

TOYOTA MOTOR CORP/

FORM 20-F

(Annual and Transition Report (foreign private issuer))

Filed 06/23/22 for the Period Ending 03/31/22

Telephone	81-565-28-2121
CIK	0001094517
Symbol	TM
SIC Code	3711 - Motor Vehicles and Passenger Car Bodies
Industry	Auto & Truck Manufacturers
Sector	Consumer Cyclical
Fiscal Year	03/31

As filed with the U.S. Securities and Exchange Commission on June 23, 2022

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

FORM 20-F

(Mark One)

- ☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: March 31, 2022
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-14948

TOYOTA JIDOSHA KABUSHIKI KAISHA

(Exact name of registrant as specified in its charter)

TOYOTA MOTOR CORPORATION

(Translation of registrant's name into English)

Japan

(Jurisdiction of incorporation or organization)

1 Toyota-cho, Toyota City

Aichi Prefecture 471-8571

Japan

+81 565 28-2121

(Address of principal executive offices)

Masayoshi Hachisuka

Telephone number: +81 565 28-2121

Facsimile number: +81 565 23-5800

Address: 1 Toyota-cho, Toyota City, Aichi Prefecture 471-8571, Japan

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

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

Title of each class
American Depositary Shares*
Common Stock**

Trading Symbol(s)
TM

Name of each exchange on which registered
The New York Stock Exchange

* Each American Depositary Share representing ten shares of the registrant's Common Stock.

** No par value. Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the U.S. Securities and Exchange Commission.

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

None

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

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **13,778,301,544 shares of common stock (including 295,944,975 shares of common stock in the form of American Depositary Shares) as of March 31, 2022**Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes ☒ No ☐If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Yes ☐ No ☒Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files): Yes ☒ No ☐

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

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

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

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

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

U.S. GAAP ☐International Financial Reporting Standards as issued by the International Accounting Standards Board ☒Other ☐If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17 ☐ Item 18 ☐If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

Table of Contents

ITEM 1.	<u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	1
ITEM 2.	<u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>	1
ITEM 3.	<u>KEY INFORMATION</u>	1
3.A	<u>[RESERVED]</u>	1
3.B	<u>CAPITALIZATION AND INDEBTEDNESS</u>	1
3.C	<u>REASONS FOR THE OFFER AND USE OF PROCEEDS</u>	1
3.D	<u>RISK FACTORS</u>	1
ITEM 4.	<u>INFORMATION ON THE COMPANY</u>	6
4.A	<u>HISTORY AND DEVELOPMENT OF THE COMPANY</u>	6
4.B	<u>BUSINESS OVERVIEW</u>	6
4.C	<u>ORGANIZATIONAL STRUCTURE</u>	45
4.D	<u>PROPERTY, PLANTS AND EQUIPMENT</u>	46
ITEM 4A.	<u>UNRESOLVED STAFF COMMENTS</u>	47
ITEM 5.	<u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	47
5.A	<u>OPERATING RESULTS</u>	47
5.B	<u>LIQUIDITY AND CAPITAL RESOURCES</u>	70
5.C	<u>RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES</u>	74
5.D	<u>TREND INFORMATION</u>	76
5.E	<u>CRITICAL ACCOUNTING ESTIMATES</u>	76
ITEM 6.	<u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	76
6.A	<u>DIRECTORS AND SENIOR MANAGEMENT</u>	76
6.B	<u>COMPENSATION</u>	83
6.C	<u>BOARD PRACTICES</u>	87
6.D	<u>EMPLOYEES</u>	89
6.E	<u>SHARE OWNERSHIP</u>	89
ITEM 7.	<u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	91
7.A	<u>MAJOR SHAREHOLDERS</u>	91
7.B	<u>RELATED PARTY TRANSACTIONS</u>	92
7.C	<u>INTERESTS OF EXPERTS AND COUNSEL</u>	92
ITEM 8.	<u>FINANCIAL INFORMATION</u>	92
8.A	<u>CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION</u>	92
8.B	<u>SIGNIFICANT CHANGES</u>	94
ITEM 9.	<u>THE OFFER AND LISTING</u>	94
9.A	<u>LISTING DETAILS</u>	94
9.B	<u>PLAN OF DISTRIBUTION</u>	94
9.C	<u>MARKETS</u>	94
9.D	<u>SELLING SHAREHOLDERS</u>	95
9.E	<u>DILUTION</u>	95
9.F	<u>EXPENSES OF THE ISSUE</u>	95
ITEM 10.	<u>ADDITIONAL INFORMATION</u>	95
10.A	<u>SHARE CAPITAL</u>	95
10.B	<u>MEMORANDUM AND ARTICLES OF ASSOCIATION</u>	95
10.C	<u>MATERIAL CONTRACTS</u>	102
10.D	<u>EXCHANGE CONTROLS</u>	102
10.E	<u>TAXATION</u>	106
10.F	<u>DIVIDENDS AND PAYING AGENTS</u>	112
10.G	<u>STATEMENT BY EXPERTS</u>	112
10.H	<u>DOCUMENTS ON DISPLAY</u>	112

Table of Contents

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

[Table of Contents](#)

As used in this annual report, the term “fiscal” preceding a year means the twelve-month period ended March 31 of the year referred to. All other references to years refer to the applicable calendar year unless the context otherwise requires. Unless the context otherwise requires or as otherwise expressly stated, references in this prospectus supplement to “Toyota,” “we,” “us,” “our” and similar terms refer to Toyota Motor Corporation and its consolidated subsidiaries, as a group.

Toyota’s consolidated financial statements in this annual report have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The term “IFRS” also includes International Accounting Standards (“IASs”) and the related interpretations of the interpretations committees (SIC and IFRIC).

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

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

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

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

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

- (i) changes in economic conditions, market demand, and the competitive environment affecting the automotive markets in Japan, North America, Europe, Asia and other markets in which Toyota operates;
- (ii) fluctuations in currency exchange rates (particularly with respect to the value of the Japanese yen, the U.S. dollar, the euro, the Australian dollar, the Russian ruble, the Canadian dollar and the British pound), stock prices and interest rates fluctuations;
- (iii) changes in funding environment in financial markets and increased competition in the financial services industry;
- (iv) Toyota’s ability to market and distribute effectively;
- (v) Toyota’s ability to realize production efficiencies and to implement capital expenditures at the levels and times planned by management;
- (vi) changes in the laws, regulations and government policies in the markets in which Toyota operates that affect Toyota’s automotive operations, particularly laws, regulations and government policies relating to vehicle safety including remedial measures such as recalls, trade, environmental protection, vehicle emissions and vehicle fuel economy, as well as changes in laws, regulations and government policies that affect Toyota’s other operations, including the outcome of current and future litigation and other legal proceedings, government proceedings and investigations;

[Table of Contents](#)

- (vii) political and economic instability in the markets in which Toyota operates;
- (viii) Toyota's ability to timely develop and achieve market acceptance of new products that meet customer demand;
- (ix) any damage to Toyota's brand image;
- (x) Toyota's reliance on various suppliers for the provision of supplies;
- (xi) increases in prices of raw materials;
- (xii) Toyota's reliance on various digital and information technologies, as well as information security;
- (xiii) fuel shortages or interruptions in electricity, transportation systems, labor strikes, work stoppages or other interruptions to, or difficulties in, the employment of labor in the major markets where Toyota purchases materials, components and supplies for the production of its products or where its products are produced, distributed or sold;
- (xiv) the impact of natural calamities, epidemics, political and economic instability, fuel shortages or interruptions in social infrastructure, wars, terrorism and labor strikes, including their negative effect on Toyota's vehicle production and sales; and
- (xv) the impact of climate change and the transition towards a low-carbon economy.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3.A [RESERVED]

3.B CAPITALIZATION AND INDEBTEDNESS

Not applicable.

3.C REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

3.D RISK FACTORS

Industry and Business Risks

The worldwide automotive market is highly competitive.

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

The worldwide automotive industry is highly volatile.

