

No related party loans are overdue and there has been no actual impairment of related party loans either in the current or previous financial years. There has been no renegotiation of any loans that would otherwise have been past due or impaired.

Interest rates on group lending can be either fixed or floating. The interest range for group lending on 31 March 2020 was between (0.46)% and 8.68% per annum, depending on the currency of the loan.

Outside the calculated expected credit loss no other impairment provisions or losses have been incurred in the current or previous financial year for any class of financial assets.

15. Equity investment - related company

The Company owns 0.042% (2019: 0.047%) of the issued share capital of Toyota Leasing (Thailand) Co. Ltd. ("TLT"), a company domiciled in Thailand. TLT has issued share capital of 57.4 million shares (face value 1,000 Thai Baht (THB) per share). Of the registered share capital of THB 57,400,000,000, THB 16,600,000,000 is fully paid up. The original cost of the investment in 1997 was € 750,000.

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Management has assessed the fair value of the investment in TLT with reference to discounted cash flow modelling of TLT assets and liabilities, and by applying the current market interest rates and exchange rates prevailing on 31 March 2020. The investment in TLT shares at the reporting date is measured at fair value. The valuation of TLT, although using third-party market data, is subject to management judgement when assessing the probable cash flows from the current asset base. The investment in TLT is classified as a level 3 investment as shown in Note 32.1.

Investment in Toyota Leasing (Thailand) Co. Ltd.	2020 €'000	2019 €'000
Balance at the start of year	1,223	1,119
Fair value adjustment	(26)	104
Total	1,197	1,223

16. Derivative financial instruments

The derivative financial instruments are categorised as carried at fair value through profit or loss. The fair values of derivative contracts are shown in the table below. Additional disclosures are set out in the accounting policies relating to risk management.

Derivative financial instruments	2020 €'000	2019 €'000
Current assets		
Interest swaps	311	988
Cross-currency swaps	186,395	245,519
Forward foreign currency contracts	24,324	4,211
Total current assets	211,030	250,718
Derivative financial instruments		
Non-current assets		
Interest swaps	59,158	17,634
Cross-currency swaps	318,310	132,915
Total non-current assets	377,468	150,549
Derivative financial instruments		
Total assets	588,498	401,267

Derivative financial instruments	2020	2019
Current liabilities	€'000	€'000
Interest swaps	2,900	1,829
Cross-currency swaps	93,874	44,806
Forward foreign currency contracts	21,356	934
Total current liabilities	118,130	47,569
Derivative financial instruments		
Non-current liabilities		
Interest swaps	18,545	20,936
Cross-currency swaps	122,738	74,553
Total non-current liabilities	141,283	95,489
Derivative financial instruments		
Total liabilities	259,413	143,058

Derivative assets and liabilities are recognised at fair value through the income statement.

In accordance with IFRS 9, "Financial instruments: Recognition and measurement", the Company has reviewed all contracts for embedded derivatives and found there are none. Derivative assets and liabilities are recognised at fair value through the income statement. The majority of derivative contracts have collateral agreements attached. Therefore, the debit/credit valuation adjustment is not considered material and is not considered in determining the fair value of derivative assets and liabilities.

17. Property, plant and equipment

Property, plant and equipment	2020	2019
	Computer hardware and office equipment €'000	Computer hardware and office equipment €'000
Cost		
Cost b/fwd at 1 April 2019 / 2018	95	82
Additions	13	13
Disposals	-	-
Total	108	95
Depreciation		
Depreciation b/fwd at 1 April 2019 / 2018	83	82
Depreciation charge for the year	5	1
Disposals	-	-
Total	88	83
Reconciliation at the beginning and end of the year		
Opening net book amount - at 1 April 2019 / 2018	12	-
Closing net book amount - at 31 March 2020 / 2019	20	12

18. Intangible assets

Intangible assets	2020	2019
	Computer software €'000	Computer software €'000
Cost		
Cost b/fwd at 1 April 2019 / 2018	26	9
Additions	89	17
Total	115	26
Amortisation		
Amortisation b/fwd at 1 April 2019 / 2018	10	9
Amortisation charge for the year	9	1
Total	19	10
Reconciliation at the beginning and end of the year		
Opening net book amount - at 1 April 2019 / 2018	16	-
Closing net book amount – at 31 March 2020 / 2019	96	16

19. Deferred tax

Deferred tax is provided in full on temporary differences under the balance sheet liability method, using the tax rate of 21.7% that will be the applicable corporate tax rate as of 1 January 2021. The tax rates apply to calendar years.

The calculation of the expected credit loss, as stated in note 14, had a reverse impact, against the current tax rate of 25%, on the balance as of 31 March 2019 and 31 March 2020 of deferred tax assets.

The movement on the deferred tax account is shown below:

Deferred tax	2020	2019
	€'000	€'000
Deferred tax b/fwd 1 April 2019 / 2018	(7,880)	1,829
Impact from expected credit loss adjustment	187	73
Fair valuation of assets and liabilities through profit or loss	(18,269)	(9,782)
Total	(25,962)	(7,880)

Deferred tax assets (liabilities) have been recognised for all tax gains (losses) and other temporary differences giving rise to deferred tax assets (liabilities), because it is possible that these assets (liabilities) will crystallise.

