30 July 2021

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

Annual Financial Report for the financial year ended 31 March 2021

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 2021.

References herein to “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 provides 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 provides 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 2021" denote the year ended 31 March 2021 and references herein to "fiscal 2020" denote the year ended 31 March 2020.

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 2021 Operating Summary

Revenue decreased by 21.1% to € 121.8 million for the twelve months ended 31 March 2021 from € 154.4 million for the twelve months ended 31 March 2020, and the cost of funding decreased by 31.2% to € 96.0 million for the twelve months ended 31 March 2021 from € 139.5 million for the twelve months ended 31 March 2020. Such decreases were primarily due to decreasing interest rates on lending and borrowing volumes through the year. The volume of short-term and long-term loans to related companies increased by 11.8% to € 15.6 billion at 31 March 2021 from € 13.9 billion at 31 March 2020.

Gross margin increased by 73.4% to € 25.8 million for the twelve months ended 31 March 2021 from € 14.9 million for the twelve months ended 31 March 2020, primarily due to higher average loan balances compared to previous year and higher margins on new issued loans during the first part of the financial year.

There was a loss before tax of € 44.9 million for the twelve months ended 31 March 2021 compared to a profit before tax of € 97.1 million for the twelve months ended 31 March 2020, primarily due to mark-to-market losses on financial instruments of € 64.4 million for the twelve months ended 31 March 2021 compared to € 88.7 million profit for the twelve months ended 31 March 2020. The mark-to-market losses on financial instruments are primarily caused by the reversal of gains in previous periods due to contracts coming to maturity. Interest income decreased by 21.3% to € 117.1 million for the financial year ended 31 March 2021 from € 148.9 million for the financial year ended 31 March 2020 and interest expenses decreased by 35.8% to € 78.9 million for the financial year ended 31 March 2021 from € 122.9 million for the financial year ended 31 March 2020.

There was a loss for the year after tax of € 39.9 million for the twelve months ended 31 March 2021, compared to a profit of € 71.5 million for the twelve months ended 31 March 2020.

Current assets increased by 5.9% to € 7.3 billion at 31 March 2021 from € 6.9 billion at 31 March 2020. Current assets mainly consist of short-term loans to related companies. At 31 March 2021, a total equivalent amount of € 6.2 billion was lent to related companies. Other current assets include derivative financial instruments, other receivables including collateral deposits paid and cash and cash equivalents.

Current liabilities increased by 19.0% to € 8.4 billion at 31 March 2021 from € 7.0 billion at 31 March 2020. This was primarily due to an increase in the amount of borrowings.

During the financial year ended 31 March 2021, 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 2021, net current liabilities increased by 611.7% to € 1,082.0 million from € 152.0 million at 31 March 2020. Current liabilities exceeded current assets, and this was primarily a result of short-term borrowings exceeding short-term lending to related companies for the financial year ended 31 March 2021.

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 € 903.6 million at 31 March 2021 compared to € 744.6 million at 31 March 2020.

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

	31 March	
	2021	2020
Commercial paper	4,367	3,781
Euro medium term notes	9,257	8,081
Loans from bank	2,627	2,389
Total borrowings	16,251	14,251

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 € 2.7 billion to € 4.4 billion during fiscal 2021, with an average outstanding balance of € 3.4 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 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):

	Total unsecured term debt(1)
Balance at 31 March 2020	8,081
Issuances during the twelve months ended 31 March 2021(2)	2,852
Payments during the twelve months ended 31 March 2021	(1,826)
Change in foreign exchange revaluation, amortisation and interest accruals	150
Balance at 31 March 2021	9,257

(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 8 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 2020, 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 € 16.9 billion was available for issuance at 31 March 2021. 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 2021 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 2021, the Company had entered into four bilateral bank credit agreements for an aggregate amount of U.S.$ 777 million 1-year, 3-year, 4-year and 5-year loans, six bilateral bank credit agreements for an aggregate amount of Yen 133.3 billion 2-year, 3-year and 4-year loans and three bilateral bank credit agreements for an aggregate amount of € 940 million 3-year loans. 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 2021.

Bilateral 364 Day Term Loan Agreement

On 28 April 2020 the Company entered into a U.S.$ 200 million 364 Day Term Loan Agreement which was fully drawn upon on 30 April 2020.

Bilateral Two Year Term Loan Agreements

On 12 May 2020, the Company entered into a JPY 20 billion Two Year Term Loan Agreement which was fully drawn upon on 15 May 2020.

On 4 September 2020, the Company entered into a JPY 21.5 billion Uncommitted Two Year Term Loan Credit Agreement which was fully drawn upon on 18 September 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.

On 23 April 2020 the Company entered into a € 200 million Three Year Term Loan Agreement which was fully drawn on 30 April 2020.

On 29 March 2021, the Company entered into a € 300 million Uncommitted On Demand Three Year Term Loan Credit Agreement which was fully drawn on 31 March 2021.

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 Four Year Term Loan Agreement

On 24 February 2019, the Company entered into a JPY 25.0 billion Four Year Term Loan Agreement which was fully drawn on 28 February 2019.

On 26 March 2019, the Company entered into a JPY 15.0 billion Four Year Term Loan Agreement which was fully drawn on 29 March 2019.

On 24 March 2021, the Company entered into a U.S.$ 200 million Four Year Term Loan Agreement which was fully drawn on 26 March 2021.

Bilateral Five Year Term Loan Agreement

On 20 July 2016, the Company entered into a U.S.$ 311 million Five Year Term Loan Agreement which was fully drawn on 20 July 2016.

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

	Total borrowings from Bank
Balance at 31 March 2020	2,389
Drawdowns during the twelve months ended 31 March 2021	1,197
Payments during the twelve months ended 31 March 2021	(805)
Change in foreign exchange revaluation, amortisation and interest accruals	(154)
Balance at 31 March 2021	2,627

(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 syndicated bank credit facilities and 11 bilateral bank credit facilities.

Bilateral 364 Day Revolving Credit Agreements

On 3 June 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 bilateral 364 Day Revolving Credit Agreement may be used for general corporate purposes and was not drawn upon as of 31 March 2021. The previous € 200 million bilateral 364 Day Revolving Credit Agreement, entered into on 5 June 2019, terminated on 3 June 2020.

On 3 July 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 bilateral 364 Day Revolving Credit Agreement may be used for general corporate purposes and was not drawn upon as of 31 March 2021. The previous € 200 million bilateral 364 Day Revolving Credit Agreement, entered into on 6 July 2019, terminated on 3 July 2020.

