30 November 2020

Toyota Motor Finance (Netherlands) B.V.

(the “***Company***”)

Half-Yearly Financial Report for the six months ended 30 September 2020

The Company 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. The Company is a wholly-owned subsidiary of Toyota Financial Services Corporation (“***TFS***”), which is a wholly-owned subsidiary of Toyota Motor Corporation (“***TMC***”). The Company presents its half-yearly financial report for the six months ended 30 September 2020.

1. Management Report

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

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 issues guarantees.

At 30 September 2020, a total equivalent amount of € 13.2 billion has been lent to related companies, compared to € 13.9 billion at 31 March 2020. Other assets comprise bank deposits, derivative financial instruments, collateral deposits and various less significant assets.

The Company reports a net loss of € 18.0 million for the six months ended 30 September 2020, compared to a net profit of € 33.7 million for the six months ended 30 September 2019. The decrease resulted mainly from losses arising from changes in the fair value of derivatives in the six months ended 30 September 2020, compared to profits arising from changes in the fair value of derivatives in the six months ended 30 September 2019.

Current assets decreased by 3.6% to € 6.6 billion at 30 September 2020 from € 6.9 billion at 31 March 2020. Current assets mainly consist of short-term loans to related companies. Other current assets include derivative financial instruments, other receivables including collateral deposits paid, cash and cash equivalents and current tax assets. The decrease in current assets is mainly driven by a decrease in cash and cash equivalents and derivatives due to mature within one year.

Current liabilities decreased by 2.7% to € 6.8 billion at 30 September 2020 from € 7.0 billion at 31 March 2020. This was primarily due to a decrease in other liabilities and accrued expenses.

The Company maintains its Euro Medium Term Note Programme (the "***EMTN Programme***") together with the Company's 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 € 17 billion was available for issuance at 30 September 2020.

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 Agreement

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

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, and was not drawn upon as of 30 November 2020. The previous € 200 million bilateral 364 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, and was not drawn upon on 30 November 2020. The previous € 200 million bilateral 364 Day Facility Agreement, entered into on 6 July 2019, terminated on 3 July 2020.

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 Credit Agreement. The ability to make drawdowns under the bilateral 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 bilateral 364 Day Credit Agreement may be used for general corporate purposes and was not drawn upon as of 30 November 2020. The 364 Day Credit Agreement dated as of 8 November 2019, terminated on 6 November 2020.

Bilateral 364 Day and Three Year Revolving Credit Agreements

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 30 November 2020. The 364 Day Revolving Credit Agreement dated as of 27 November 2019, terminated on 25 November 2020.

Syndicated 364 Day Credit Agreement

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 30 November 2020. The 364 Day Credit Agreement dated as of 8 November 2019, terminated on 6 November 2020.

It is expected that the nature of the activities of the Company will remain unchanged during the remaining six months of the financial year. Future financial performance will depend largely on the net interest margin earned on loans and investments, funded by existing and possible further issues of medium-term notes, commercial paper and funds from other sources.

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

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

The Company, TFS and Toyota may be exposed to certain risks and uncertainties, summarised below, that could have a material adverse impact directly or indirectly on its business, results of operations and financial condition. The Company's role as a group financing company exposes it to a variety of financial risks that include credit risk, liquidity risk, interest rate risk and foreign currency exchange rate risk.

The TFS group's business, through its financial subsidiaries and affiliates, including the Company, is substantially dependent upon the sale of Toyota and Lexus vehicles and its ability to offer competitive financing. The Company's business is also dependent upon the performance of TFS companies to which the Company grants loans and/or in respect of which it grants guarantees and, thereby, sales of Toyota and Lexus vehicles by Toyota companies.

The coronavirus ("***COVID-19***") pandemic, changes in consumer behaviour related to illness, pandemic fears and market downturns, and restrictions intended to slow the spread of COVID-19, including quarantines, government-mandated actions, stay-at-home orders and other restrictions, have adversely affected the Company's business and the business of Toyota. The duration of the global spread of COVID-19 and the resulting future effects are uncertain, and the foregoing impacts and other effects, 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.