20. Other receivables

Other receivables	2020 €'000	2019 €'000
Deposit for rented property	35	36
Prepaid rent	34	33
Collateral deposits paid	56,100	47,100
Interest receivable (cash collateral posted)	79	66
Other receivable	305	39
Related party receivables	Note 29 2,615	2,293
Non-related party prepaid expenses	67	64
Financial guarantee receivable	Note 24 8,864	8,612
Total	68,099	58,243

Collateral deposits paid are cash deposits with derivative counterparties held as collateral in respect of derivative contracts. The fair value of those deposits approximates the carrying amount.

21. Current taxes

Current taxes are charged based on the prevailing tax rates. The tax rates apply to calendar years and profit for the accounting year is therefore pro-rated between the two calendar years on a day-count basis to compute the effective tax rate. The current tax rate is 25.0% for calendar year 2020 (2019: 25.0%) in the Netherlands. Corporation tax asset at 31 March 2020 is € 469,000 (2019 tax liability: € 584,000). The tax payments are made during the year in which the profits are earned on an estimated basis. The extent to which the final taxable charge differs from the original estimated amount results in a current tax asset or liability due to over- or underpayment of tax respectively.

22. Cash and cash equivalents

Cash and cash equivalents	2020 €'000	2019 €'000
Cash and bank balances	8,105	5,812
Deposits for liquidity purposes	736,502	236,451
Overdraft	-	(3)
Total	744,607	242,260

As of 31 March 2020 there are no restrictions on cash and cash equivalents.

23. Borrowings

Borrowings	2020 Current €'000	2020 Non-current €'000	2019 Current €'000	2019 Non-current €'000
Commercial paper	3,780,940	-	2,424,878	-
Medium term notes	1,748,689	6,332,506	2,738,821	4,590,020
Bank loans	830,241	1,558,824	405,639	1,336,657
Total	6,359,870	7,891,330	5,569,338	5,926,677

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Borrowings by currency	2020	2020	2019	2019
	Current	Non-current	Current	Non-current
	€'000	€'000	€'000	€'000
Pound Sterling	1,867,347	654,998	1,451,577	110,352
United States Dollar	2,612,717	2,428,306	2,931,756	1,914,182
Australian Dollar	355,440	716,159	495,681	987,855
Singapore Dollar	313,668	-	59	322,178
New Zealand Dollar	93,466	81,800	226,835	194,183
Euro	1,116,773	3,078,216	463,205	1,986,510
Hong Kong Dollar	276	140,938	210	90,759
Japanese Yen	154	775,559	15	320,658
South African Rand	29	15,354	-	-
Total	6,359,870	7,891,330	5,569,338	5,926,677

Borrowings	01 Apr. 19 – 31 Mar. 20	01 Apr. 18 - 31 Mar. 19
	€'000	€'000
Commercial paper		
Start	2,424,878	2,453,947
Accrued interest	(780)	2,818
Issue	29,802,304	30,430,393
Redemption	(28,397,523)	(30,524,261)
Amortisation	4,660	273
FX revaluation	(52,599)	61,708
Total	3,780,940	2,424,878
Medium term notes		
Start	7,328,841	4,935,731
Accrued interest	618	7,088
Issue	3,585,574	3,321,575
Redemption	(2,644,623)	(1,191,597)
Amortisation	7,617	10,307
FX revaluation	(196,832)	245,738
Total	8,081,195	7,328,841
Bank loans		
Start	1,742,296	1,367,232
Accrued interest	(2,400)	1,116
Issue	1,023,612	466,903
Redemption	(351,831)	(214,390)
Amortisation	744	702
FX revaluation	(23,356)	120,733
Total	2,389,065	1,742,296

The Company's principal borrowings are from short-term commercial paper programmes, a medium term note programme and long-term bank borrowing. Commercial paper is a short-term debt instrument normally issued at a discount and repaid at face value. The Company can issue commercial paper with maturities between 1 day and 364 days. Interest rates of bank borrowings are fixed or floating (based on the relevant three months Libor plus spread). The interest range of bank borrowings on 31 March 2020 was between 0.000% and

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2.477% per annum. As at the 31 March 2020 there are current borrowings of € 6,359,870,000 (2019: € 5,569,338,000) and non-current borrowings of € 7,891,330,000 (2019: € 5,926,677,000).

24. Financial guarantee liability

The current value of guarantees outstanding is: € 8,864,000 (2019: € 8,612,000) and these relate only to guarantees issued in respect of debt issuance for other related group companies (see note 2).

Of the total guaranteed amount, € 710,000 relates to bonds maturing in less than one year and € 8,154,000 relates to bonds maturing in greater than one year.

25. Other liabilities and accrued expenses

Other liabilities and accrued expenses	2020 €'000	2019 €'000
Collateral deposits received	534,600	268,700
Interest payable on collateral deposits	2	1
Related party accounts payable	9,456	7,935
Accrued administration expenses	575	805
Other accrued taxes	242	183
	Note 29	
Total	544,875	277,624

Collateral deposits received are cash deposits from derivative counterparties held as collateral under derivative contracts.