Syndicated 364 Day, Three Year and Five Year Credit Agreements

On 6 November 2020, 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. The ability to make drawdowns under the 364 Day 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 may be used for general corporate purposes and was not drawn upon as of 31 March 2021. The 364 Day Credit Agreement, dated as of 8 November 2019, was terminated on 6 November 2020.

On 8 November 2019, the Company and other Toyota affiliates entered into 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 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 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 2021.

Bilateral 364 Day Revolving Credit Agreements

On 6 November 2020, 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. The ability to make drawdowns under the bilateral 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 2021. The 364 Day Revolving Credit Agreement, dated as of 8 November 2019, terminated on 6 November 2020.

On 25 November 2020, the Company entered into a € 225 million 364 day bilateral bank revolving credit facility pursuant to a bilateral 364 Day Revolving Credit Agreement. The ability to make drawdowns under the bilateral 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 2021. The 364 Day Revolving Credit Agreement, dated as of 27 November 2019, terminated on 25 November 2020.

Bilateral Three Year Revolving Credit Agreements

On 8 November 2019, the Company and other Toyota affiliates entered into 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 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 Three Year Revolving Credit Agreement may be used for general corporate purposes and was not drawn upon as of 31 March 2021.

On 27 November 2019, the Company entered into 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 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 Three Year Revolving Credit Agreement may be used for general corporate purposes and was not drawn upon as of 31 March 2021.

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

On 16 March 2021, 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 2021. The 364 Day Revolving Credit Agreement, the Three Year Revolving Credit Agreement and the Five Year Revolving Credit Agreement, each dated as of 18 March 2020 were terminated on 16 March 2021.

Bilateral 364 Day Revolving Credit Agreements

On 11 March 2021, the Company entered into a € 100 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 2021.

On 11 March 2021, 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 2021.

(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 € 4.5 million in the year ended 31 March 2021 (compared to € 5.2 million in the year ended 31 March 2020) 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 2021 are summarised as follows (Euro in millions):

31 March 2021	Payments due by period			
Contractual Obligations	Due within 3 months	Due between 4 and 12 months	Due between 1 and 5 years	Due after 5 years
Bank borrowings	172	268	2,199	-
Commercial paper	2,817	1,550	-	-
EMTNs	810	2,578	5,552	512
Collateral deposits received	114	-	-	-
Total	3,913	4,396	7,751	512

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 2021, the Company had twelve 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 provides 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 has led, and will likely continue to lead, to disruption and volatility in the global capital markets and in the economies of many countries.

In the Netherlands, the COVID-19 pandemic has caused an unprecedented level of unemployment claims, resulted in a decline in consumer confidence and spending, and economic volatility.

The negative economic conditions arising from the COVID-19 pandemic impacted certain financial results of the Company during the financial year ended 31 March 2021, including higher funding costs during the first quarter of the financial year ended 31 March 2021 for the Company. 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, including for Toyota, a decrease in new inventory resulting from production closures and supply shortages.

The long-term and ultimate impacts of the social, economic and financial disruptions caused by the COVID-19 pandemic are unknown. The ultimate duration or possible resurgence of the COVID-19 pandemic or similar public health issues is also uncertain. Further, if new strains of COVID-19 develop or sufficient amounts of vaccines are not available, not widely administered for a significant period of time, not used by consumers, or otherwise prove ineffective, the impact of COVID-19 on the global economy, and, in turn, on the Company's financial condition, liquidity and results of operations could be material. 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, delayed consumer response once restrictions have been lifted, or permanent behaviour changes in consumer spending, could have further negative impacts on consumer economics, dealerships and auction sites, which could have a material adverse impact on Toyota's, including the Company's, future results of operations. In addition, a possible resurgence of COVID-19 may subject Toyota to, among several other things, increased delinquencies and defaults by its customers and dealers, the reinstatement of certain payment relief options, closures of manufacturing plants by Toyota, and disruption among the supply chain and with other third-party vendors.

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, private label vehicles 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, consequences from changes in tax laws, 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.

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, such as those that were seen during the beginning of the COVID-19 pandemic, 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 prior periods;

- 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, adverse changes to tax laws and regulations, social unrest, outbreak of war or expansion of hostilities, health epidemics and other outbreaks, climate-related risks, and acts of terrorism, could each have a material adverse effect on the Company's results of operations and financial condition. For example, while the Company does not operate in the United Kingdom, the global financial, trade, and legal implications of the United Kingdom's withdrawal from the European Union ("*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, Lexus and Private Label 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 provides guarantees and, thereby, sales of Toyota, Lexus and private label 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, Lexus and private label 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, including shortages of parts, components or raw materials, or other events.

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, Lexus and private label vehicle 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, increased focus on climate-related initiatives and regulation, adjustments in the geographic distribution of new and used vehicle sales, and advancements in communications and technology. Any one or more of these trends could adversely affect the automotive industry, 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, Lexus and private label vehicle 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 provides 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, Lexus and private label 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, Lexus and private label 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 its 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, including the impact of COVID-19 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 differ 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 its 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.

An 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.

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.

Transition away from the London Interbank Offered Rate ("LIBOR") and the adoption of alternative reference rates

The Company may become exposed to LIBOR-based financial instruments, including through the Company's financing activities.

The United Kingdom Financial Conduct Authority (the "**FCA**") has indicated through a series of announcements that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. On 5 March 2021, ICE Benchmark Administration Limited ("**IBA**"), the administrator of LIBOR, published a statement confirming its intention to cease publication of all LIBOR settings, together with the dates on which this will occur, subject to the FCA exercising its powers to require IBA to continue publishing such LIBOR settings using a changed methodology. Concurrently, the FCA published a statement on the future cessation and loss of representativeness of all LIBOR currencies and tenors, following the dates on which IBA has indicated it will cease publication (the "**FCA announcement**"). Permanent cessation will occur immediately after 31 December 2021 for all Euro and Swiss Franc LIBOR tenors and certain Sterling, Japanese Yen and U.S. dollar LIBOR settings and immediately after 30 June 2023 for certain other USD LIBOR settings. In relation to the remaining LIBOR settings (1-month, 3-month and 6-month Sterling, U.S. dollar and Japanese Yen LIBOR settings), the FCA will consult on, or continue to consider the case for, using its powers to require IBA to continue their publication under a changed methodology for a further period after end-2021 (end-June 2023 in the case of U.S. dollar LIBOR). The FCA announcement states that consequently, these LIBOR settings will no longer be representative of the underlying market that such settings are intended to measure immediately after 31 December 2021, in the case of the Sterling and Japanese Yen LIBOR settings and immediately after 30 June 2023, in the case of the USD LIBOR settings. Any continued publication of the Japanese Yen LIBOR settings will also cease permanently at the end of 2022. It is impossible to predict the impact of these announcements on LIBOR rates, whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted.