Factors which could affect the volume of sales of Toyota and Lexus vehicles by Toyota distributors, include changes in governmental regulation or trade policies, changes in consumer demand, new vehicle incentive programmes, recalls, the actual or perceived quality, safety or reliability of Toyota and Lexus vehicles, changes in economic conditions, increased competition, increases in the price of vehicles due to increased raw material costs, changes in import fees or tariffs on raw materials or imported vehicles, changes to, or withdrawals from, trade agreements, currency fluctuations, fluctuations in interest rates, decreased or delayed vehicle production due to natural disasters, supply chain interruptions or other events, including the global outbreak of the COVID-19 pandemic, and the increased level of incentive programmes by other manufacturers. For the Company, a decrease in the level of sales will have primarily a negative impact on the level of the Company's financing volume, which could in turn have an adverse effect on the Company's results of operations and financial condition.

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 Toyota companies to which the Company on-lends funds or 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.

Further risks include changes to the senior long-term debt credit ratings of TMC and certain of its affiliates (including the Company) which may result in higher borrowing costs as well as reduced access to the capital markets. Liquidity risk arising from the inability of the TFS group (including the Company) to maintain the capacity to fund assets and repay liabilities in a timely and cost-effective manner would have a negative impact on the Company's ability to refinance maturing debt and fund new asset growth. Changes in interest rates or foreign currency exchange rates may cause volatility in the Company's results of operations, financial condition and cash flows. 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 materially and adversely affect the Company’s liquidity, results of operations and financial condition.

Inadequate or failed processes or systems or internal controls, models, estimates or assumptions, human error, employee misconduct, catastrophic events, external or internal security breaches, acts of vandalism, computer viruses, malware, ransomware, misplaced or lost data or other events could disrupt its normal operating procedures, damage its reputation and have an adverse effect on the Company’s business, results of operations and financial condition. The Company’s failure to prevent security breaches or cyber-attacks could subject it to liability, decrease its profitability and damage its reputation. The worldwide financial services industry is highly competitive.

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

In addition, changes to the laws, regulations or to the policies of governments (federal, 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 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 its processes and procedures, to ensure compliance with those laws, regulations or policies so that it can effectively carry on its business. Toyota may also become subject to various legal proceedings.

The Company’s principal risks and uncertainties for the remaining six months of the financial year have not changed since the issuance of the Company’s 2020 Annual Financial Report. The detailed discussion of these risks and uncertainties and the Company’s objectives, policies and processes for managing these risks and uncertainties were disclosed in the Management Report, as well as Note 31 in the Notes to the Financial Statements, in the Annual Financial Report of the Company for the financial year ended 31 March 2020.

2. Condensed Interim Financial Statements for the six month-period ended 30 September 2020

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

Condensed Interim Financial Statements for the six month-period ended 30 September 2020

Contents

BOARD OF MANAGEMENT

Hiroyasu Ito
Toshiaki Kawai

Statement of comprehensive income

	Note	Unaudited Six month-period ended 30 September 2020 €'000	Unaudited Six month-period ended 30 September 2019 €'000
Interest income		62,113	74,253
Dividend income		167	295
Guarantee fee income		2,378	2,582
Revenue	3	64,658	77,130
Interest expenses		(47,011)	(61,552)
Fee expenses		(8,314)	(7,898)
Cost of funding		(55,325)	(69,450)
Gross profit		9,333	7,680
Administration expenses		(3,178)	(2,792)
Net gains / (losses) on financial instruments	4	(20,005)	44,198
Result expected credit loss assessment on loans to related companies		(2,016)	257
Result before tax		(15,866)	49,343
Taxation	5	(2,224)	(15,640)
Result for the period		(18,090)	33,703
Other comprehensive income for the period, net of tax: Items that will be reclassified subsequently to Profit or Loss			
Equity accounted investment		71	57
Total comprehensive income for the period		(18,019)	33,760
Attributable to:			
Equity holder		**(18,019)**	**33,760**

The notes on pages 7 to 15 are an integral part of these condensed interim financial statements