26. Capital management

The Company's internal objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to the Company's primary shareholder, Toyota Financial Services Corporation, by pricing products and services commensurately with the level of risk.

During the financial year 2020 the Company's capital management strategy remained unchanged from the financial year 2019 and was to operate profitably and to add to retained reserves.

The Company has complied with internal capital requirements by maintaining adequate capital during the year.

27. Share capital

Share capital	2020 €'000	2019 €'000
Authorised		
10,000 (2019: 10,000) ordinary shares of € 454 each	4,540	4,540
Issued and fully paid up		
2,000 (2019: 2,000) ordinary shares of € 454 each	908	908

100% of the share capital of the Company is owned by Toyota Financial Services Corporation (see note 1).

Appropriation of Profit

The profit for the financial year 2019 was added to the retained earnings as agreed in the Annual General Meeting of Shareholders held in Amsterdam on 16 July 2019.

The Board of Management proposed that the profit for the past financial year 2020 be added to the retained earnings.

28. Equity instruments FVOCI - movement

Fair value reserve	€'000
At 1 April 2018	364
Movement	
Unrealised gains on equity instruments FVOCI	104
At 31 March 2019	468
Unrealised gains on equity instruments FVOCI	(26)
Net fair value reserve at 31 March 2020	442

The fair valuation reserve arises from the fair valuation through equity of equity investments and the related deferred taxation on the fair valuation adjustment.

29. Related-party transactions

Parent and ultimate controlling party

The Company is a wholly-owned subsidiary of Toyota Financial Services Corporation (TFSC), a company incorporated in Japan. The ultimate management company and controlling party is Toyota Motor Corporation (TMC), a company incorporated in Japan.

Transactions with parent company

During the year TFSC provided credit support to the Company in respect of debt issuance in the capital markets and related party guarantees. The fees charged were € 16,555,000 (2019: € 13,431,000) with € 8,658,000 (2019: € 7,191,000) outstanding at year-end. The outstanding amount bears no interest and the payment term is 30 days.

Fellow subsidiaries

During the year transactions were entered into with the following TMC subsidiaries:

Toyota Motor Credit Corporation

Toyota Financial Services (UK) PLC, as well as its subsidiaries and associated undertakings:

Toyota Financial Services (UK) PLC subsidiaries:

Toyota Finance Finland Oy

Toyota Financial Services Czech s.r.o.

Toyota Financial Services Slovakia s.r.o.

Toyota Financial Services Denmark A/S

Toyota Financial Services Hungary Rt.

Toyota Financial Services (Ireland) DAC

Toyota Financial Services Italy SpA

Inchcape Fleet Solutions Limited

Toyota Financial Services (UK) PLC associated undertakings:

Toyota Financial Services (South Africa) (Proprietary) Limited

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Toyota Kreditbank GmbH, as well as with its branches and subsidiaries:

Toyota Kreditbank GmbH branches:
Toyota France Financement
Toyota Financial Services Norway
Toyota Financial Services Sweden
Toyota Financial Services Spain

Toyota Kreditbank GmbH subsidiaries:
AO Toyota Bank
Toyota Leasing (OOO)
Toyota Leasing GmbH
Toyota Bank Polska S.A.
Toyota Leasing Polska Sp.z o.o.

Toyota Leasing (Thailand) Co. Ltd
Toyota Financial Services Korea Ltd
Toyota Motor Credit Corporation
Toyota Capital Malaysia Sdn. Bhd.

Toyota Fleet Mobility GmbH, as well as its subsidiaries;
Toyota Fleet Mobility Spain, S.L.
Toyota Fleet Mobility France SAS
Toyota Fleet Mobility Italy S.p.A.

Transactions with fellow subsidiaries

Guarantees

The Company earned € 5,171,000 (2019: € 4,231,000) from fellow subsidiaries as guarantees fees. The amount relating to the guarantee fees that remained unpaid at year-end was € 2,615,000 (2019: € 2,293,000). The outstanding amount bears no interest and the payment term is 30 days.

Dividends

The Company received € 295,000 (2019: € 190,000) in dividends as disclosed in note 6 on its unlisted investment in Toyota Leasing (Thailand) Co. Ltd.

Borrowings

At 31 March 2020, there was no borrowings from related companies (2019: € 0).

Lending

The summary of loans to fellow subsidiaries and the income and expenses incurred thereon during the year is set out below:

Loans to related companies	2020 €'000	2019 €'000
Balance at the beginning of the year	11,414,268	8,741,070
Loans advanced during the year	12,528,814	12,658,792
Loans received	(9,754,581)	(10,126,457)
Interest income	140,263	122,089
Interest received	(143,355)	(113,373)
Interest expense	(1,923)	(1,289)
Interest paid	1,709	1,359
Exchange revaluation of loans to related companies	(242,083)	132,077
Total	13,943,112	11,414,268

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Other than the calculated expected credit loss no impairment has been recognised on the amounts outstanding at year-end (see note 14). Transactions with related companies are at arm's length prices.