In June 2017, the New York Federal Reserve's Alternative Reference Rates Committee announced the Secured Overnight Financing Rate ("**SOFR**") as its recommended alternative to U.S. dollar LIBOR. The composition and characteristics of SOFR are not the same as those of LIBOR. SOFR is a broad U.S. Treasury repurchase agreement market financing rate that represents overnight secured funding transactions. This means that SOFR is fundamentally different from LIBOR for two key reasons. First, SOFR is a secured rate, while LIBOR is an unsecured rate. Second, SOFR is an overnight rate, while LIBOR represents interbank funding over different maturities. As a result, there can be no assurance that SOFR or any alternative reference rate will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, regulatory, judicial or other events. For example, since publication of SOFR began on 3 April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or other market rates. With limited operating history, it remains unknown whether SOFR will be broadly accepted, whether it will continue to evolve, and what the effects of its implementation may be on the markets for financial instruments. If SOFR or another rate does not achieve wide acceptance as the alternative to LIBOR, there likely will be disruption to the markets relying on the availability of a broadly accepted reference rate.

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

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

To facilitate an orderly transition from LIBOR to alternative reference rates, the Company has established an initiative led by senior management, with Board and committee oversight. The Company is evaluating SOFR, Prime, SONIA and other possible alternatives as alternative reference rates and working to assess and mitigate risks associated with the discontinuation of LIBOR. Even if an alternative reference rate becomes widely accepted, the Company may continue to be subject to risk on outstanding instruments which rely on LIBOR. For example, if a contract or instrument is not transitioned to a new reference rate and LIBOR ceases to exist, the Company may experience increased interest rate risk. In addition, the Company may be dependent on third parties to upgrade their systems, software, and other critical functions to assist in its orderly transition from LIBOR. A failure to properly transition away from LIBOR could expose the Company to various financial, operational, and regulatory risks, which could have a significant impact on the Company's financial condition and results of operations.

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 2021 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 its own information systems and third-party information 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, 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. These operational risks may be increased as a result of remote work arrangements due to the COVID-19 pandemic.

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 third-party providers, could expose the Company to a risk of loss of personal information of customers, employees and third parties or other confidential, proprietary or competitively sensitive information, business interruptions, regulatory scrutiny, actions and penalties, litigation, reputational harm, a loss of confidence and other financial and non-financial costs, all of which could potentially have an adverse impact on 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. In addition, the Company may face increased cyber-security risks and increased vulnerability to security breaches and other information technology disruptions as a result of the COVID-19 pandemic and increased remote work among its workforce. 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 personal and financial information of its customers, employees and third-party individuals, are subject to increasingly complex, restrictive, and punitive laws and regulations which could adversely affect 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, 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.

COVID-19 Risks - Toyota

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

The duration of the 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.

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

The changes in demand for automobiles are continuing, and it is unclear how this situation will transition in the future. Toyota's financial condition and results of operations may be adversely affected if the changes in demand for automobiles 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.

2. Annual Report & Financial Statements for the financial year ended 31 March 2021 and Auditor's Report

The Annual Report & Financial Statements were adopted by the Annual General Meeting held on 29 July 2021

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

Annual Report & Financial Statements for the year ended 31 March 2021

Contents

BOARD OF MANAGEMENT

George Juganar
Akihiko Sekiguchi
Toshiaki Kawai
Kazuo Noda

Report of the Board of Management for the year ended 31 March 2021

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 2021. 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 nature of the activities of the Company has remained unchanged during the year ended 31 March 2021 from the prior year.

A loss of € 39.9 million was incurred in the year compared to a profit of € 71.5 million for the year ended 31 March 2020.

Gross margin for the year increased to € 25.8 million from € 14.9 million for the year ended 31 March 2020. The loss before tax for the year of € 44.9 million compares to a profit before tax of € 97.1 million for the year ended 31 March 2020. The decrease in interest income from € 148.9 million to € 117.1 million and interest expenses from € 122.9 million to € 78.9 million is in line with decreasing interest rates for lending and borrowing volumes through the year. The decrease in result is primarily caused by losses due to fair value adjustments on interest rate swaps, cross currency swaps and FX swaps. The losses due to fair value adjustments on the financial instruments are predominantly caused by the reversal of gains in previous periods due to contracts coming to maturity. Furthermore interest rate movements on contracts hedging the Company's lending and funding added to the losses. 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.

At the reporting date, a total equivalent amount of € 15,591 million had been lent to related companies, compared to € 13,943 million at 31 March 2020.

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 2021, there were net current liabilities of € 1,082 million, compared to net current liabilities of € 152.0 million for the year ended 31 March 2020. The increase in excess of current liabilities over current assets is primarily due to the fact that the growth in long term lending is initially funded through short term funding giving relative greater increase in short-term borrowing compared to short term lending during the year ended 31 March 2021.

The Company had outsourced its IT infrastructure as well as maintenance of its IT systems to Toyota Financial Services UK (PLC). During the month of May 2020 the IT infrastructure was migrated to Toyota Kreditbank GmbH, following regional management decision to centralise its IT system in regional headquarters in Cologne. After a successful migration and approved user acceptance test, Toyota Kreditbank GmbH also provides IT maintenance and services to the Company based on an agreed Service Level Agreement with the Company.

The Company is closely monitoring any (non-)financial impact attributable to the Covid-19 outbreak on their loan portfolio, financial instruments, debt and employees. During the Covid-19 period, the infrastructure and systems proved to be fully capable to support the business continuity with the staff working from home in the changed business environment. All the staff members were asked to work from home unless there was an inevitable driver to be in the office. These conditions are still in place until the situation with COVID-19 improves. In general, there were no material changes in the internal control framework as a result of the changed environment

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. The Company lends to a portion of these subsidiaries and there has been no direct impact on its lending portfolio. Management of the Company is closely monitoring the financial performance of its borrowers 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 borrowers 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 four 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 2022. Future financial performance is expected to be profitable and will depend largely on the gross 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 twelve.