Statement of financial position

	Note	Unaudited	Audited
		30 September 2020 €'000	**31 March 2020 €'000**
Assets			
Current assets			
Loans to related companies	7	5,857,977	5,855,495
Other receivables		79,390	68,099
Current tax assets		1,234	469
Derivative financial instruments	9	122,166	211,030
Cash and cash equivalents		572,522	744,607
Total current assets		6,633,289	6,879,700
Non-current assets			
Loans to related companies	7	7,351,186	8,085,863
Derivative financial instruments	9	206,148	377,468
Equity investment - related company		1,268	1,197
Property, plant and equipment		18	20
Intangible assets		117	96
Total non-current assets		7,558,737	8,464,644
Liabilities			
Current liabilities			
Borrowings	10	6,470,778	6,359,870
Derivative financial instruments	9	150,457	118,130
Financial guarantee liability		6,804	8,864
Other liabilities and accrued expenses		218,176	544,875
Total current liabilities		6,846,215	7,031,739
Net current liabilities		(212,926)	(152,039)
Non-current liabilities			
Borrowings	10	6,994,148	7,891,330
Derivative financial instruments	9	91,313	141,283
Deferred tax liabilities	8	24,339	25,962
Total non-current liabilities		7,109,800	8,058,575
Net assets		**236,011**	**254,030**
Shareholder's equity			
Equity attributable to owners of the parent			
Share capital		908	908
Retained earnings		234,590	252,680
Equity instruments FVOCI		513	442
Total shareholder's equity		**236,011**	**254,030**

The notes on pages 7 to 15 are an integral part of these condensed interim financial statements

Statement of changes in equity

	Share capital €'000	Retained earnings €'000	Fair value reserve €'000	Total €'000
Balance at 31 March 2019	908	181,131	468	182,507
Net change in fair value of equity instruments at FVOCI	-	-	57	57
Result for the period	-	33,703	-	33,703
Total comprehensive income	-	33,703	57	33,760
Balance at 30 September 2019 (unaudited)	**908**	**214,834**	**525**	**216,267**

	Share capital €'000	Retained earnings €'000	Fair value reserve €'000	Total €'000
Balance at 31 March 2020	908	252,680	442	254,030
Net change in fair value of equity instruments at FVOCI	-	-	71	71
Result for the period	-	(18,090)	-	(18,090)
Total comprehensive income	-	(18,090)	71	(18,019)
Balance at 30 September 2020 (unaudited)	**908**	**234,590**	**513**	**236,011**

The notes on pages 7 to 15 are an integral part of these condensed interim financial statements

Condensed interim statement of cash flow

	Unaudited Six month-period ended 30 September 2020 €'000	Unaudited Six month-period ended 30 September 2019 €'000
Cash flow from operating activities		
Cash used in operations including net movements for loans to related companies	416,960	(1,043,425)
Interest received	65,752	75,875
Interest paid	(52,945)	(67,513)
Tax paid	(4,612)	(5,903)
Net cash generated from / (used in) operating activities	425,155	(1,040,966)
Cash flow from investing activities		
Purchase of equipment and software	(36)	(19)
Dividends received	167	295
Net cash generated from investing activities	131	276
Cash flow from financing activities		
Proceeds from borrowings	10,501,962	17,043,632
Repayment of borrowings	(11,059,650)	(16,037,681)
Net cash (used in) / generated from financing activities	(557,688)	1,005,951
Net decrease in cash and cash equivalents	(132,402)	(34,739)
Cash and cash equivalents at the beginning of the period	744,607	242,260
Exchange (losses)/gains on cash and cash equivalents	(39,683)	3,586
Cash and cash equivalents at 30 September	**572,522**	**211,107**

The notes on pages 7 to 15 are an integral part of these condensed interim financial statements

Notes to the condensed interim financial statements

1. General information

Toyota Motor Finance (Netherlands) B.V. ('the Company') is a wholly-owned subsidiary of Toyota Financial Services Corporation ("TFSC"). 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 issuances 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 holding 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, which is incorporated in Japan.