Transactions with directors, management and employees

There were no transactions, other than emoluments, with directors, management or employees during the year.

Summary of related party payables included in other liabilities

Summary of related party payables included in other liabilities	2020 €'000	2019 €'000
Credit support fees payable to parent company	8,658	7,191
Business and administration services payable to related companies	798	744
Total	9,456	7,935

Summary of guarantees and related party receivables

Summary of guarantees and related party receivables	2020 €'000	2019 €'000
Related party receivables for guarantees	2,615	2,293
Total	2,615	2,293

Amounts receivable from related parties have not been impaired.

30. Contingent liabilities

The Company issues guarantees to debt holders of other TMC subsidiaries. The Company receives guarantee fees from TMC subsidiaries in respect of the guaranteed debt in issuance.

The Company assesses the need for provisions by reviewing the net assets and profitability of the companies for the year ended 31 March 2020. The accounts of the respective debt issuers indicate that there are adequate assets to cover the borrowings.

No provisions have been required against contingent liabilities in either the current or prior fiscal years.

Set out below is the Euro equivalent of the guarantees issued in relation to debt issuance by other TMC subsidiaries.

Contingent liabilities as at 31 March Currency of debt guaranteed	2020 €'000	2019 €'000
Malaysian Ringgit	116,097	21,807
Russian Ruble	151,728	108,566
South African Rand	341,751	403,112
Thai Baht	2,503,233	2,235,698
Total	3,112,809	2,769,183

The nature of the guarantees is that they are unconditional guarantees issued to the debt holders. If for any reason the issuer is unable to pay as and when the debt falls due, the Company may be required to repay the debt on behalf of the issuer. The guarantees are for commercial paper and medium-term notes.

31. Financial risk management

31.1 Financial risk factors

The Company's principal activities are the lending of funds to other subsidiaries of Toyota Financial Services Corporation (the parent company) and acting as a guarantee vehicle for third party debts of other related companies within the Toyota Motor Corporation group.

The Company's role as a financing vehicle for Toyota related companies exposes it to a variety of financial risks that include credit risk, liquidity risk, interest rate risk and foreign currency exchange rate risk. The Company has in place a risk management program that seeks to limit the adverse effects on the financial performance of the Company of those risks by matching foreign currency assets and liabilities and through the use of financial instruments, including interest rate swaps, cross-currency swaps and foreign currency contracts, to manage interest rate and foreign currency risk.

In respect of the credit risk arising from the market values of derivative contracts to manage market risks, agreements are concluded to exchange collateral with counterparties to mitigate those credit risks. The Board of Management utilises a risk management policy and receives regular reports from the business to enable prompt identification of financial risks so that appropriate actions may be taken. The Company employs written policies and procedures that specify guidelines for managing foreign exchange risk, interest rate risk, credit risk and the use of financial instruments to manage these risks.

31.2 Foreign exchange risk

The Company has transactions with related Toyota group companies in Euro, other continental European currencies, South African Rand, Thai Baht, Japanese Yen, Pound Sterling and US Dollars. The Company actively borrows in a number of currencies to meet investor demand for its issued debt. The Company makes use of cross-currency swaps and forward foreign exchange contracts to match assets and liabilities into specific currency portfolios. The net exposure results in the Company being exposed to foreign exchange risks primarily with respect to Pound Sterling and US Dollars.

The Company manages its exposure to foreign exchange risk by ensuring that its holdings of financial assets and financial liabilities are matched within each of its four funding currency portfolios, to ensure that any net long or short positions within each currency fall within levels that management considers acceptable. The remaining net exposures at the reporting date were as follows:

Net exposure to foreign exchange risk	2020 €'000	2019 €'000
Pound Sterling	48	5,697
US Dollar	(4,777)	(2,463)
Thai Baht	3,312	1,868
Other	559	442
Total	(858)	5,544

The above exposure represents the present value of future foreign currency cash flows discounted at market interest rates at the reporting date. The exposure derives from the net equity investment in the three main foreign currency funding books that the Company uses to provide funding to related parties.

The following sensitivity analysis shows the impact on equity, through both profit or loss and recognition directly in reserves, of a 5% appreciation and depreciation in the value of the Euro against all other currencies at the reporting date:

	2020			2019		
	Sensitivity of Profit and Loss	Sensitivity of Equity	Total	Sensitivity of Profit and Loss	Sensitivity of Equity	Total
	Gain/(Loss) €'000	Gain/(Loss) €'000	Gain/(Loss) €'000	Gain/(Loss) €'000	Gain/(Loss) €'000	Gain/(Loss) €'000
5 % Euro strengthening	32	(22)	10	(208)	(23)	(231)
5 % Euro weakening	(32)	22	(10)	208	23	231

31.3 Interest rate risk

The Company has both interest-bearing assets and interest-bearing liabilities. The Company has a policy of maintaining assets and liabilities at floating interest rates. The Company uses swaps, in respect of financial assets, including inter-company lending to manage risk. In respect of borrowing, swaps are used to retain flexibility in the debt capital markets. The interest rate swaps are settled on a bi-annual or quarterly basis with payment or receipt of the difference between the agreed fixed interest rate and the floating interest rate amounts on the principal.