Report of the Board of Management
for the year ended 31 March 2021

26 July 2021

Board of Management

George Juganar

Akihiko Sekiguchi

Toshiaki Kawai

Kazuo Noda

Statement of comprehensive income for the year ended 31 March 2021

	Note	2021 €'000	2020 €'000
Interest income	5	117,139	148,927
Dividend income	6	167	295
Guarantee fee income	7	4,526	5,171
Revenue	4	121,832	154,393
Interest expense	8	(78,913)	(122,942)
Fee expenses	9	(17,091)	(16,555)
Cost of funding		(96,004)	(139,497)
Gross margin		25,828	14,896
Administration expenses	10	(6,449)	(5,818)
Net gain on financial instruments (loss)/gain	11	(64,424)	88,727
Adjustment credit loss on group loans	14	156	(744)
Result before tax		(44,889)	97,061
Taxation	13	4,941	(25,512)
Result after tax		(39,948)	71,549
Net gain/(loss) on equity instruments designated at fair value through other comprehensive income	28	51	(26)
Total comprehensive income for the year, net of tax		(39,897)	71,523
Attributable to:			
Equity holder		**(39,897)**	**71,523**

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

Statement of financial position as at 31 March 2021 after appropriation of the result

	Note	31 March 2021 €'000	31 March 2020 €'000
Assets			
Current assets			
Loans to related companies	14	6,200,328	5,855,495
Other receivables	20	116,041	68,099
Current tax assets	21	-	469
Derivative financial instruments	16	64,657	211,030
Cash and cash equivalents	22	903,636	744,607
Total current assets		7,284,662	6,879,700
Non-current assets			
Loans to related companies	14	9,388,782	8,085,863
Derivative financial instruments	16	222,774	377,468
Equity investment – related company	15	1,248	1,197
Property, plant and equipment	17	19	20
Intangible assets	18	169	96
Total non-current assets		9,612,992	8,464,644
Liabilities			
Current liabilities			
Borrowings	23	8,135,130	6,359,870
Derivative financial instruments	16	97,103	118,130
Financial guarantee liability	24	7,471	8,864
Current tax liability	21	2,536	-
Other liabilities and accrued expenses	25	124,423	544,875
Total current liabilities		8,366,663	7,031,739
Net current liabilities		(1,082,001)	(152,039)
Non-current liabilities			
Borrowings	23	8,116,130	7,891,330
Derivative financial instruments	16	186,967	141,283
Deferred tax liabilities	19	13,761	25,962
Total non-current liabilities		8,316,858	8,058,575
Net assets		**214,133**	**254,030**
Shareholder's equity			
Equity attributable to owners of the parent			
Share capital	27	908	908
Retained earnings		212,732	252,680
Other reserves for equity instruments FVOCI	28	493	442
Total shareholder's equity		**214,133**	**254,030**

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 2021

	Note	Share Capital €'000	Retained Earnings €'000	Fair Value Reserves €'000	Total €'000
Balance at 1 April 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**
Equity instruments	28	-	-	51	51
Result for the year		-	(39,948)	-	(39,948)
Total comprehensive income for the year		-	(39,948)	51	(39,897)
Balance at 31 March 2021		**908**	**212,732**	**493**	**214,133**

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 2021

	Note	2021 €'000	2020 €'000
Result for the year		(39,948)	71,549
Adjustments for:			
Depreciation and amortisation	17 / 18	42	14
Dividend income	6	(167)	(295)
Taxation	13	(4,941)	25,512
Interest income	5	(117,139)	(148,927)
Interest expense	8	78,913	122,942
Fair value unrealised gains and losses		347,227	(63,055)
Unrealised foreign exchange gains and losses		(156,035)	(43,118)
(Increase) / decrease in loans to related companies	14	(1,385,660)	(2,773,757)
(Increase) / decrease in other current assets		(49,351)	(9,761)
Increase / (decrease) in other current liabilities		(420,484)	267,250
		(1,747,543)	(2,551,646)
Interest received		121,099	152,177
Interest paid		(100,897)	(120,091)
Tax paid		(4,254)	(8,481)
Cash flow from operating activities		**(1,731,595)**	**(2,528,041)**
Purchase of PPE and intangible assets	17 / 18	(114)	(102)
Dividend received	6	167	295
Cash flow from investing activities		53	193
Proceeds from borrowings	23	21,431,077	34,411,490
Repayment of borrowings	23	(19,512,901)	(31,393,977)
Cash flow from financing activities		1,918,176	3,017,513
Net increase in cash and cash equivalents		186,634	489,665
Cash and cash equivalents at the beginning of the year		744,607	242,260
Exchange gains on cash and cash equivalents		(27,605)	12,682
Cash and cash equivalents at the end of the year	22	**903,636**	**744,607**

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.

The Financial Statements of the Company have been approved for issue by the Board of Management on 26 July 2021.

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

At 31 March 2021 there was an excess of current liabilities over current assets. Having assessed the available liquidity facilities and credit support in place, the Board of Management has a reasonable expectation that the Company has adequate resources to continue to fund its current obligations for the foreseeable future and therefore the Financial Statements have been prepared on a going concern basis.

Changes in accounting policy and disclosures

New and amended standards effective for the financial year starting 1 April 2020

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 material 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 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.

Several other amendments and interpretations apply for the first time in 2020, 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 2020 and not early adopted

On 14 May 2020, the IASB issued 'Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)' regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

On 14 May 2020, the IASB issued 'Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)' amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

On 27 August 2020, the IASB issued 'Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021.

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 gain on financial instruments (loss)/gain’.

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 FVTPL

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:

- Fixture & Fittings: 5 years
- Furniture: 5 years
- 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, less than 12 months or more then 12 months, 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.

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	**2021 €'000**	**2020 €'000**
UK (group)	24,109	35,753
Thailand (group)	17,529	36,275
Norway (group)	15,327	16,163
South Africa (group)	13,760	18,139
Russia (group)	10,066	14,688
Italy (group)	6,671	5,082
Other countries (group)	29,626	19,628
Interest received from others	4,744	8,665
Total	**121,832**	**154,393**

5. Interest income

Interest income	**2021 €'000**	**2020 €'000**
Interest income on loans to related companies	112,395	140,262
Interest income on deposits	1,661	6,724
Interest (premium) income on commercial paper	40	43
Interest income on collateral deposits paid	2,455	1,037
Interest income on corporate tax	588	861
Total	**117,139**	**148,927**

6. Dividend income

The Company received a dividend from Toyota Leasing (Thailand) Co. Ltd. of € 167,000 in the year (2020: € 295,000).

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 2021 was € 4,526,000 (2020: € 5,171,000).