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

Reviewing the general economic environment for fiscal 2022, the economy appeared to be headed toward a recovery due to fiscal and monetary policies adopted by various countries that have supported the economy, coupled with the gradual relaxation of strict COVID-19 restrictions. While the automotive market has been subjected to global production constraints due to components shortages caused by a tightening of global supply of, and increasing demand for, semiconductors and the impact of COVID-19, continued steady demand in countries such as the U.S., China, and Japan resulted in a recovery from last year. Geopolitical tensions that have

[Table of Contents](#)

increased since February 2022 have had a ripple effect globally in such forms as soaring materials prices, including for raw materials and parts and components for Toyota's vehicles, which has made it more difficult to foresee the future.

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

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

Meeting customer demand by introducing attractive new vehicles and reducing the amount of time required for product development are critical to automotive manufacturers. In particular, it is critical to meet customer demand with respect to quality, safety, reliability and sustainability. The timely introduction of new vehicle models, at competitive prices, meeting rapidly changing customer preferences and demand is more fundamental to Toyota's success than ever, as the automotive market is rapidly transforming in light of the changing global economy. There is no assurance, however, that Toyota will adequately and appropriately respond to changing customer preferences and demand with respect to quality, safety, reliability, styling, sustainability and other features in a timely manner. Even if Toyota succeeds in perceiving customer preferences and demand, there is no assurance that Toyota will be capable of developing and manufacturing new, price competitive products in a timely manner with its available technology, intellectual property, sources of raw materials and parts and components, and production capacity, including cost reduction capacity. Further, there is no assurance that Toyota will be able to 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, sustainability and other features in a timely manner could result in a lower market share and reduced sales volumes and margins, and may adversely affect Toyota's financial condition and results of operations.

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

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

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

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 such reasons as 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.

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

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

The worldwide financial services industry is highly competitive.

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

Toyota's operations and vehicles rely on various digital and information technologies, as well as information security.

Toyota depends on various information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, including sensitive data, and to manage or support a variety of business processes and activities, including manufacturing, research and development, supply chain management, sales and accounting. In addition, Toyota's vehicles may rely on various digital and information technologies, including information service and driving assistance functions.

Despite security measures, Toyota's digital and information technology networks and systems may be vulnerable to damage, disruptions, shutdowns due to unauthorized access or attacks by hackers, computer viruses, breaches due to unauthorized use, errors or malfeasance by employees and others who have or gain access to the networks and systems Toyota depends on, service failures or bankruptcy of third parties such as software development or cloud computing vendors, power shortages and outages, and utility failures or other catastrophic events like natural disasters. In particular, cyber-attacks or other intentional malfeasance are increasing in terms of intensity, sophistication and frequency, and Toyota has been and expects to continue to 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. Moreover, similar attacks on Toyota's suppliers and business partners have had, and may in the future have, a similar negative impact on Toyota.

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

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

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

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

Financial Market and Economic Risks

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

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

Toyota believes that its use of certain derivative financial instruments including foreign exchange forward contracts and interest rate swaps and increased localized production of its products have reduced, but not eliminated, the effects of interest rate and foreign currency exchange rate fluctuations. Nonetheless, a negative impact resulting from fluctuations in foreign currency exchange rates and changes in interest rates may adversely affect Toyota's financial condition and results of operations. For a further discussion of currency and interest rate fluctuations and the use of derivative financial instruments, see "Operating and Financial Review and Prospects — Operating Results — Overview — Currency Fluctuations," "Quantitative and Qualitative Disclosures About Market Risk," and notes 19 and 20 to Toyota's consolidated financial statements.

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

Increases in raw materials prices that Toyota and Toyota's suppliers use in manufacturing their products or parts and components such as steel, precious metals, non-ferrous alloys including aluminum, and plastic parts,

[Table of Contents](#)

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. For example, Toyota believes that increases in the prices of raw materials, as well as related logistics and other costs, had a significant negative impact on its results for fiscal 2022, and currently expects that they will have a greater negative impact on its results for fiscal 2023.

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

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

Regulatory, Legal, Political and Other Risks

The automotive industry is subject to various governmental regulations and actions.

The worldwide automotive industry is subject to various laws and governmental regulations including those related to vehicle safety and environmental matters such as emission levels, fuel economy, noise and pollution. In particular, automotive manufacturers such as Toyota are required to implement safety measures such as recalls for vehicles that do not or may not comply with the safety standards of laws and governmental regulations. In addition, Toyota may, in order to reassure its customers of the safety of Toyota's vehicles, decide to voluntarily implement recalls or other safety measures even if the vehicle complies with the safety standards of relevant laws and governmental regulations. If Toyota launches products that result in safety measures such as recalls (including where parts related to recalls or other measures were procured by Toyota from a third party), Toyota may incur various costs including significant costs for free repairs. Many governments also impose tariffs and other trade barriers, taxes and levies, or enact price or exchange controls. Toyota has incurred significant costs in response to governmental regulations and actions, including costs relating to changes in global trade dynamics and policies, and expects to incur such costs in the future. Furthermore, new legislation or regulations or changes in existing legislation or regulations may also subject Toyota to additional costs in the future. If Toyota incurs significant costs related to implementing safety measures or responding to laws, regulations and governmental actions, Toyota's financial condition and results of operations may be adversely affected.

Toyota may become subject to various legal proceedings.

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

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

Toyota is subject to various risks associated with conducting business worldwide. These risks include natural calamities; epidemics; political and economic instability; fuel shortages; interruption in social

[Table of Contents](#)

infrastructure including energy supply, transportation systems, gas, water, or communication systems resulting from natural hazards or technological hazards; wars; terrorism; labor strikes and work stoppages. Should the major markets in which Toyota purchases materials, parts and components and supplies for the manufacture of Toyota products or in which Toyota's products are produced, distributed or sold be affected by any of these events, it may result in disruptions and delays in the operations of Toyota's business.

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

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

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

ITEM 4. INFORMATION ON THE COMPANY

4.A HISTORY AND DEVELOPMENT OF THE COMPANY

Toyota Motor Corporation is a limited liability, joint-stock company incorporated under the Commercial Code of Japan and continues to exist under the Companies Act of Japan (the "Companies Act"). Toyota commenced operations in 1933 as the automobile division of Toyota Industries Corporation (formerly Toyoda Automatic Loom Works, Ltd.). Toyota became a separate company in August 1937. In 1982, the Toyota Motor Company and Toyota Motor Sales merged into one company, the Toyota Motor Corporation of today. As of March 31, 2022, Toyota operated through 559 consolidated subsidiaries (including structured entities) and 169 associates and joint ventures accounted for by the equity method.

See "— Business Overview — Capital Expenditures and Divestitures" for a description of Toyota's principal capital expenditures and divestitures between April 1, 2020 and March 31, 2022 and information concerning Toyota's principal capital expenditures and divestitures currently in progress.

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

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

4.B BUSINESS OVERVIEW

Toyota primarily conducts business in the automotive industry. Toyota also conducts business in finance and other industries. Toyota sold 8,230 thousand vehicles in fiscal 2022 on a consolidated basis. Toyota had sales revenues of ¥31,379.5 billion and net income attributable to Toyota Motor Corporation of ¥2,874.6 billion in fiscal 2022.

[Table of Contents](#)

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

	Yen in millions		
	Year Ended March 31,		
	2020	2021	2022
Automotive	26,770,379	24,597,846	28,531,993
Financial Services	2,172,854	2,137,195	2,306,079
All Other	923,314	479,553	541,436

Toyota's automotive operations include the design, manufacture, assembly and sale of passenger vehicles, minivans and commercial vehicles such as trucks and related parts and accessories. Toyota's financial services business consists primarily of providing financing to dealers and their customers for the purchase or lease of Toyota vehicles. Toyota's financial services business also provides mainly retail installment credit and leasing through the purchase of installment and lease contracts originated by Toyota dealers. Related to Toyota's automotive operations, Toyota is working towards having all of its vehicles become connected vehicles, creating new value and reforming businesses by utilizing big data obtained from those connected vehicles, and establishing new mobility services. Toyota's all other operations business segment includes the information technology related businesses including a web portal for automobile information called GAZOO.com.