Interest rate risk in relation to the Company's related party lending activities is managed by ensuring that any fixed rate funding is swapped into floating rate, with reset dates typically of a three month duration. Interest rate risk in relation to the Company's borrowing activities is managed by ensuring that any fixed rate borrowing is swapped into floating rate, with reset dates typically of a three month duration. As such, movement in the prevailing market rates will not have a material impact on income.

This interest rate profile broadly matches that of the Company's intra-group loan assets, either carrying variable coupons with a three month re-pricing or, where fixed for longer periods, swapped into three month floating rates.

The Company's interest rate risk exposure derives from the following financial contracts:

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Interest rate risk exposure at 31 March 2020	Fixed rate	Floating rate	Non- interest bearing	Total
	€'000	€'000	€'000	€'000
Non-current assets				
Loans to related companies	4,455,928	3,629,935	-	8,085,863
Equity investment– related company	-	-	1,197	1,197
Current assets				
Loans to related companies	2,180,859	3,676,390	-	5,857,249
Receivables from affiliated companies	-	-	2,615	2,615
Other receivables				
– financial instruments only	-	56,405	215	56,620
Cash and cash equivalents	-	744,607	-	744,607
Current liabilities				
CP	-	(3,780,940)	-	(3,780,940)
EMTN	(853,673)	(895,016)	-	(1,748,689)
Bank loans	(463,698)	(366,543)	-	(830,241)
Affiliated company accounts payable	-	-	(9,456)	(9,456)
Other liabilities and accrued expenses -financial instruments only	-	(534,602)	(817)	(535,419)
Bank overdraft	-	-	-	-
Non-current liabilities				
EMTN	(4,482,682)	(1,849,824)	-	(6,332,506)
Bank loans	(775,558)	(783,266)	-	(1,558,824)
Pre-derivative position (a)	61,176	(102,854)	(6,246)	(47,924)
Nominal value derivatives (b)	(57,914)	385,146	1,854	329,086
Net interest bearing asset / (liability) position (a)+(b)	3,262	282,292	(4,392)	281,162

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Interest rate risk exposure at 31 March 2019	Fixed rate	Floating rate	Non- interest bearing	Total
	€'000	€'000	€'000	€'000
Non-current assets				
Loans to related companies	3,512,280	3,342,786	-	6,855,066
Equity investment – related company	-	-	1,223	1,223
Current assets				
Loans to related companies	1,540,114	3,019,089	-	4,559,203
Receivables from affiliated companies	-	-	2,293	2,293
Other receivables – financial instruments only	-	47,139	199	47,338
Cash and cash equivalents	-	242,263	-	242,263
Current liabilities				
CP	-	(2,424,878)	-	(2,424,878)
EMTN	(1,113,098)	(1,625,723)	-	(2,738,821)
Bank loans	(75)	(405,564)	-	(405,639)
Affiliated company accounts payable	-	-	(7,935)	(7,935)
Other liabilities and accrued expenses - financial instruments only	-	(268,701)	(989)	(269,690)
Bank overdraft	-	(3)	-	(3)
Non-current liabilities				
EMTN	(3,823,732)	(766,288)	-	(4,590,020)
Bank loans	(792,836)	(543,821)	-	(1,336,657)
Pre-derivative position (a)	(677,347)	616,299	(5,208)	(66,255)
Nominal value derivatives (b)	654,927	(396,701)	(17)	258,209
Net interest bearing asset / (liability) position (a)+(b)	(22,420)	219,598	(5,224)	191,954

Short-term borrowing with an original term of less than 6 months is subject to regular interest rate changes on replacement, therefore, short-term funding of this nature is classified as floating rate funding in the above tables.

31.4 Credit risk

Counter party exposure from investments, deposits and derivative financial investments is limited to financial institutions with investment-grade credit ratings with more stringent rating thresholds for exposures in excess of 5 years. The amount of exposure to any individual counter-party is subject to a limit, which is reassessed annually.

The Company is exposed to credit risk from its activities as a lender and guarantor of TMC operating companies' third party debts in various geographical locations. While the Company's primary credit risk exposure is default by the related companies to which it lends or issues guarantees to third parties, this risk is mitigated by credit support agreements with its parent and ultimate parent company, whereby they have undertaken to the debt and guarantee holders to maintain the equity of the Company at a specified level. The Moody's credit rating of the parent as of 31 March 2020 is A1.

In addition, the Company's lending and guarantee activity is to significant operating entities as part of the Toyota group, and therefore the Company's continuing trading viability is ultimately dependent upon the trading performance of the TMC group as a whole. Lending is on an un-subordinated basis, but there are instances where loans are subordinated to assist in meeting regulatory funding requirements of the borrower.

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Derivatives entered into by the Company exclusively to manage its interest rate and currency risk are traded solely with recognised credit institutions with credit ratings as detailed above. Fair value movement in the derivative liability does not materially pertain to credit risk.

The Company's cash and cash equivalents are held with a selection of banks from a list approved by TFSC within specified limits.