8. Interest expense

Interest expense	**2021 €'000**	**2020 €'000**
Interest charge on Euro medium term notes	(108,669)	(125,521)
Interest expense on commercial paper	(14,969)	(38,792)
Interest expense on bank loans	(17,702)	(30,727)
Interest paid on loan assets	(1,004)	(1,923)
Interest expense on collateral deposits received	(222)	(22)
Interest component of foreign exchange derivative contracts	4,781	13,267
Net interest on swap agreements	58,897	60,756
Bank overdraft interest refund	(23)	20
Interest on wage tax paid	(2)	-
Total	**(78,913)**	**(122,942)**

9. Fee expenses

The Company has the benefit of a credit support agreement with Toyota Financial Services Corporation ('TFSC'). TFSC has the benefit of a credit support agreement with Toyota Motor Corporation. The Company pays credit support fees to TFSC based on the Company's debt issuance and guarantees issued to related parties. The credit support fees charged in the year by TFSC were € 17,091,000 (2020: € 16,555,000).

10. Administration expenses

Administration expenses	**2021 €'000**	**2020 €'000**
Staff costs	(1,657)	(1,382)
Legal fees	(1,050)	(1,090)
Related party costs	(1,207)	(1,090)
Committed facilities	(686)	(493)
Independent auditor's expenses	(267)	(296)
Other assurance services	(80)	(47)
Communication expenses	(236)	(222)
Office rent	(117)	(116)
Rating annual fees	(186)	(146)
Tax advisor fees	(38)	(20)
Other administration expenses	(883)	(902)
Depreciation of PPE	(5)	(5)
Amortisation intangible assets	(37)	(9)
Total	**(6,449)**	**(5,818)**

The Company had an average of 11 employees, 2 seconded and 9 local (2020: 11 employees, 2 seconded and 9 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.

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

Staff costs	**2021 €'000**	**2020 €'000**
Wages, salaries and bonuses (on accruals basis)	(1,507)	(1,249)
Social security costs	(85)	(89)
Pension premiums (defined pension scheme on accruals basis)	(65)	(44)
Total	**(1,657)**	**(1,382)**

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	**2021 €'000**	**2020 €'000**
Short-term employee benefits	(302)	(254)
Total	**(302)**	**(254)**

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	**2021 €'000**	**2020 €'000**
Gains / (losses) arising from foreign exchange rate movements		
Derivative financial instruments	(326,053)	211,223
Loans and receivables at amortised cost	168,515	(296,694)
Financial liabilities measured at amortised cost	157,867	85,327
	329	(144)
Gains / (losses) arising from interest rate movements		
Fair value gains / (losses) on financial instruments	(64,753)	88,871
Total	**(64,424)**	**88,727**

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 derivative 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 derivative 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.

The result on financial instruments decreased from € 88,727,000 gains for the year ended March 2020 to € 64,424,000 losses for the year ended March 2021. The loss for the period was caused by (i) the reversal of previous gains on financial instruments coming to maturity during the period and (ii) interest rate movements on contracts hedging the Company's lending and funding.

12. Independent auditor's expenses

Administration expenses include the following fees paid to the Company's independent auditors Ernst & Young Accountants LLP for the statutory audit:

Independent auditor's expenses	**2021 €'000**	**2020 €'000**
Audit (statutory)	(186)	(228)
Audit – other assurance services	(81)	(68)
	(267)	**(296)**

13. Taxation

Taxation	**2021 €'000**	**2020 €'000**
Current		
Taxation on profit (loss) for the year	(8,542)	(8,481)
Prior period tax adjustment	1,282	1,051
	(7,260)	(7,430)
Deferred		
Origination / reversal of timing differences	12,201	(18,082)
Total	**4,941**	**(25,512)**

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	**2021 €'000**	**2020 €'000**
Result before tax	(44,889)	97,061
Weighted average tax rate for the year	24.90%	24.85%
Tax calculated at weighted average tax rate applicable	11,179	(24,117)
Change in tax rates on deferred tax balances	(3,886)	3,814
Foreign irrecoverable withholding tax	(3,674)	(6,332)
Taxable expense	(1)	(1)
Non-taxable income	41	73
Prior period tax adjustment	1,282	1,051
Total	**4,941**	**(25,512)**

The current tax rate is 25% for calendar year 2021 (2020: 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 (ECL) 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	**2021 €'000**	**2020 €'000**
Current assets		
Loans to related companies	6,201,926	5,857,249
Expected credit loss	(1,598)	(1,754)
Current loans to related companies	**6,200,328**	**5,855,495**

Loans to related companies	**2021 €'000**	**2020 €'000**
Current loans to related companies	6,200,328	5,855,495
Non-current loans to related companies	9,388,782	8,085,863
Total	**15,589,110**	**13,941,358**

Movement in expected credit loss	**€'000**
At 1 April 2020	(1,754)
Release provision	**156**
At 31 March 2021	**(1,598)**

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 a lower reserve based upon an updated expected credit loss calculation from the increase in the loan balance. The 1 year probability of default (pd) of TMC, as published by Bloomberg, is a significant part of the ECL calculation. The improvement of the 1 year pd of TMC during the year has led to a lower ECL provision even while lending balance increased.

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 2021 was between (0.233)% and 11.8 % 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% (2020: 0.042%) 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.

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 2021. 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.	**2021 €'000**	**2020 €'000**
Balance at the start of year	1,197	1,223
Fair value adjustment	51	(26)
Total	**1,248**	**1,197**

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 Current assets	**2021 €'000**	**2020 €'000**
Interest swaps	3,948	311
Cross-currency swaps	54,481	186,395
Forward foreign currency contracts	6,228	24,324
Total current assets	**64,657**	**211,030**
Derivative financial instruments Non-current assets		
Interest swaps	57,826	59,158
Cross-currency swaps	164,948	318,310
Total non-current assets	**222,774**	**377,468**
Derivative financial instruments Total assets	**287,431**	**588,498**

Derivative financial instruments **Current liabilities**	**2021** **€'000**	**2020** **€'000**
Interest swaps	5,103	2,900
Cross-currency swaps	90,957	93,874
Forward foreign currency contracts	1,043	21,356
Total current liabilities	**97,103**	**118,130**
Derivative financial instruments		
Non-current liabilities		
Interest swaps	15,768	18,545
Cross-currency swaps	171,199	122,738
Total non-current liabilities	**186,967**	**141,283**
Derivative financial instruments **Total liabilities**	**284,070**	**259,413**

Derivative assets and liabilities are recognised at fair value through profit and loss.