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

	Yen in millions		
	Year Ended March 31,		
	2020	2021	2022
Japan	9,503,238	8,587,193	8,214,740
North America	10,419,869	9,325,950	10,897,946
Europe	3,133,227	2,968,289	3,692,214
Asia	4,785,489	4,555,897	5,778,115
Other*	2,024,724	1,777,266	2,796,493

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

During fiscal 2022, 23.4% of Toyota's automobile unit sales on a consolidated basis were in Japan, 29.1% were in North America, 12.4% were in Europe and 18.7% were in Asia. The remaining 16.4% of consolidated unit sales were in other markets.

The Worldwide Automotive Market

Toyota estimates that annual worldwide vehicle sales totaled approximately 83 million units in 2021.

Automobile sales are affected by a number of factors including:

- social, political and economic conditions;
- introduction of new vehicles and technologies;
- costs incurred by customers to purchase and operate automobiles; and
- the availability of parts and components that Toyota needs to manufacture its products.

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

[Table of Contents](#)

Global economic activity headed to recovery in fiscal 2022 underpinned by each country's fiscal and monetary policies as well as the gradual relaxation of the strict restrictions due to COVID-19. The automobile market faced global production constraints due to a lack of supply of parts and components caused by the impact of COVID-19, and also the tightening of global supply of, and increasing demand for, semiconductors. However, there was steady demand in countries such as the U.S., China and Japan, resulting in a recovery compared to last year. In the short term, the impact of geopolitical tensions that arose since February 2022 spread worldwide in the form of price increases of products, making it even more difficult to foresee the future.

The United States has seen sustained economic activity due to progress made on vaccinations and the favorable employment and wage environment, and government economic policies have contributed to a continued recovery based on strong domestic demand. Monetary policy has now shifted toward interest rates increases in order to curb overheating inflation. In Europe, while progress has been made on vaccinations, there is once again an increasing number of COVID-19 cases, which has led to restrictions on economic activity. Further, Europe has been the most affected by the geopolitical tensions that arose beginning in February 2022, which has blunted the momentum of recovery. While Japan has made rapid progress on vaccinations since the middle of 2021, in the midst of cool-downs and resurgences in the number of COVID-19 cases, the economy has stagnated due to policies restricting economic activity, as well as reduced production activity caused by supply constraints. In China, despite government support, its "zero-COVID" policy to combat a resurgence of COVID-19 cases has severely restricted economic activity since the beginning of 2022, leading to a sharp deceleration of the economy. While slower than developed countries, progress with vaccinations in emerging economies is gradually being made, and infection control measures are being eased, leading to a gradual recovery; however, some countries, including Brazil, have seen a slight decrease in consumption due to inflation taking hold.

Amid this environment, the automobile market slightly recovered overall in 2021 compared to the previous year when the market faced a sizable drop due to COVID-19, but it continues to be a more difficult year than usual.

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

In 2021, China, North America, Europe and Asia were the world's largest automotive markets. In North America, new vehicle sales were approximately 17.86 million units, an increase from the previous year. In Europe, new vehicle sales also increased from the previous year at approximately 16.87 million units. In Asia (including India but excluding Japan and China), new vehicle unit sales also increased from the previous year to approximately 9.22 million units. The share of each market across the globe, which Toyota estimates based on the available automobile sales data in each country and region information, was 31% for China, 22% for North America (21% excluding Mexico and Puerto Rico), 20% for Europe and 11% for Asia. In China, new vehicle sales increased from the previous year to approximately 25.22 million units.

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

[Table of Contents](#)

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

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

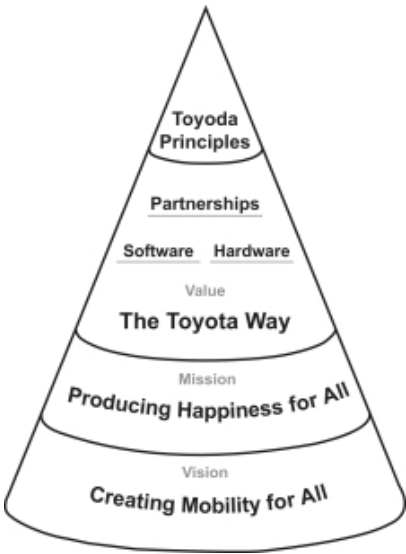
Toyota believes that its research and development initiatives, particularly the development of environmentally friendly new vehicle technologies, vehicle safety and information technology, provide it with a strategic advantage.

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

Toyota Philosophy

The automotive industry is experiencing a once-in-a-century transformation. We are now striving to transform ourselves into a mobility company. In an era which it is hard to predict the future, Toyota has reflected on the path it has taken thus far and has formulated the “Toyota Philosophy” as a roadmap for the future.

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



MISSION	Producing Happiness for All Using our technology, we work towards a future of convenience and happiness, available to all
VISION	Creating Mobility for All Toyota strives to raise the quality and availability of mobility so that individuals, businesses, municipalities and communities can do more, while achieving a sustainable relationship with our planet
VALUE	We unite our three strengths (Software, Hardware and Partnerships) to create new and unique value that comes from the Toyota Way

Toyota Production System (“TPS”)

TPS is imbued with the desire of Sakichi Toyoda, the founder of the Toyota family of companies, and Kiichiro Toyoda, the founder, “to make someone’s work easier.”

TPS was established based on two concepts: *Jidoka*, which can be loosely translated as “automation with a human touch,” — an idea of stopping equipment immediately when a problem occurs, in order to prevent defective products from being produced — and “*Just in Time*” (“JIT”), a concept based on the idea that “each process produces only what is needed for the next process in a continuous flow.” Based on the basic philosophies of *jidoka* and JIT, through TPS, Toyota aims to efficiently and quickly produce vehicles of sound quality, one at a time, to fully satisfy customer requirements.

Toyota believes that improving upon TPS is essential to its future survival. Currently, TPS is being introduced into development departments and administrative departments. Toyota intends to apply TPS to its development departments so that it can be used not only to shorten development times and reduce costs, but also to develop our human resources, thus leading to the manufacturing of ever-better cars that customers will love.

Selected Initiatives

As the automotive industry faces a once-in-a-century transformational period and at a time when the right answers are elusive, we are committed to “Producing Happiness for All” together with our stakeholders, underpinned by the spirit of “For the Sake of Others” which we have maintained since our founding. We believe management practices that value what makes us Toyota will lead to sustained efforts to achieve the aims of the Sustainable Development Goals, formally adopted by the United Nations in September 2015 (the “SDGs”), to “build a better world” while ensuring that “no one will be left behind.”

We are accelerating our shift toward product-centered management under the “making ever-better cars” initiative, efforts to achieve carbon neutrality, and endeavors to develop essential technologies such as software and connected vehicles. The following details the areas in which we particularly wish to focus our efforts.

Product-centered Management

We have historically offered a wide range of vehicles aimed at meeting customer needs. One of the key aspects in our car making is sports cars, which serves as the front line for passing down the skills and knowledge that will be passed down as well as for human resource development. The roots of our motorsports activities can be traced back to the founder Kiichiro Toyoda’s words, “racing is indispensable to the development of Japan’s automobile manufacturing industry.” We have created sports cars that bring together the most cutting-edge technological prowess of the era, such as the “Publica Sports,” “Sports 800,” and “2000GT” in the 1960s, and the “Supra,” “MR2,” “Celica,” “Corolla Levin,” and “Sprinter Trueno” in the 1980s. We developed the “LFA” in the 2010s, which is the cornerstone of our vehicles today. The “GR Yaris” is our attempt to flip the approach of making race cars from mass-production cars by designing a race car from the ground up. From the initial stages of development, we reached out to professional drivers to have them drive the car for repeated cycles of evaluation and improvement. As a result, the car evolved into one that is fun to drive.