The latest financial statements of Toyota Motor Corporation can be obtained from http://www.toyota-global.com.

The audited financial statements of the Company for the year ended 31 March 2020 are filed with the Chamber of Commerce in Amsterdam, and the independent auditor's report is unqualified.

2. Basis of preparation and significant accounting policies

These condensed interim financial statements for the six month-period ended 30 September 2020 have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union. The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with 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.

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 March 2020, except for the adoption of new standards effective as of 1 April 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 will have no impact on the Financial Statements of the Company.

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

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

On 24 April 2020, the IASB issued ED/2020/2 *Covid-19-Related Rent Concessions Proposed amendment to IFRS 16* (the ED) with a comment period ending 8 May 2020. The ED proposes an amendment to IFRS 16 to permit lessees, as a practical expedient, not to assess whether particular covid-19 related related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications. The ED proposes no change for lessors. The amendment will have no impact on the Financial Statements of the Company.

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

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 carrying amount including impairment losses 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.

Risk management

The Board of Management utilises risk management policies 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 set out specific guidelines to manage foreign exchange risk, interest rate risk, credit risk and the use of financial instruments to manage these risks. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 March 2020. There have been no changes in the risk management department or in any risk management policies since the year-end.

The global spread of COVID-19 and the responses to it by governments and other stakeholders have adversely affected Toyota Motor Corporation and its subsidiaries, through reduced demand for its vehicles and production decreases. As the Company lends to a portion of these subsidiaries, there is a potential indirect impact on the lending portfolio and associated expected credit loss. Management of the Company is closely monitoring the financial performance of its customers as well as financial markets as a whole. The Company's liquidity strategy is to maintain its capacity to fund assets and repay liabilities in a timely and cost effective manner even in adverse market conditions. A disruption in the Company's funding sources may adversely affect its ability to meet its obligations as they become due. An inability to meet obligations in a timely manner would have a negative impact on the Company's ability to refinance maturing debt and fund new assets growth of its customers and would have an adverse effect on its results of operations and financial condition. 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.

The United Kingdom (UK) left the European Union (EU) on 31 January 2020. A transition period is now in place until 31 December 2020. During this period the UK must comply with all EU rules and laws. The Company does not anticipate material changes for businesses or for the public during the transition period. Changes may occur after the transition period. The Company does not see any imminent risks as a going concern in relation with the Brexit.

The credit ratings for TFSC as well as for TMC as at 30 September 2020 were; Moody's A1 (31 March 2020 A1) and Standard & Poor's A+ (31 March 2020 AA-).

3. Revenue

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 from third parties incidental to the primary funding activities.

Income can be categorised geographically as follows:

Income by area	**Six month-period ended 30 September 2020 €'000**	**Six month-period ended 30 September 2019 €'000**
UK (group)	14,010	16,987
Thailand (group)	11,085	19,993
Norway (group)	7,836	7,727
South Africa (group)	6,773	8,747
Russia (group)	5,728	8,467
Italy (group)	3,174	2,578
Poland (group)	2,773	2,729
Spain (group)	2,422	2,031
Other countries (group)	8,850	4,541
Third-party interest	2,007	3,330
Total income by area	**64,658**	**77,130**

All income, apart from third-party interest, is derived from group companies controlled by TMC. Income is shown by area as in some countries there is more than one group company borrowing from the Company.

4. Net gains / (losses) on financial instruments

Items included in the report are measured using the functional currency of the Company which is the euro as this is the currency of the primary economic environment in which the Company operates, which is also the presentation currency. Transactions arising in foreign currencies are translated into the functional currency at the spot exchange of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange ruling on balance sheet date. Resulting gains or losses are recognized in the profit and loss statement and presented in the net gains and losses on financial instruments. In this account also the interest movements relating to the financial instruments are recognized. The Company measures derivatives at fair value whereas the other financial assets and liabilities are measured at amortized cost. The Company does not apply hedge accounting. Therefore, the effect of interest movements on the market value of the derivatives is not offset by an opposite movement on the underlying financial assets and liabilities leading to volatility in the Statement of comprehensive income.