The maximum exposure to credit risk from financial instruments at the reporting date is as follows:

Credit risk	2020 €'000	2019 €'000
Current assets		
Loans to related companies	5,857,249	4,559,203
Other receivables – Collateral deposits paid and related party receivables	59,235	49,631
Derivative financial instruments	211,030	250,718
Cash and cash equivalents	744,607	242,263
Non-current assets		
Loans to related companies	8,085,863	6,855,066
Derivative financial instruments	377,468	150,549
Contingent liabilities		
Guarantees of related party debt	3,112,809	2,769,183

Agreements to exchange collateral in cash have been concluded with counterparties to mitigate the credit risk arising from the value of derivative financial instruments shown above. At 31 March 2020, the value of cash collateral received, shown as Collateral deposits received in note 25 within Other liabilities and accrued expenses was, € 534,600,000 (2019: € 268,700,000).

Details of the Contingent liabilities are shown in note 30.

The maximum single exposure from derivative assets at the reporting date to a single counterparty is € 62,790,000 (2019: € 64,500,000) and the 3 largest counterparty positions represent € 136,199,000 (2019: € 141,100,000). These counterparties exposures are collateralised.

31.5 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet payment obligations associated with its financial liabilities when they fall due.

The Company regularly forecasts short and medium-term funding requirements incorporating information from other related companies and ensures that there is an appropriate level of liquid resources to cover any unforeseen cash requirements.

The Company actively maintains a mixture of long-term and short-term debt maturities, together with long-term committed facilities and liquid investments that are designed to ensure the Company has sufficient available funds for operations. The Company maintains committed credit lines with a syndicate of commercial banks to mitigate the liquidity risk. In addition, the Company has entered into a credit support agreement and a supplemental credit support agreement with its parent company in which it will make sufficient funds available to the Company so that the Company will be able to service the obligations arising out of its capital market borrowing and guarantee obligations respectively.

The credit support agreement and the supplemental credit support agreement provide for termination by either party upon 30 days' written notice to the other party. Such terminations will not take effect until or unless all relevant securities have been repaid or each relevant rating agency has confirmed to the parent company or the Company that the debt ratings of all relevant securities will be unaffected by such termination.

The following table details the expected maturity of non-derivative financial liabilities. The analysis is based on gross contractual (undiscounted) cash flows payable. Foreign currency cash flows included in the table below have been translated using market rates. Where future interest payments are variable, the cash flows are based on the interest rate index at the reporting date.

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Debt cash flows at 31 March 2020	Due within 3 months €'000	Due between 4 and 12 months €'000	Due between 1 and 5 years €'000	Due after 5 years €'000
Bank loans	96,824	747,864	1,566,151	-
Commercial paper	2,227,291	1,562,509	-	-
EMTN	666,994	1,156,685	6,466,993	55,502
Collateral deposits received	534,600	-	-	-
Total	3,525,709	3,467,058	8,033,144	55,502

Debt cash flows at 31 March 2019	Due within 3 months €'000	Due between 4 and 12 months €'000	Due between 1 and 5 years €'000	Due after 5 years €'000
Bank loans	9,542	425,352	1,364,521	-
Commercial paper	1,284,128	1,178,737	-	-
EMTN	748,711	2,084,405	4,750,272	-
Collateral deposits received	268,700	-	-	-
Total	2,311,081	3,688,494	6,114,793	-

The following table details the expected maturity of derivative financial instruments. The analysis is based on the gross contractual (undiscounted) cash flows. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to current market indices at the reporting date.

Net cash flows at 31 March 2020	Due within 3 months €'000	Due between 4 and 12 months €'000	Due between 1 and 5 years €'000	Due after 5 years €'000
Net settled:				
– Interest derivatives payable / (receivable)	(620)	(96)	(19,505)	19
Gross settled:				
– Currency derivatives – receivable	(2,186,196)	(3,650,296)	(6,320,756)	(148,853)
– Currency derivatives – payable	3,407,093	4,492,960	6,052,570	142,499
Total derivative cash flows	1,220,277	842,568	(287,691)	(6,335)
Total	4,745,986	4,309,626	7,745,453	49,167

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Net cash flows at 31 March 2019	Due within 3 months	Due between 4 and 12 months	Due between 1 and 5 years	Due after 5 years
	€'000	€'000	€'000	€'000
Net settled:				
– Interest derivatives payable / (receivable)	1,883	2,144	1,631	-
Gross settled:				
– Currency derivatives – receivable	(1,288,625)	(3,165,847)	(5,442,361)	-
– Currency derivatives – payable	1,214,585	3,006,685	5,359,213	-
Total derivative cash flows	(72,157)	(157,018)	(81,517)	-
Total	2,238,924	3,531,476	6,033,276	-

The Company has extended loan facilities to related parties and to the extent that these loan facilities are undrawn at the reporting date this represents a future lending commitment.

Potential cash outflows from undrawn loan facilities at the reporting date are shown in the table below at the earliest possible draw down date. The cash flow effect of probable future related party borrowing requirements is monitored through regular cash flow forecasts provided to the Company by the related parties.