The other key aspect is long-selling products. Our long-selling cars have been beloved by customers as an integral part of their lives, and must continually evolve to meet the needs of the times. The “Vitz,” as it was known in Japan, was unified under the name Yaris, which had taken root overseas, and we expanded its lineup to include the “GR Yaris” and “Yaris Cross.” Similarly, the “Corolla” lineup saw the addition of the “Corolla Sport” and “Corolla Cross.” We will promote our strategy to build a lineup tailored to current needs while leveraging the brand strength of our long sellers.

In order to practice product-centered management, our president, President Toyoda has driven the transformation of Toyota since taking office, based on the three pillars to make ever-better cars: i) TNGA (Toyota New Global Architecture), which facilitates the realization of excellent performance in terms of

[Table of Contents](#)

fundamental car functions — moving, turning, and stopping, ii) a company whose people are always passionate about, and have a sense of responsibility with respect to, the full product lineup and each and every car, and iii) a master driver in top management who takes final responsibility for assessing whether the cars we put out will satisfy our customers. We will continue aiming to be the best company “in town” by creating better cars that bring smiles to customers’ faces.

Initiatives to Achieve Carbon Neutrality

In April 2021, Toyota announced that it would address global-scale challenges to achieve carbon neutrality by 2050. To achieve carbon neutrality, Toyota intends to continue implementing electrified vehicle strategies that contribute to reducing CO₂ emissions throughout the product life cycle while coordinating with national governments regarding energy policies, including renewable energy and charging infrastructure, and public policies, including purchasing grants, supplier support, and battery recycling systems.

Since launching the “Prius” — the world’s first mass-production hybrid electric vehicle (“HEV”) — in 1997, we have sold a cumulative total of over 20 million electrified vehicles worldwide, achieving a CO₂ emissions reduction of over 160 million tons according to our estimates. To continue accelerating the realization of carbon neutrality, we will respond deftly to changes in customer demand trends by providing a diverse set of product options, taking into consideration region-specific electric power conditions. We are promoting our vehicle electrification strategy from all directions, including battery electric vehicles (“BEVs”), HEVs, plug-in hybrid electric vehicles (“PHEVs”), and fuel cell electric vehicles (“FCEVs”). In December 2021, we announced our aim of developing 30 types of BEVs and achieving a full lineup in each segment globally by 2030 to achieve global sales of 3.5 million BEVs per year by 2030. We also announced that Toyota plans to invest, by 2030, a total of approximately 8 trillion yen in capital expenditures, research and development expenses and other investments relating to electrification. Of the planned 8 trillion yen, approximately 4 trillion yen is expected to relate to BEVs; of the approximately 4 trillion yen towards BEVs, approximately 2 trillion yen is planned to be related to batteries. Batteries are crucial components of electrified vehicles. To develop batteries that our customers can use with peace of mind, we focus on producing batteries that stand out for five factors and strike a balance among them: safety, long service life, high quality, quality at an affordable price, and outstanding performance. We will work on the integrated development of vehicles and batteries to reduce costs. We are also making use of our internal combustion engine technology. The hydrogen engine, which draws on many decades of tried and tested technology, has the potential of contributing to carbon neutrality. We are repeatedly assessing and improving the hydrogen engine-powered Corolla in a motorsports environment, where development takes place on a much shorter timeline than it does for mass-produced automobiles. In addition to developing vehicles, we need to expand options for creating, distributing, and using energy. Through participation in the Super Taikyu Series, we are taking on this challenge together with many comrades gained in and outside of the auto industry with the will and passion for collaboration.

In the production field, we announced that we aim to achieve carbon neutrality at our global plants by 2035. We are promoting the reduction of CO₂ emissions through the introduction of renewable energy and hydrogen at plants in addition to comprehensive energy conservation.

For a further discussion of Toyota’s initiatives, see “Automotive Operations — BEV Strategies,” “Automotive Operations — The Development and Supply of Batteries” and “Automotive Operations — Hydrogen Engine.”

Software and Connected Initiatives

In an era defined by “CASE,” an acronym for Connected, Autonomous / Automated, Shared, and Electric, automobile manufacturing requires technological development in new fields such as electrification, automated driving, and connectivity. We aim to provide new value through novel experiences and by bringing excitement to customers through the mobility of “people,” “goods,” and “things” as cars become more linked to information. We believe that the vehicle development platform “Arene,” which is currently in development at Woven Alpha,

[Table of Contents](#)

Inc., a subsidiary of Toyota, will dramatically transform the development of software for vehicles. By enabling the independent development of software apart from hardware, Arene leverages the strengths of hardware cultivated by Toyota to achieve the development of safe, high-quality, and advanced software. Furthermore, application development on Arene is also made easier, enabling users to program applications more efficiently.

The proportion of a car's value attributable to software is growing. By developing internally the portions central to Toyota's future to enhance our competitiveness, we will collaborate with our partner companies to accelerate the speed of mass production. Connected cars and connected technologies will be applied to a variety of areas, and that which is to be connected will expand to include people, cars, communities, and society.

For a further discussion of this initiative, see "Automotive Operations — Software and Connected Initiatives."

Commercial Sector Initiatives

CASE technologies can only contribute to society once they become widespread. Commercial vehicles can play important roles in CASE technology dissemination, as they travel long distances for extended periods of time to support the economy and society and can be easily linked with infrastructure development. In April 2021, Toyota, Isuzu Motors Limited ("Isuzu") and Hino Motors, Ltd. ("Hino") established Commercial Japan Partnership Technologies ("CJPT") with the aim to accelerate the implementation and adoption of CASE technologies and services and thereby help address social issues and contribute to the realization of carbon neutrality. In July 2021, Suzuki Motor Corporation ("Suzuki") and Daihatsu Motor Co., Ltd. ("Daihatsu") announced that they had joined CJPT. CJPT plans to realize its aims by combining the commercial vehicle foundations cultivated by Isuzu and Hino and the strengths of Suzuki and Daihatsu in high-quality, low-cost manufacturing with Toyota's CASE technologies. CJPT is currently 60% owned by Toyota, with Isuzu, Hino, Suzuki and Daihatsu each owning 10%. CJPT will link each company's connected technology platforms to build a more comprehensive platform for commercial vehicles and leverage TPS to realize JIT logistics and increase transport efficiency, thereby helping to reduce CO₂ emissions.

For a further discussion of this initiative, see "Automotive Operations — Commercial Sector Initiatives."

Woven City

"Woven City" is a human-centered city where we aim to continuously produce new value and business models by utilizing the mobility of "information," "goods," and "people" to support daily life, by rapidly implementing development and demonstration cycles of technologies and services. By using digital twins, which involve reproductions of future products and technologies in a digital space for advancing development in both real and digital forms, we are simultaneously testing a variety of options virtually before building the real versions. Woven City will be a constantly improving, ever-evolving city rooted in Toyota's kaizen approach — thinking that there is always a better way. We will work with our partners in this quest to increase the significance and value of mobility, which is not only about moving people and goods but also about moving hearts.

For a further discussion of this initiative, see "Automotive Operations — Woven City."

Dialogue with Employees and Human Resource Development

At Toyota, management and labor unions work hand in hand to develop the economy through the automobile industry. At talks held in March 2022, we deepened our mutual understanding on topics including how our production will address the semiconductor shortage, the reality facing our suppliers as they work to achieve carbon neutrality, and concerns over having all members actively participate in diversifying workplaces, using a forum akin to a management meeting but with full participation. To survive and thrive through these

[Table of Contents](#)

uncertain times as we head into uncharted territory, we are taking action amid a rapidly changing management environment based on the belief that there is a world of difference between where we might end up simply by letting things run their course for the next decade and how that same future might look if we continue striving to make things better.

To enhance the overall potential of our workforce, we strive to develop human resources equipped with both the ability to act, which is the driving force of our business, and compassion, or the ability to make efforts for others, such as customers and teammates, and to learn respectfully from others and keep improving. We believe we can learn a lot from athletes who lead disciplined lifestyles focused on reaching their maximum potential in the instant it matters, as well as their commitment to serving others through contribution to their own team and training the next generation.