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. All 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	**2021** **Computer hardware and office equipment** **€'000**	**2020** **Computer hardware and office equipment** **€'000**
Cost		
Cost b/fwd at 1 April 2020 / 2019	108	95
Additions	4	13
Disposals	-	-
Total	**112**	**108**
Depreciation		
Depreciation b/fwd at 1 April 2020 / 2019	88	83
Depreciation charge for the year	5	5
Disposals	-	-
Total	**93**	**88**
Reconciliation at the beginning and end of the year		
Opening net book amount - at 1 April 2020 / 2019	20	12
Closing net book amount - at 31 March 2021 / 2020	**19**	**20**

18. Intangible assets

Intangible assets	2021 Computer software €'000	2020 Computer software €'000
Cost		
Cost b/fwd at 1 April 2020 / 2019	115	26
Additions	110	89
Total	**225**	**115**
Amortisation		
Amortisation b/fwd at 1 April 2020 / 2019	19	10
Amortisation charge for the year	37	9
Total	**56**	**19**
Reconciliation at the beginning and end of the year		
Opening net book amount - at 1 April 2020 / 2019	96	16
Closing net book amount – at 31 March 2021 / 2020	**169**	**96**

19. Deferred tax

Deferred tax is provided in full on temporary differences under the balance sheet liability method, using the tax rate of 25% that will be the applicable corporate tax rate as of 1 January 2022. 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 2020 and 31 March 2021 of deferred tax assets.

The movement on deferred tax liabilities is shown below:

Deferred tax	2021 €'000	2020 €'000
Deferred tax b/fwd 1 April 2020 / 2019	(25,962)	(7,880)
Impact from expected credit loss adjustment	33	187
Fair valuation of assets and liabilities through profit or loss	12,168	(18,269)
Total	**(13,761)**	**(25,962)**

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		2021 €'000	2020 €'000
Deposit for rented property		39	35
Prepaid rent		36	34
Collateral deposits paid		106,200	56,100
Interest receivable (cash collateral posted)		20	79
Related party receivables	Note 29	2,158	2,615
Non-related party prepaid expenses		82	67
Financial guarantee receivable	Note 24	7,471	8,864
Other receivable		35	305
Total		**116,041**	**68,099**

Collateral deposits paid are cash deposits with derivative counterparties held as collateral in respect of derivative contracts. The fair value of the 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 2021 (2020: 25.0%) in the Netherlands. Corporation tax liability at 31 March 2021 is € 2,536,000 (2020 tax asset: € 469,000). 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	2021 €'000	2020 €'000
Cash and bank balances	5,550	8,105
Deposits for liquidity purposes	898,086	736,502
Overdraft	-	-
Total	**903,636**	**744,607**

As of 31 March 2021 'Deposits for liquidity purposes' consists of 10 short term deposits with maturities ranging from 1 day to 13 days. There are no other restrictions on cash and cash equivalents.

23. Borrowings

Borrowings	2021 Current €'000	2021 Non-current €'000	2020 Current €'000	2020 Non-current €'000
Commercial paper	4,367,244	-	3,780,940	-
Medium term notes	3,332,158	5,925,167	1,748,689	6,332,506
Bank loans	435,728	2,190,963	830,241	1,558,824
Total	**8,135,130**	**8,116,130**	**6,359,870**	**7,891,330**

Borrowings by currency	**2021 Current €'000**	**2021 Non-current €'000**	**2020 Current €'000**	**2020 Non-current €'000**
Pound Sterling	1,843,385	351,321	1,867,347	654,998
United States Dollar	2,995,531	1,695,381	2,612,717	2,428,306
Australian Dollar	267,150	817,955	355,440	716,159
Singapore Dollar	-	-	313,668	-
New Zealand Dollar	64,207	27,316	93,466	81,800
Euro	2,958,907	3,901,522	1,116,773	3,078,216
Hong Kong Dollar	1,558	131,233	276	140,938
Japanese Yen	66	1,024,580	154	775,559
South African Rand	105	17,292	29	15,354
Norwegian Krone	4,221	149,530	-	-
Total	8,135,130	8,116,130	**6,359,870**	**7,891,330**

Borrowings	**01 Apr. 20 – 31 Mar. 21 €'000**	**01 Apr. 19 - 31 Mar. 20 €'000**
Commercial paper		
Start	3,780,940	2,424,878
Accrued interest	(2,418)	(780)
Issue	17,381,381	29,802,304
Redemption	(16,881,117)	(28,397,523)
Amortisation	(6,756)	4,660
FX revaluation	95,214	(52,599)
Total	**4,367,244**	**3,780,940**
Medium term notes		
Start	8,081,195	7,328,841
Accrued interest	1,848	618
Issue	2,852,005	3,585,574
Redemption	(1,826,230)	(2,644,623)
Amortisation	7,185	7,617
FX revaluation	141,322	(196,832)
Total	**9,257,325**	**8,081,195**
Bank loans		
Start	2,389,065	1,742,296
Accrued interest	(1,146)	(2,400)
Issue	1,197,270	1,023,612
Redemption	(805,133)	(351,831)
Amortisation	920	744
FX revaluation	(154,285)	(23,356)
Total	**2,626,691**	**2,389,065**

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 2021 was between (0.14%) and 1.21% per annum. As at the 31 March 2021 there are current borrowings of € 8,135,130,000 (2020: € 6,359,870,000) and non-current borrowings of € 8,116,130,000 (2020: € 7,891,330,000).

24. Financial guarantee liability

The current value of guarantees outstanding is: € 7,471,000 (2020: € 8,864,000) and these relate only to guarantees issued in respect of debt issuance for other related group companies (see note 2).

Of the total, € 1,019,000 relates to bonds maturing in less than one year and € 6,452,000 relates to bonds maturing in greater than one year.

25. Other liabilities and accrued expenses

Other liabilities and accrued expenses		**2021 €'000**	**2020 €'000**
Collateral deposits received		114,500	534,600
Interest payable on collateral deposits		33	2
Related party accounts payable	Note 29	8,966	9,456
Accrued administration expenses		681	575
Other accrued taxes		243	242
Total		**124,423**	**544,875**

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 2021 the Company's capital management strategy remained unchanged from the financial year 2020 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	**2021 €'000**	**2020 €'000**
Authorised		
10,000 (2020: 10,000) ordinary shares of € 454 each	4,540	4,540
Issued and fully paid up		
2,000 (2020: 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 note1).