Undrawn commitments at 31 March 2020	Due within 3 months	Due between 4 and 12 months	Due between 1 and 5 years	Due after 5 years
	€'000	€'000	€'000	€'000
Undrawn loan commitments	3,769,000	-	-	-
Total	3,769,000	-	-	-

Undrawn commitments at 31 March 2019	Due within 3 months	Due between 4 and 12 months	Due between 1 and 5 years	Due after 5 years
	€'000	€'000	€'000	€'000
Undrawn loan commitments	4,117,883	-	-	-
Total	4,117,883	-	-	-

31.6 Price risk

The Company is not significantly exposed to equity price risk or commodity price risk.

31.7 Offsetting financial assets and financial liabilities

The following financial instruments are subject to enforceable master netting agreements:

As at 31 March 2020	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities	Net collateral exchanged	Net assets / (liabilities)
	€'000	€'000	€'000	€'000
Derivative financial instruments <i>Collateralised</i>	588,498	(259,413)	(478,500)	(149,415)
Derivative financial instruments <i>Non- Collateralised</i>	-	-	-	-
Total	588,498	(259,413)	(478,500)	(149,415)

As at 31 March 2019	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities	Net collateral exchanged	Net assets / (liabilities)
	€'000	€'000	€'000	€'000
Derivative financial instruments <i>Collateralised</i>	401,189	(143,058)	(221,600)	36,531
Derivative financial instruments <i>Non- Collateralised</i>	79	-	-	79
Total	401,267	(143,058)	(221,600)	36,610

Financial instruments are settled on a gross basis, however each party to a master netting agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. All financial instruments on the Statement of financial position are shown on a gross basis.

32. Fair value of financial instruments

Fair value is defined as the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date.

32.1 Financial assets and liabilities at fair value in the statement of financial position

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices);

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Level 2 trading and hedging derivatives comprise forward exchange contracts and interest rate swaps. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates from observable yield curves.

Management will continually assess whether its understanding of the valuation method hierarchy remains accurate for each financial instrument and if a change is deemed to occur it will disclose the date of the event and the change in circumstances in addition to the reporting period it is applicable to.

	31 March 2020				31 March 2019			
	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial Assets								
Equity instruments – related company	-	-	1,197	1,197	-	-	1,223	1,223
Derivative financial instruments	-	588,498	-	588,498	-	401,267	-	401,267
Financial Liabilities								
Derivative financial instruments	-	259,413	-	259,413	-	143,058	-	143,058

There were no transfers between level 1, level 2 and level 3. The carrying value for all other financial assets and liabilities not presented in the previous graph is a reasonable approximation of Fair Value in accordance with disclosure requirements as stated within IFRS 7.

32.2 Financial assets and liabilities not measured at fair value in the statement of financial position

The following tables compare the carrying value and fair value of those financial assets and liabilities not presented on the statement of financial position at fair value.

	31 March 2020 Level 2		31 March 2019 Level 2	
	Carrying Value €'000	Fair value €'000	Carrying Value €'000	Fair value €'000
Financial assets				
Loans to related parties	13,941,358	14,070,500	11,413,259	11,474,937
Guarantee fee receivable	8,864	8,864	8,612	8,612
Financial liabilities				
Bank loans	2,389,065	2,407,662	1,742,296	1,761,064
Commercial paper	3,780,940	3,783,498	2,424,878	2,424,975
Euro medium term notes	8,081,195	8,011,753	7,328,841	7,395,774
Related party guarantee	8,864	8,864	8,612	8,612

Financial assets

The fair value calculation for loans to related parties is based on discounting expected future cash flows using an estimated discount rate that reflects the expected future interest rates, derived from quoted market rates at the reporting date. Early settlements, credit losses and credit spread assumptions are reviewed periodically, but currently are not relevant to this class of assets.

Financial liabilities

The fair value of borrowings is based on current market prices where available. Fair value of EMTN is based on the discounted cash flow model that incorporates observable inputs including interest rate yield curves and the appropriate discount rate for the currency and tenor of the cash flow. Where active market prices are not available, the fair value of fixed interest borrowings is based on future cash flows discounted at the current rate for similar debts or assets with the same remaining maturities.

33. Events occurring after the reporting date

The global spread of COVID-19 and the responses to it by governments and other stakeholders have adversely affected Toyota Motor Corporation and its subsidiaries, through reduced demand for its vehicles and production decreases. As the Company lends to a portion of these subsidiaries, there is a potential indirect impact on the lending portfolio and associated expected credit loss. Management of the Company is closely monitoring the financial performance of its customers as well as financial markets as a whole. The Company's liquidity strategy is to maintain its capacity to fund assets and repay liabilities in a timely and cost effective manner even in adverse market conditions. A disruption in the Company's funding sources may adversely affect its ability to meet its obligations as they become due. An inability to meet obligations in a timely manner would have a negative impact on the Company's ability to refinance maturing debt and fund new assets growth of its customers and would have an adverse effect on its results of operations and financial conditions. The duration of the global spread of COVID-19 is uncertain, and the foregoing impacts and other effects not referenced above, as well as the ultimate impact of COVID-19, are difficult to predict and could have an adverse effect on the Company's financial condition and results of operations.