The Toyota group will keep moving forward steadily together with the 5.5 million people working in the automotive industry in Japan, as well as various stakeholders around the world, in order to become a mobility company. We sincerely hope that our shareholders will continue to extend their patronage and support to us.

On July 20, 2021, Toyota and TOYOTA Mobility Tokyo Inc. (“TMT”), a wholly owned subsidiary, announced that, during certain inspections of automobiles performed as part of legally required maintenance at a Lexus dealership in Tokyo, inspection results had been falsified to meet the standards and some of the required inspections had been omitted. Furthermore, upon carrying out an investigation of all 4,852 dealerships, including independent dealerships, selling Toyota and Lexus brand vehicles, across Japan, it was discovered that such misconduct had been performed at multiple locations. There are various issues underlying these incidents, including staff shortages, inadequate facilities, misguided attitudes toward the Japanese system of regular, legally required inspections of automobiles, and an unforthcoming corporate culture. Toyota believes one of the root causes of the misconduct is that it failed to have a full grasp of the actual conditions at dealership worksites and their requests.

Toyota and all of its dealerships are taking the series of incidents extremely seriously and placing a high priority on properly carrying out certain inspections of automobiles performed as part of legally required maintenance operations. We will make concerted efforts to regain the trust of customers and to prevent recurrence.

Furthermore, on March 4, 2022, Hino Motors, Ltd., a publicly traded Japanese company that produces and sells commercial trucks and buses, and of which Toyota owns 50.18% of the voting interests as of March 31, 2022, announced that it has identified past misconduct in relation to its applications for certification concerning the emissions and the fuel economy performance of certain of its engines for the Japanese market. See also “— Legal Proceedings.” Hino announced on March 11, 2022 that it established a Special Investigation Committee commissioned with developing a clearer understanding of the matter and analyzing the root causes. Hino has stated that the Committee will propose remedial measures concerning engine development processes and best practice at Hino. Hino has announced that it will fully cooperate with the investigation to be conducted by the Special Investigation Committee, and expressed its commitment to taking effective remedial measures.

The Toyota group believes compliance is the foundation of management. We will work tirelessly to earn the trust of customers and to prevent recurrence.

Automotive Operations

Toyota’s sales revenues from its automotive operations were ¥28,605.7 billion in fiscal 2022, ¥24,651.5 billion in fiscal 2021, and ¥26,799.7 billion in fiscal 2020.

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

Vehicle Models and Product Development

Toyota's vehicles (produced by Toyota, Daihatsu and Hino) can be classified largely into electrified vehicles and conventional engine vehicles. Toyota's product line-up includes subcompact and compact cars, mini-vehicles, mid-size, luxury, sports and specialty cars, recreational and sport-utility vehicles, pickup trucks, minivans, trucks and buses. Toyota's luxury cars are sold in North America, Europe, Japan and other regions, primarily under the Lexus brand name.

In fiscal 2020, Toyota introduced a new Yaris model developed with the aim of creating a car with high-quality ride comfort and the latest safety and security technologies, while taking advantage of the nimble handling of a compact car. In addition, we commenced sales of the Raize, which caters to the desires of customers who want to drive an SUV and load their cars with a lot of luggage, but also have a car that is compact and easy to drive. In addition, we launched the new Highlander, a mid-size SUV suitable for city driving and multi-passenger use, gradually in overseas markets starting with the U.S. In the Lexus brand, we premiered in China the UX 300e, which pursues refined, pure, exhilarating performance and excellent quietness unique to Lexus EVs, while maintaining the distinctive design, high convenience and ease of handling of the Lexus UX compact crossover. We also unveiled the GR Yaris – a sports car imbued with the knowledge and know-how to make it an FIA World Rally Championship winner – at the Tokyo Auto Salon 2020.

In fiscal 2021, despite the suspension of operations at factories and the suspension of business at dealers due to the impact of COVID-19, Toyota launched various new models as planned. The new Harrier, an SUV for the new era, was designed to resonate with the heart of the driver, with a focus on sensory quality from the first moment of seeing, riding and driving off in it, rather than relying on utility or numerical performance. The new Mirai featured a design that appeals to the senses, a distinctive driving experience, industry-leading innovation, and cruising range that gives peace of mind as its concept, while generating zero emissions, and will serve as a new departure point for creating a hydrogen-based society of the future. In the Lexus brand, we launched the UX 300e, which offers the high-quality driving performance and excellent quietness unique to Lexus BEVs, the high reliability and convenience of the electrification technology cultivated in the manufacture of hybrid models, and the distinctive design and high functionality of the Lexus UX. GR Yaris is the first Toyota vehicle developed with the reversed concept of turning a motorsports car into a production car. The car was evaluated by Master Driver Morizo (the racing driver name for Akio Toyoda) and non-Toyota professional drivers from the early stages of development, and even after it was unveiled at the Tokyo Auto Salon 2020, it underwent repeated cycles of evaluation and improvement at the circuit before it was finally launched. As a result of our efforts to further streamline costs following the Lehman Brothers bankruptcy and the “ever better cars manufacturing” initiative, the compact car, Yaris, won the Car of the Year in Europe, a place where people have continued to have strong passion for cars in its long automotive history. The award recognized Yaris's fun-to-drive features and fuel efficiency as a HEV.

In fiscal 2022, Toyota launched the first-ever SUV Corolla model, Corolla Cross. Since the launch of the first-generation in 1966, the Corolla series has continued to evolve and embrace new challenges and has sold more than 50 million units worldwide. The Noah and Voxy, cars supported and loved by many customers, including families among others, were completely redesigned as minivans with the further increased ease of use and enhanced advanced fixtures. In pursuit of a suite of features designed to enable customers to drive their vehicles every day with joy, safety, peace of mind, and comfort, while also realizing superior environmental performance, Toyota launched the HEV Aqua, which is the world's first vehicle to use a high-output bipolar nickel-hydrogen battery as an electric drive battery. With elevated levels of driving performance, design, and advanced technology, the all-new NX, which is the first model to introduce the next generation of Lexus, accelerates the proliferation of electrified models by being Lexus' first-ever PHEV also offered as a HEV. In addition, the new Toyota bZ series of BEVs that are easy to use and highly appealing, and the introduction of this series is a part of Toyota's efforts to reduce CO₂ emissions. Toyota launched the bZ4X, the first of the bZ series, which offers, in addition to a comfortable cabin, a new lifestyle and the opportunity to spend precious time with family and friends as well as the BEV's unique joy of driving. For motorsports cars, Toyota developed the

[Table of Contents](#)

GRMN Yaris as “embodiments of making ever-better motorsports-bred cars.” Toyota will further evolve its concept of “making ever-better cars” to meet customers’ needs in countries and regions worldwide.

Markets, Sales and Competition

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

Market	Year Ended March 31,					
	2020		2021		2022	
	Units	%	Units	%	Units	%
Japan	2,239,549	25.0%	2,125,121	27.8%	1,924,185	23.4%
North America	2,713,165	30.3	2,312,799	30.3	2,393,912	29.1
Europe	1,029,249	11.5	959,363	12.5	1,017,099	12.4
Asia	1,600,341	17.9	1,222,073	16.0	1,542,918	18.7
Other*	1,372,392	15.3	1,026,749	13.4	1,352,311	16.4
Total	8,954,696	100.0%	7,646,105	100.0%	8,230,425	100.0%

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

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

	Thousands of Units Year Ended March 31,		
	2020	2021	2022
Japan:			
Total market sales (excluding mini-vehicles)	3,185	2,901	2,664
Toyota sales (retail basis, excluding mini-vehicles)	1,553	1,505	1,361
Toyota market share	48.8%	51.9%	51.1%
	Thousands of Units Year Ended December 31,		
	2019	2020	2021
North America:			
Total market sales	20,379	17,157	17,861
Toyota sales (retail basis)	2,757	2,408	2,681
Toyota market share	13.5%	14.0%	15.0%
Europe:			
Total market sales	20,751	16,638	16,870
Toyota sales (retail basis)	1,089	993	1,076
Toyota market share	5.3%	6.0%	6.4%
Asia (excluding China):			
Total market sales	9,726	8,181	9,224
Toyota sales (retail basis)	1,347	969	1,189
Toyota market share	13.8%	11.8%	12.9%

[Table of Contents](#)

Japan

Japan is one of the leading countries with respect to technological advancements and improvements in the automotive industry and will continue to demonstrate such strength. Toyota strives to earn customer satisfaction by introducing products distinctive of Japan's manufacturing ability such as value-added products including Lexus models, FCEVs, PHEVs and HEVs, vehicles with three-seat rows and mini-vehicles. Toyota's consolidated vehicle sales in Japan in fiscal 2022 was 1,924 thousand units, 90.5% of that of the previous fiscal year. Toyota endeavors to secure and maintain its significant share of and position atop, the Japanese market. Toyota held a domestic market share (excluding mini-vehicles) on a retail basis of 48.8% in fiscal 2020, 51.9% in fiscal 2021 and 51.1% in fiscal 2022.