See Note 9, Derivative financial instruments, for more information on the fair value of the derivative portfolio.

5. Income taxes

The income tax expense for the period is based on the estimated average annual effective income tax rate of 25% (six month-period ended 30 September 2019: 25%).

6. Dividends

No dividends were paid or proposed in the current or comparative periods by the Company.

7. Loans to related companies

Under IFRS 9 the Company has developed an impairment model for financial assets. The model is an expected credit loss model applicable as of 1 April 2018. The expected credit loss is deducted from outstanding current loan assets.

Current loans to related companies	**Unaudited 30 September 2020 €'000**	**Audited 31 March 2020 €'000**
Current assets		
Loans to related companies	5,861,747	5,857,249
Expected credit loss	(3,770)	(1,754)
Total current loans to related companies	**5,857,977**	**5,855,495**

Loans to related companies	**Unaudited 30 September 2020 €'000**	**Audited 31 March 2020 €'000**
Current loans to related companies	5,857,977	5,855,495
Non-current loans to related companies	7,351,186	8,085,863
Total loans to related companies	**13,209,163**	**13,941,358**

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.

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 30 September 2020 was between (0.225)% and 8.675% 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.

8. Deferred tax liabilities

Below is presented a roll forward of the deferred tax liability position.

Deferred tax liabilities	Unaudited 30 September 2020 €'000	Audited 31 March 2020 €'000
Beginning - Deferred tax liabilities	(25,962)	(7,880)
Correction beginning balance against new rate 25% (vs 21.7% 31/03/2020)	(3,948)	-
Impact from expected credit loss adjustment	504	187
Fair valuation of assets and liabilities through profit or loss	5,067	(18,269)
Total deferred tax liabilities	**(24,339)**	**(25,962)**

9. 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.

Derivative financial instruments - Current assets	Unaudited 30 September 2020 €'000	Audited 31 March 2020 €'000
Interest swaps	3,050	311
Cross-currency swaps	117,717	186,395
Forward foreign currency contracts	1,399	24,324
Total derivative financial instruments - Current assets	**122,166**	**211,030**
Derivative financial instruments – Non-current assets		
Interest swaps	45,193	59,158
Cross-currency swaps	160,955	318,310
Total derivative financial instruments - Non-current assets	**206,148**	**377,468**
Total derivative financial instruments – Assets	**328,314**	**588,498**

Derivative financial instruments – Current liabilities	**Unaudited 30 September 2020 €'000**	**Audited 31 March 2020 €'000**
Interest swaps	4,192	2,900
Cross-currency swaps	139,036	93,874
Forward foreign currency contracts	7,229	21,356
Total derivative financial instruments - Current liabilities	**150,457**	**118,130**
Derivative financial instruments – Non-current liabilities		
Interest swaps	19,343	18,545
Cross-currency swaps	71,970	122,738
Total derivative financial instruments - Non-current liabilities	**91,313**	**141,283**
Total derivative financial instruments – Liabilities	**241,770**	**259,413**

Derivative assets and liabilities are recognised at fair value -in the Statement of financial position. 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. Fair value gains / losses in financial derivatives are based upon changes in interest rates, foreign exchange movements, and instrument maturity and origination.

10. Borrowings

The Company's principal borrowings are from short-term commercial paper programmes, bank borrowings and from a long-term Euro medium term note programme. 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. Commercial paper, bank borrowings and Euro medium term notes are valued at amortised costs.

Borrowings	**30 September 2020**		**31 March 2020**	
	Current €'000	**Non-current €'000**	**Current €'000**	**Non-current €'000**
Commercial paper	2,749,532	-	3,780,940	-
Medium term notes	2,742,947	5,221,769	1,748,689	6,332,506
Bank loans	978,299	1,772,379	830,241	1,558,824
Total borrowings	**6,470,778**	**6,994,148**	**6,359,870**	**7,891,330**

Interest rates on bank borrowings are fixed or floating based on the relevant three months rates plus spread. The interest range on bank borrowings on 30 September 2020 was between 0.000% and 1.268% per annum.