Appropriation of Result

The profit for the financial year 2020 was added to the retained earnings as agreed in the Annual General Meeting of Shareholders held in Amsterdam on 7 August 2020.

The Board of Management proposed that the loss for the past financial year 2021 be deducted from the retained earnings.

28. Other reserves for equity instruments FVOCI - movement

Fair value reserve	**€'000**
At 1 April 2019	468
Movement	
Unrealised gains on equity instruments FVOCI	(26)
At 31 March 2020	**442**
Unrealised gains on equity instruments FVOCI	51
Net fair value reserve at 31 March 2021	**493**

The fair valuation reserve arises from the fair valuation 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 € 17,091,000 (2020: € 16,555,000) with € 8,776,000 (2020: € 8,658,000) 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
Toyota Financial Services Kazakhstan

Toyota Financial Services (UK) PLC associated undertakings:
Toyota Financial Services (South Africa) (Proprietary) Limited

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 Belgium NV / SA
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 Capital Malaysia Sdn. Bhd.
Toyota Financial Services Philippines Corporation
Toyota Financial Services Singapore Pte Ltd

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

Kinto UK

Transactions with fellow subsidiaries

Guarantees

The Company earned € 4,526,000 (2020: € 5,171,000) from fellow subsidiaries as guarantees fees. The amount relating to the guarantee fees that remained unpaid at year-end was € 2,158,000 (2020: € 2,615,000). The outstanding amount bears no interest and the payment term is 30 days.

Dividends

The Company received € 167,000 (2020: € 295,000) in dividends as disclosed in note 6 on its unlisted investment in Toyota Leasing (Thailand) Co. Ltd.

Borrowings

At 31 March 2021, there was no borrowings from related companies (2020: € 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	**2021 €'000**	**2020 €'000**
Balance at the beginning of the year	13,943,112	11,414,268
Loans advanced during the year	18,271,653	12,528,814
Loans repaid	(16,886,150)	(9,754,581)
Interest income	112,395	140,263
Interest received	(116,340)	(143,355)
Interest expense	(1,003)	(1,923)
Interest paid	1,150	1,709
Exchange revaluation of loans to related companies	265,891	(242,083)
Total	**15,590,708**	**13,943,112**

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.

Directors

Mr. H. Ito resigned as director of the Company on 31 December 2020. Mr. G. Juganar, Mr. A. Sekiguchi and Mr. K. Okuda were appointed as director of the Company on 1 January 2021. Mr. K. Okuda resigned as director of the Company on 1 June 2021 . Mr. K. Noda was appointed as director of the Company on 1 June 2021**.**

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	**2021 €'000**	**2020 €'000**
Credit support fees payable to parent company	8,776	8,658
Business and administration services payable to related companies	190	798
Total	**8,966**	**9,456**

Summary of guarantees and related party receivables

Summary of guarantees and related party receivables	**2021 €'000**	**2020 €'000**
Related party receivables for guarantees	2,158	2,615
Total	**2,158**	**2,615**

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 2021. 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**	**2021** **€'000**	**2020** **€'000**
Malaysian Ringgit	188,956	116,097
Russian Ruble	146,486	151,728
South African Rand	343,855	341,751
Thai Baht	1,930,591	2,503,233
Polish Zloty	32,383	-
Total	**2,642,271**	**3,112,809**

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	**2021 €'000**	**2020 €'000**
Pound Sterling	4,899	48
US Dollar	(7,448)	(4,777)
Thai Baht	1,596	3,312
Other	656	559
Total	(297)	(858)

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:

	2021			**2020**		
	Sensitivity of Profit and Loss Gain/(Loss) €'000	**Sensitivity of Equity Gain/(Loss) €'000**	**Total Gain/(Loss) €'000**	**Sensitivity of Profit and Loss Gain/(Loss) €'000**	**Sensitivity of Equity Gain/(Loss) €'000**	**Total Gain/(Loss) €'000**
5 % Euro strengthening	11	(25)	(14)	32	(22)	10
5 % Euro weakening	(11)	25	14	(32)	22	(10)

Sensitivity of Equity relates to Other reserves for equity instruments FVOCI as described in notes 28.

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:

Interest rate risk exposure at 31 March 2021	**Fixed rate €'000**	**Floating rate €'000**	**Non-interest bearing €'000**	**Total €'000**
Non-current assets				
Loans to related companies	5,185,067	4,203,715	-	9,388,782
Equity investment– related company	-	-	1,248	1,248
Current assets				
Loans to related companies	2,447,407	3,754,519	-	6,201,926
Receivables from affiliated companies	-	-	2,158	2,158
Other receivables – financial instruments only	-	106,220	192	106,412
Cash and cash equivalents	-	903,636	-	903,636
Current liabilities				
CP	-	(4,367,244)	-	(4,367,244)
EMTN	(1,500,890)	(1,831,268)	-	(3,332,158)
Bank loans	(67)	(435,661)	-	(435,728)
Affiliated company accounts payable	-	-	(8,966)	(8,966)
Other liabilities and accrued expenses -financial instruments only	-	(114,533)	(924)	(115,457)
Bank overdraft	-	-	-	-
Non-current liabilities				
EMTN	(4,043,296)	(1,881,871)	-	(5,925,167)
Bank loans	(1,324,580)	(866,383)	-	(2,190,963)
Pre-derivative position (a)	763,641	(528,870)	(6,292)	228,479
Nominal value derivatives (b)	(757,074)	760,380	54	3,360
Net interest bearing asset / (liability) position (a)+(b)	**6,567**	**231,510**	**(6,238)**	**231,839**

Interest rate risk exposure at 31 March 2020	**Fixed rate €'000**	**Floating rate €'000**	**Non-interest bearing €'000**	**Total €'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**

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 2021 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.

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	**2021 €'000**	**2020 €'000**
Current assets		
Loans to related companies	6,201,926	5,857,249
Other receivables – Collateral deposits paid and related party receivables	108,570	59,235
Derivative financial instruments	64,657	211,030
Cash and cash equivalents	903,636	744,607
Non-current assets		
Loans to related companies	9,388,782	8,085,863
Derivative financial instruments	222,774	377,468
Contingent liabilities		
Guarantees of related party debt	2,642,271	3,112,809

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 2021, the value of cash collateral received, shown as Collateral deposits received in note 25 within Other liabilities and accrued expenses was, € 114,500,000 (2020: € 534,600,000).

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 € 33,170,000 (2020: € 62,790,000) and the 3 largest counterparty positions represent € 75,029,000 (2020: € 136,199,000). These counterparties exposures are collaterised.