Although Toyota's principle is to conduct production in regions where it enjoys true competitiveness, it considers Japan to be the source of its good manufacturing practices. Having 16 production sites in Japan, Toyota supports its operations worldwide through measures such as the development of new technologies and products, low-volume vehicles to complement local production, production of global vehicle models which straddle multiple regions and supporting overseas factories.

North America

The North American region is one of Toyota's most significant markets. In the region, Toyota has in recent years reorganized its production structure and made improvements to its product lineup.

In the North American region, Toyota has a wide product lineup in every segment (excluding large trucks and buses). Toyota sold 2,394 thousand vehicles in the region on a consolidated basis in fiscal 2022, representing approximately 29% of Toyota's total unit sales on a consolidated basis. The United States, in particular, is the largest market in the North American region, accounting for 87% of Toyota's retail sales in the region. Sales figures for fiscal 2022 were 103.5% of that of the prior fiscal year.

Toyota's North American production capacities include the production of vehicle models such as the RAV4, Camry, Tacoma and Highlander through 13 manufacturing entities.

In November 2021, Toyota created Toyota Battery Manufacturing, North Carolina ("TBMNC") as the first plant to produce automotive batteries for Toyota in North America. When it comes online in 2025, it is expected that TBMNC will have four production lines, each capable of delivering enough lithium-ion batteries for 200,000 vehicles — with the intention to expand to at least six production lines for a combined total of up to 1.2 million vehicles per year.

Toyota has five research and development centers in North America. As for vehicle development, the Toyota Technical Center spearheads the design, planning, and evaluation of vehicles and parts as to their ability to meet customer needs.

Europe

Toyota's principal European markets are Germany, France, the United Kingdom, Italy, Spain and Russia. In the European markets, as a full-lineup car manufacturer, Toyota aims to increase its global vehicle sales with a focus on electrified vehicles (HEVs, PHEVs, FCEVs and BEVs) that suit the needs of customers and the circumstances of each region. Toyota sold 1,017 thousand vehicles on a consolidated basis in the region in fiscal 2022, 106.0% of that of the prior fiscal year.

In terms of production, to strengthen its business setup so that it is less likely to be affected by exchange rates, Toyota produces models such as the Corolla, Yaris and C-HR locally through seven entities in Europe. In addition, Toyota is actively promoting production and sales measures that meet local demand by strengthening its value chain including used car dealerships, after-sales services and finance and insurance services.

[Table of Contents](#)

Asia

Toyota's principal Asian markets are Thailand, India, Indonesia and Taiwan. Toyota sold 1,543 thousand vehicles on a consolidated basis in the region in fiscal 2022 (including China), 126.3% of that of the prior fiscal year.

In light of the importance of the Asian market that is further expected to grow in the long term, Toyota aims to build an operational framework that is efficient and self-reliant, as well as a predominant position in the automotive market in Asia. Toyota has responded to increasing competition in Asia by making strategic investments in the market and developing relationships with local suppliers. Toyota believes that its existing local presence in the market provides it with an advantage over new entrants to the market and expects to be able to promptly respond to demand for vehicles in the region.

In terms of production, Toyota manufactures models such as the Hilux, Hiace, Corolla, Camry and Vios through 16 entities. Toyota's plants in Thailand, not only to meet domestic demand but also to serve as a production base for locations inside and outside of the ASEAN region.

China

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

In terms of production, Toyota has been conducting a significant portion of its China business, including in relation to the production and sales of vehicles, through joint ventures. Toyota has two major joint venture partners in China, namely, China FAW Group Corporation and Guangzhou Automobile Group Co., Ltd. The joint venture with China FAW Group manufactures models such as the Corolla, Vios and RAV4, and the joint venture with Guangzhou Automobile Group Co., Ltd. manufactures models such as the Camry, Yaris and Highlander.

Total vehicle sales in the Chinese market were 25.17 million vehicles in 2021, approximately the same as the 25.21 million vehicles in 2020. In this market, Toyota's sales in 2021 were 1.94 million vehicles, 107.8% of that of the previous year. In the domestically produced passenger vehicle market in mainland China (20.78 million vehicles), Toyota had a market share of 9.3%. Toyota has been expanding the distribution network for locally produced vehicles in cooperation with China FAW Group and Guangzhou Automobile Group under the names Tianjin FAW Toyota Motor Co., Ltd. and Guanqi Toyota Motor Co., Ltd., respectively, and for imported vehicles, Toyota has also been expanding primarily the Lexus brand sales network. Toyota plans to further increase sales by expanding the number of dealers and its product lineup. In addition, as the market in China develops and becomes more sophisticated, Toyota plans to promote so-called "Value Chain" businesses, such as used car sales, services, financing and insurance, so as to contribute to the development of a mobility society.

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

Toyota's consolidated vehicle sales in South and Central America, Oceania, Africa and the Middle East (collectively, the "Four Regions") in fiscal 2022 were 1,352 thousand units, 131.7% of that of the prior fiscal year. Toyota's principal markets in the Four Regions are Brazil and Argentina in South and Central America, Australia in Oceania, South Africa in Africa and Saudi Arabia in the Middle East. The core models in the Four Regions are global models such as the Corolla, IMV (the Hilux) and Camry.

[Table of Contents](#)

Toyota has seven production bases in the Four Regions. In these regions, which are expected to become increasingly important to Toyota's business strategy, Toyota aims to continue developing new products which meet the specific demands of each region, increasing production and promoting sales.

Production

Toyota and its affiliated companies produce automobiles and related components through more than 50 overseas manufacturing organizations in 27 countries and regions aside from Japan. Facilities are located principally in Japan, the United States, Canada, the United Kingdom, France, Turkey, Czech Republic, Russia, Poland, Thailand, China, Taiwan, India, Indonesia, South Africa, Argentina and Brazil. See "Information on the Company — Property, Plants and Equipment" for a description of Toyota's principal production facilities.

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

In line with its basic policy of manufacturing in countries or regions where there is demand and where Toyota is truly competitive, Toyota will make efficient use of and maximize capacity utilization at its existing plants to respond to the expanding market and will continue to focus on making efficient capital investments as necessary.

Furthermore, Toyota will continue to place top priority on safety and quality in strengthening true competitiveness with the aim of achieving sustainable growth.

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

	Year Ended March 31,		
	2020	2021	2022
Japan	4,413,162	3,948,385	3,738,321
North America	1,807,289	1,641,830	1,751,915
Europe	674,125	641,830	706,732
Asia	1,521,551	1,014,968	1,498,557
Other*	403,495	305,883	462,698
Total	8,819,622	7,552,896	8,158,223

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

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

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

Distribution

Toyota's automotive sales distribution network is the largest in Japan. As of March 31, 2022, this network consisted of 256 dealers employing approximately 110 thousand personnel and operating approximately 4.6 thousand sales and service outlets. TOYOTA Mobility Tokyo Inc. is the only dealer owned by Toyota and the rest are independent.