Board of Management

The board of management has the power to amend the financial statements after issue, if applicable

Hiroyasu Ito

Toshiaki Kawai

Other Information

Retained Earnings

In accordance with Article 21 of the Articles of Association, retained earnings are at the disposal of the shareholder in the general meeting. Subject to the Company being in a profitable position, the Board of Management may decide to pay a dividend subject to the approval of the shareholder in the general meeting.

Independent Auditor's Report

The independent auditor's report is set out on page 39.

Independent auditor's report

To: the shareholder and board of management of Toyota Motor Finance (Netherlands) B.V.

Report on the audit of the financial statements for the financial year ended 31 March 2020 included in the annual report & financial statements

Our opinion

We have audited the financial statements for the year ended 31 March 2020 of Toyota Motor Finance (Netherlands) B.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Toyota Motor Finance (Netherlands) B.V. as at 31 March 2020, and of its result and its cash flows for the year ended 31 March 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The statement of financial position as at 31 March 2020
- The following statements for the year ended 31 March 2020: the statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.

Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Toyota Motor Finance (Netherlands) B.V. (the Company) in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	EUR 77 million (31 March 2019: EUR 61 million)
Benchmark applied	0.5% of total assets (total current assets and non-current assets) as at 31 March 2020.
Explanation	We have used total assets as a benchmark as we believe that this benchmark is the most appropriate metric for the performance of the Company. In our opinion, the holders of the notes, debt and loans issued by the Company are most interested in the receivables of the loans to related companies, which is best represented by total assets. We determined materiality consistent with prior financial year.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the board of management that misstatements in excess of EUR 3.8 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. There are no changes to the key audit matters compared to prior year. The key audit matters are not a comprehensive reflection of all matters discussed. We have communicated the key audit matters to the Board of Management.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Existence and valuation of loans issued to related companies

Risk	<p>The main activity of Toyota Motor Finance (Netherlands) B.V. is to operate as a financing company of the Toyota Group, raising funds from third party lenders through bond issuance, loans and other facilities and subsequently lending such funds to Toyota Group companies ('related companies'). The Company is exposed to the risk that a Toyota Group company defaults on meeting its obligations.</p> <p>As loans to related companies represent the most significant proportion of the Company's current and non-current assets, any expected credit loss may have a material impact on the financial statements. As such we identified existence and valuation of loans issued to related companies as key audit matter.</p> <p>We refer to Note 2 Summary of significant accounting policies and Note 14 Loans to related companies of the financial statements where management has disclosed the policies and procedures for loans issued to related companies.</p>
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Existence and valuation of loans issued to related companies

Our audit approach

In our audit, we have applied mainly substantive audit procedures on the balances of loans issued to related companies. The substantive audit procedures included detailed assessment of loan contracts and detailed analytical reviews. We obtained loan confirmations to determine the existence of the loans. We have verified the valuation of loans issued to related companies by obtaining an understanding of the impairment process and model. We have reviewed key judgments and estimates made by the board of management to calculate the expected credit loss, including evaluation of impact assessment for the Covid-19 pandemic on expected credit losses by the board of management. We assessed the calculation of the expected credit loss and evaluated the appropriateness of the relevant disclosures made.

Key observations

Based on our procedures performed, we did not identify evidence of material misstatement in the valuation and existence of loans issued to related companies. The disclosures on loans issued to related companies meet the requirements of EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code

Emphasis of matter relating to Corona developments

The developments around the Corona (Covid-19) pandemic have a profound impact on people, society and on the economy. This impacts operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The impact may continue to evolve.

The financial statements and our auditor's report thereon reflect the conditions at the time of preparation. The impact of the developments on the Company is disclosed in the report of the board of management, and in the notes to the financial statements in the footnote section Summary of significant accounting policies as well as Events occurring after the reporting date. We draw attention to these disclosures. Our opinion is not modified in respect of this matter.

Report on other information included in the annual report & financial statements

In addition to the financial statements and our independent auditor's report thereon, the annual report & financial statements contains other information that consists of:

- The report of the board of management
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board of management is responsible for the preparation of the other information, including the report of the board of management in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the board of management as auditor of the Company on 26 July 2017, as of the audit for the financial year ended 31 March 2018 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided

In addition to the statutory audit of the financial statements, we provided half-year review, comfort and consent letters in connection with (i) the Information Memorandum for the Medium Term Note Programme and (ii) the secondary distribution (Uridashi) by Toyota Motor Finance (Netherlands) B.V.

Description of responsibilities regarding the financial statements

Responsibilities of the board of management for the financial statements

The board of management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code.

Furthermore, the board of management is responsible for such internal control as the board of management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of management should prepare the financial statements using the going concern basis of accounting unless the board of management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The board of management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of management
- Concluding on the appropriateness of the board of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with the board of management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the board of management in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the board of management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the board of management, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 6 August 2020

Ernst & Young Accountants LLP

P. Sira

3. Responsibility Statement

The members of the Company's Board of Management confirm that to the best of their knowledge:

- (a) the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- (b) the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.