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.

Debt cash flows at 31 March 2021	**Due within 3 months**	**Due between 4 and 12 months**	**Due between 1 and 5 years**	**Due after 5 years**
	€'000	**€'000**	**€'000**	**€'000**
Bank loans	171,903	268,349	2,198,745	-
Commercial paper	2,817,036	1,550,511	-	-
EMTN	810,012	2,577,571	5,551,954	511,719
Collateral deposits received	114,500	-	-	-
Total	**3,913,451**	**4,396,431**	**7,750,699**	**511,719**

Debt cash flows 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**
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**

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 2021	**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)	(228)	(17,382)	(29,655)	(443)
Gross settled:				
– Currency derivatives – receivable	(2,175,826)	(2,033,673)	(6,062,166)	(240,434)
– Currency derivatives – payable	2,119,345	2,016,422	6,095,625	214,491
Total derivative cash flows	(56,709)	(34,633)	3,804	(26,386)
Total	**3,856,742**	**4,361,798**	**7,754,503**	**485,333**

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**

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 2021	**Due within 3 months €'000**	**Due between 4 and 12 months €'000**	**Due between 1 and 5 years €'000**	**Due after 5 years €'000**
Undrawn loan commitments	5,254,000	-	-	-
Total	**5,254,000**	**-**	**-**	**-**

Undrawn commitments 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**
Undrawn loan commitments	3,769,000	-	-	-
Total	**3,769,000**	**-**	**-**	**-**

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 2021	Gross amounts of recognised financial assets €'000	Gross amounts of recognised financial liabilities €'000	Net collateral exchanged €'000	Net assets / (liabilities) €'000
Derivative financial instruments *Collateralised*	287,431	(284,070)	(8,300)	(4,939)
Derivative financial instruments *Non- Collateralised*	-	-	-	-
Total	**287,431**	**(284,070)**	**(8,300)**	**(4,939)**

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

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 2021				31 March 2020			
	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	-	-	1,248	1,248	-	-	1,197	1,197
Derivative financial instruments	-	287,431	-	287,431	-	588,498	-	588,498
Financial Liabilities								
Derivative financial instruments	-	284,070	-	284,070	-	259,413	-	259,413

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 2021 Level 2		31 March 2020 Level 2	
	Carrying Value €'000	Fair value €'000	Carrying Value €'000	Fair value €'000
Financial assets				
Loans to related parties	15,589,110	15,809,787	13,941,358	14,070,500
Guarantee fee receivable	7,471	7,471	8,864	8,864
Financial liabilities				
Bank loans	2,626,691	2,647,322	2,389,065	2,407,662
Commercial paper	4,367,244	4,366,582	3,780,940	3,783,498
Euro medium term notes	9,257,325	9,404,732	8,081,195	8,011,753
Related party guarantee	7,471	7,471	8,864	8,864

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. The Company lends to a portion of these subsidiaries and there has been no direct impact on its lending portfolio. Management of the Company is closely monitoring the financial performance of its borrowers 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 borrowers 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

George Juganar

Akihiko Sekiguchi

Toshiaki Kawai

Kazuo Noda

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 year ended 31 March 2021 included in the annual report

Our opinion

We have audited the financial statements for the year ended 31 March 2021 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 2021, and of its result and its cash flows for the year ended 31 March 2021 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 2021
- The following statements for the year ended 31 March 2021: 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 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	€84 million (31 March 2020: €77 million)
Benchmark applied	0.5% (rounded) of total assets (total current assets and non-current assets) as at 31 March 2021.
Explanation	We have used total assets as a benchmark as we believe that this benchmark is the most appropriate metric for the financial position 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 €4 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. We have communicated the key audit matter to the board of management. The key audit matter is not a comprehensive reflection of all matters discussed.

In comparison with previous year, our key audit matter did not change.

This matter was 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 this matter.

Existence and valuation of loans issued to related companies	
Risk	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 on-lending such funds to Toyota Group companies (related companies). The Company is exposed to the risk that a Toyota Group company defaults on its obligations, as disclosed in Note 31.4 "Credit risk" to the financial statements. As loans to related companies represent the most significant proportion of the Company's current and non-current assets, expected credit losses may have a material impact on the financial statements and, when such losses materialize, the available cash flows to fulfill obligations towards third party lenders. Estimating expected credit losses is a key area of judgment for the board of management. The use of different assumptions could produce significantly different estimates of expected credit losses. As such we identified the existence and valuation of loans issued to related companies as key audit matter.

Existence and valuation of loans issued to related companies	
	We refer to Note 2 "Summary of significant accounting policies" and Note 14 "Loans to related companies" of the financial statements where the board of management has disclosed the policies and procedures for loans issued to related companies and where the board of management has disclosed that the entire portfolio of financial assets are classified as stage 1 given the creditworthiness and payment history of the related companies.
Our audit approach	We evaluated the appropriateness of accounting policies applied related to recognition of loans to related companies and expected credit losses in accordance with IFRS 9 "Financial Instruments" and the reasonableness of accounting estimates and related disclosures made by the board of management. We obtained an understanding of internal controls related to the valuation and the estimation of expected credit losses on loans to related companies. We have applied mainly substantive audit procedures on the balances of loans issued to related companies. These procedures included, amongst others: ▶ Inspecting loan contracts to related companies and obtaining loan confirmations to verify the existence of the loans to related companies ▶ Obtaining an understanding of the expected credit loss process and model ▶ Evaluating key judgments and estimates made by the board of management to calculate the expected credit loss, including an evaluation of the impact assessment for the COVID-19 pandemic on expected credit losses by the board of management ▶ Verifying the calculation of the expected credit loss and evaluating the appropriateness of the relevant disclosures made ▶ Reading the 2021 statutory financial statements of Toyota Motor Corporation (TMC), evaluating the financial position of TMC and its external credit rating as well as evaluating the appropriateness of the relevant disclosures made ▶ Inspecting the fair valuation of notes issued by the Company and TMC to identify potential increased credit risk
Key observations	Based on our procedures performed, we did not identify evidence of material misstatement in the existence and valuation 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.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report 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 Toyota Motor Finance (Netherlands) B.V. on 26 June 2017, as of the audit for the year ended 31 March 2018 and have operated as statutory auditor ever since that financial year.

Description of responsibilities for 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 Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of management is responsible for such internal control as the board 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.

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, 27 July 2021

Ernst & Young Accountants LLP

signed by 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.