[Table of Contents](#)

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

Sales of Toyota vehicles in Japan had been conducted through four sales channels until April 2020, but from May 2020 shifted to a framework where all of its Japanese-market vehicle models are made available through all sales outlets in Japan. In addition, Toyota introduced the Lexus brand to the Japanese market in August 2005, and currently distributes the Lexus brand vehicles through a network of 181 new-vehicle sales outlets dedicated to the Lexus brand in order to enhance its competitiveness in the domestic luxury automotive market. The following table provides information on the dealer network as of March 31, 2022.

Channel	Dealers		Outlets
	Toyota Owned	Independent	
Toyota brand	1 company	255 companies	4,482 outlets
Lexus brand	22 outlets	159 outlets	181 outlets

Outside Japan, Toyota vehicles are sold through approximately 168 distributors in approximately 204 countries and regions. Through these distributors, Toyota maintains networks of dealers. The chart below shows the number of Toyota distributors as of March 31, 2022 by country and region:

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

BEV Strategies

On December 14, 2021, Toyota held a briefing on its BEV strategy where it announced that it would be boosting its plans for BEV sales in 2030 from 2 million to 3.5 million units, and that Lexus was aiming for BEVs to account for 100 percent of its sales in Europe, North America, and China by the same year, followed by BEVs accounting for 100 percent of its sales globally starting in 2035.

Toyota believes that achieving carbon neutrality means realizing a world in which all people living on this planet continue to live happily. We want to help realize such a world. This has been and will continue to be Toyota's wish and our mission as a global company. For that challenge, we need to reduce CO₂ emissions as much as possible, as soon as possible.

Energy plays a critical role in achieving carbon neutrality. At present, the energy situation varies greatly from region to region. That is exactly why Toyota is committed to providing a diversified range of carbon-neutral options to meet whatever the needs and situations might be in every country and region. In this diversified and uncharted era, it is important to flexibly change the type and quantity of products produced while keeping an eye on market trends. We believe that the reduction in lead times and high-mix, low-volume production methods that we have cultivated through the TPS, along with the steady efforts of Japanese manufacturing, will enable us to be competitive going forward.

[Table of Contents](#)

In terms of vehicle production, we believe that all electrified vehicles can be divided into two categories, depending on the energy that they use. One category is that of “carbon-reducing vehicles.” If the energy that powers vehicles is not clean, the use of an electrified vehicle, no matter what type it might be, would not result in zero CO₂ emissions. The other category is that of “carbon-neutral vehicles.” Vehicles in this category run on clean energy and achieve zero CO₂ emissions in the whole process of their use. We at Toyota will strive to realize such vehicles.

The Toyota brand now offers more than 100 models of engine-only vehicles, HEVs, PHEVs, and FCEVs in more than 170 countries and regions. The Lexus brand has introduced more than 30 models of engine-only vehicles, HEVs, and PHEVs in more than 90 countries and regions. Furthermore, we plan to expand the options for carbon neutral vehicles by offering a full lineup of BEVs. Specifically, we plan to roll out 30 BEV models by 2030, offering a full lineup of BEVs globally in both the passenger and commercial vehicle segments.

The Development and Supply of Batteries

While promoting a full lineup of electrified vehicles, we have also been developing and manufacturing a full lineup of batteries. These development efforts are organized by type of electrified vehicle. For HEVs, our focus is on power output, or in other words, instantaneous power, while, when it comes to PHEVs and BEVs, our focus is on capacity or what can be called “endurance.”

In the area of batteries, Toyota has continued to research, develop, and produce batteries in-house for many years. In 1996, we established what is today Prime Earth EV Energy Co., Ltd. While refining our technologies related to nickel-metal hydride batteries, we started accelerating the development of lithium-ion batteries in 2003. Furthermore, since establishing our Battery Research Division in 2008, we have been advancing research on solid-state batteries and other next-generation batteries. In 2020, we established Prime Planet Energy & Solutions, Inc. to accelerate integrated efforts in the battery business. Over the past 26 years, Toyota has made nearly 1 trillion yen in capital expenditures, research and development expenses and other investments to produce more than 20 million batteries. We believe that our accumulated experience is an asset that gives us a competitive edge. Going forward, we intend to make a total of 2 trillion yen in new capital expenditures, research and development expenses and other investments relating to batteries, with the aim of realizing even more-advanced, high-quality, and affordable batteries.

As for batteries for HEVs, we have been continuously upgrading nickel-metal hydride batteries and lithium-ion batteries, taking advantage of their respective characteristics. In particular, we took on the challenge of developing a bipolar structure in the course of creating a nickel-metal hydride battery to be installed in the Aqua, which underwent a full-scale redesign completed in July 2021, and have become the first in the world to commercialize a battery of this kind as an onboard battery for driving. Compared to the batteries used in the previous generation of the Aqua, the output density has been doubled, giving the car a powerful acceleration sensation. We are currently engaged in development aimed at creating more-advanced lithium-ion batteries by the second half of the 2020s.

To develop batteries that our customers can use with peace of mind, we focus on producing batteries that balances five factors, which stand out for their “safety,” have “long service life,” boast “high-level quality,” and are “good yet affordable” as well as capable of “outstanding performance.” For example, a longer service life affects a vehicle’s residual value. In terms of cruising range, high energy density and high-level performance are also necessary. On the other hand, over-emphasis on a fast charging speed may increase the danger of overheating or even fire and thus decrease battery safety. This concept has remained unchanged since batteries were installed in the first-generation Prius, and it applied to all the batteries in all of our electrified vehicles. Although Toyota is committed to balancing the five factors, too much emphasis on one could be detrimental to the others. That is why we believe that the integrated development of batteries and vehicles is essential. How batteries are used depends on how the vehicles in which they are installed are used. For example, the environments in which vehicles are operated differ according to each vehicle’s mode of use — for example, if it

[Table of Contents](#)

is being used as a taxi or for commuting — as well as geographic location, and these factors will affect such conditions as charging frequency and battery temperature. Accordingly, we carry out mock driving tests that assume a diverse range of vehicle usage in order to obtain data on actual usage environments and provide feedback to inform the evaluation and design of batteries. To determine the balancing point of the five factors discussed above, it is necessary to obtain driving data that includes driving conditions and usage environments, find out what the conditions would be like if batteries were used instead, and repeatedly verify what is happening inside the batteries. Such steady and earnest efforts for both batteries and vehicles are the secret behind Toyota's advantages.

To popularize BEVs, we strive to reduce costs via the integrated development of vehicles and batteries to provide BEVs at a reasonable price. To start with, we aim to reduce the costs of batteries themselves by 30% or more by developing materials and structures. Then, for the vehicle, we aim to improve power consumption, which is an indicator of the amount of electricity used per unit of distance, by 30%, starting with the Toyota bZ4X. Improved power efficiency leads to reduced requirements for battery capacity, which will result in a cost reduction. Through this integrated development of vehicles and batteries, we aim to reduce the battery cost per vehicle by 50% compared to the Toyota bZ4X in the second half of the 2020s.

In the near future, the energy density of conventional lithium-ion batteries per unit of weight is expected to see its peak. Accordingly, vigorous efforts are now under way to develop next-generation lithium-ion batteries, aiming to achieve longer service life, greater energy density, more compact size, and lower costs. At Toyota, we push ahead with the development of such batteries by employing the following three approaches. For liquid batteries, which use liquid electrolyte, we are taking on the challenge of realizing “material evolution” and “structural innovation.” At the same time, we are aiming to commercialize all-solid-state batteries that employ solid electrolyte instead of liquid electrolyte. As such, our wide-ranging development efforts are aimed at creating three types of batteries, and by the second half of the 2020s, we hope to improve the characteristics of each type so that we can provide batteries that can be used with peace of mind. With regard to all-solid-state batteries, we promote development aimed at achieving higher output, longer cruising range, and shorter charging times. In June 2020, we built a vehicle equipped with all-solid-state batteries and conducted test runs on a test course to obtain driving data. Based on that data, we continued to make improvements, and in August 2020, we obtained license plate registration for vehicles equipped with all-solid-state batteries and conducted test drives. In the course of the development process, we discovered that the fast movement of ions within all-solid-state batteries could possibly enable them to achieve higher output. On the other hand, it was revealed that these batteries tend to deteriorate faster due to the formation of gaps within the solid electrolyte, posing an issue of shorter service life. Therefore, we need to continue development, mainly of solid electrolyte materials. We plan to start the introduction of all-solid-state batteries with those for HEVs as these vehicles require high output. We have also accumulated a wealth of know-how regarding HEVs. We intend to release these batteries to the market promptly in order to gain customer feedback and continue to improve them.