Borrowings	**01 Apr. 20 - 30 Sept. 20**	**01 Apr. 19 - 31 Mar. 20**
	€'000	**€'000**
Commercial paper		
Start	3,780,940	2,424,878
Accrued interest	(2,287)	(780)
Issue	9,084,855	29,802,304
Redemption	(10,054,174)	(28,397,523)
Amortisation	(4,600)	4,660
FX revaluation	(55,202)	(52,599)
Total commercial paper	**2,749,532**	**3,780,940**
Medium term notes		
Start	8,081,195	7,328,841
Accrued interest	(3,188)	618
Issue	689,419	3,585,574
Redemption	(744,313)	(2,644,623)
Amortisation	3,509	7,617
FX revaluation	(61,906)	(196,832)
Total medium term notes	**7,964,716**	**8,081,195**
Bank loans		
Start	2,389,065	1,742,296
Accrued interest	(983)	(2,400)
Issue	727,688	1,023,612
Redemption	(261,163)	(351,831)
Amortisation	343	744
FX revaluation	(104,272)	(23,356)
Total bank loans	**2,750,678**	**2,389,065**

11. Related party transactions

The Company is a wholly-owned subsidiary of Toyota Financial Services Corporation (TFSC), a company incorporated in Japan.

The ultimate holding company and controlling party is Toyota Motor Corporation (TMC), a company incorporated in Japan.

Transactions with parent companies:

TMC provides credit support to TFSC in respect of the Company's debt issuance in the capital markets and related party guarantees.

TFSC provides credit support to the Company in respect of debt issuance in the capital markets and related party guarantees.

TFSC agrees in its Credit Support Agreements with the Company to make available to the Company funds sufficient to make its payment obligations on securities issued by it and agrees to ensure that the Company always has at least €100,000 in tangible net worth, so long as the Company has securities outstanding. Tangible net worth means the aggregate amount of issued capital, capital surplus and retained earnings less any intangible assets.

Guarantees:

The Company earned € 2,378,000 (2019: € 2,582,000) from fellow subsidiaries as guarantees fees. The outstanding amount was unpaid at period-end, bears no interest and the payment term is 30 days.

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 is swapped into floating rate, three-month basis in line with the Company's risk management policy.

Amounts receivable from related parties are not impaired.

The loans to related companies, excluding expected credit losses, have decreased by 5.24% from 31 March 2020 to 30 September 2020 (€ 13,943,112,000 at 31 March 2020, € 13,212,933,000 at 30 September 2020).

Loans from related companies:

The Company has borrowed € nil at 30 September 2020 (€ nil at 31 March 2020) from related companies.

In the cost of funding there is no interest expense on related party borrowing from related companies.

12. 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.

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

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.

The contingent liability for the guarantees at 30 September 2020 was € 2,506,640,000 (€ 3,112,809,000 at 31 March 2020).

13. Financial assets and liabilities at fair value in the condensed interim statement of financial position

The table below analyses financial instruments carried at fair value, by the 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.

	30 September 2020				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 investment – related company	-	-	1,268	1,268	-	-	1,197	1,197
Derivative financial instruments	-	328,314	-	328,314	-	588,498	-	588,498
Financial liabilities								
Derivative financial instruments	-	241,770	-	241,770	-	259,413	-	259,413

14. Share capital

Share capital	30 September 2020 €'000	31 March 2020 €'000
Authorised		
10,000 (31 March 2020: 10,000) ordinary shares of Euro 454 each	4,540	4,540
Issued and fully paid up		
2,000 (31 March 2020: 2,000) ordinary shares of Euro 454 each	908	908

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

Other information

Events occurring after the reporting period

There are no events after the reporting period to disclose.

Board of Management

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

Hiroyasu Ito

Toshiaki Kawai

3. Responsibility Statement

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

(a) the condensed interim financial statements for the six month-period ended 30 September 2020, which have been prepared in accordance with IAS 34 as adopted by the European Union give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by DTR 4.2.4; and

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