With the rapid expansion of EV usage, we are working to build a flexible system that can stably supply the required volume of batteries at the required time while meeting the needs of various customers in each region around the world. To this end, we intend to establish needed technologies by conducting a certain amount of in-house production in the pursuit of our battery development concept of achieving batteries that can be used with peace of mind. We will then cooperate and collaborate with partners who understand and will put into practice our concept. We will also proceed with discussions with new partners in some regions. Our approach to production can be described as “starting up using small basic units.” This approach draws on lessons learned from the global financial crisis. It is difficult to notice latent risks when production is growing. Because of this, we have to take a risk-controlled approach to growth based on Toyota's philosophy of “making only what is needed, when it is needed, and only in the amount needed.” For example, the production of all-solid-state batteries will start with batteries for HEVs, which we have been developing for years and that require a small battery volume, rather than building a massive production line for batteries for BEVs, which require a larger volume of batteries. This will not only enable us to accelerate the release of the products but also position us to better focus on improving manufacturing technologies. Moreover, Toyota's strategy of “starting up using small

basic units” is also meant to enable the company to swiftly respond to changes arising from the arrival of a new technology, which often occurs in the course of a product cycle when the manufacturing costs for the old model come down and stabilize.

In the field of FCEVs, we released the completely redesigned Mirai in December 2020. Premised on the use of an FCEV system, the development of the second generation Mirai was promoted to deliver a futuristic premium car that will be genuinely appreciated and sought after by our customers. Specifically, we strove to deliver a vehicle that can win drivers’ hearts during and after driving, if not from the moment when they first catch sight of it. Moreover, Toyota aims to become a fuel cell (“FC”) system supplier supporting the realization of a hydrogen-powered society. In line with this aim, we provide a variety of business operators with a compact FC system module package that we have developed. This package consists of FC stacks for the second-generation Mirai, which boast higher performance, as well as air supply, hydrogen supply, cooling, power control and other FC system-related parts. In North America, we have unveiled a new prototype for an FC commercial heavy-duty truck that uses the second-generation FC system installed on the new Mirai. This truck boasts considerably improved performance, including more powerful acceleration and flexible driving response. Furthermore, having attained a maximum loaded weight of 80,000 pounds (approximately 36 tons) and cruising range of 300 miles (more than 480 kilometers), the truck is designed to accommodate a range of commercial truck needs. We intend to conduct the verification testing of this new FC truck in actual cargo transport operations.

Hydrogen Engine

Toyota Motor Corporation announced in April 2021 that it is working on the technological development of a hydrogen engine. While FCEVs are driven by electric motors powered using electricity generated by a chemical reaction between hydrogen and airborne oxygen, vehicles powered by hydrogen engines get their power by directly burning hydrogen as fuel in a modified conventional gasoline engine setup. The fuel is 100-percent pure hydrogen, unmixed with gasoline. As no fossil fuels are burned, except for the combustion of minute amounts of engine oil during driving, hydrogen engine vehicles emit nearly no CO₂ when in operation. To realize carbon neutrality, it will be important to increase people’s options without losing sight of the goal. We believe that hydrogen engine technology, which draws on many decades of tried and tested internal combustion engine technology, has the potential to contribute significantly to carbon neutrality; it is also one option for safeguarding engine-related employment in Japan’s automobile industry.

At the end of 2020, Master Driver Morizo (President Akio Toyoda, using his race driver name) swiftly came to a decision: he would enter the 2021 Super Taikyu Series race driving a prototype hydrogen engine vehicle, and thereby develop the vehicle on the front line of motorsports. Development in motorsports takes place on a much shorter timeline than it does for mass-produced automobiles. It is also more flexible. To realize carbon neutrality, we determined that motorsports is the most appropriate venue for developing hydrogen engines. To realize carbon neutrality, we need to expand options for creating, distributing, and using energy, and cooperation with a wide range of companies will be indispensable. Through developing the hydrogen engine at the 2021 Super Taikyu Series, we gained many friends with the requisite will and passion for such collaboration.

In cooperation with Kawasaki Heavy Industries, SUBARU CORPORATION (“SUBARU”), Mazda Motor Corporation (“Mazda”), and Yamaha Motor Company (“Yamaha”), we announced that we would try to (1) enter races using carbon-neutral engines (Mazda using next-generation biofuels and SUBARU and Toyota taking on the challenge of racing in the Super Taikyu Series 2022 using biomass-derived synthetic fuel) and (2) consider using hydrogen engines for two-wheeled vehicles (Kawasaki Heavy Industries and Yamaha initiating consideration of the possibility of joint research). In this way, we believe that the automobile industry will become a pacesetter promoting initiatives that play to industry strengths while aiming for the realization of a carbon-neutral society. Through this such intentional application of passion and action, the future vision for the next 10 to 20 years will evolve. With courage and determination, we can shape this future vision and continue to take on challenges and go beyond the industry borders going forward.

Software and Connected Initiatives

Amid this era identified by CASE, automobile manufacturing requires technological development in such new fields as “electrification,” “automated driving,” and “connectivity.” Among these fields, software is becoming an important factor in determining product appeal. Today’s cars are equipped with more than 50 electronic control units, or ECUs, and use as many as 1,000 chips. Furthermore, society has entered the age of the internet of things, and things being connected has become the norm. Cars are also equipped with communication devices, further advancing their electronification, and the volume of software (lines of code) used in cars is thus growing ever larger. Facing this major transformation in the automobile industry, Toyota is paying particular attention to how cellular phones have changed over time. As the shoulder phone evolved into the feature phone and then into the smartphone, the phone, which had become commoditized, became linked with information, creating new value through new experiences and quickly spread around the world. This change was supported by software and connected technologies. Due to the CASE revolution, cars are becoming more deeply connected to communities and people’s lives through information, becoming a more integral part of social systems. At the same time, Toyota will aim to have cars be more linked to information, and through the movement of people, goods, and things, provide new value through new experiences and by bringing excitement to customers.

When it comes to the manufacturing of cars, Toyota has a basic stance that has been handed down internally over the years: we stick to our principles and internalize important elements by attempting to first achieve them on our own. We also continue to introduce improvements on the front lines to enhance our competitive advantage. Since its founding, Toyota has been producing various production equipment in-house as necessary. In the 1990s, we pursued the in-house design of ECUs and established an electronics plant, a chip plant, and a battery plant. These efforts eventually led to the commercialization of the Prius, the world’s first mass-produced HEV. Toyota has always maintained a strong awareness of the real world regardless of the era at hand, pursued our principles, and promoted internalization. That is why in the area of software and connected technologies, we established the Toyota Research Institute (“TRI”), Woven Planet Holdings, and Toyota Connected, and it is why we are working on the development of the e-Palette, the construction of Woven City as a town for pilot testing, and the development of the Arene platform and other technologies.

To date, Toyota has sold 10 million Lexus and Toyota vehicles that are connected cars, mainly in Japan, the United States, Europe, and China. Toyota’s vision of the connected car is not simply one of connecting the car to the internet. Rather, it is about providing customers with emotional experiences through the movement of people, goods, and activities — a vision centered on people that we call “human connected.” To achieve this, we are operating a call center as a point of contact with customers; the Toyota Smart Center, which provides a variety of services; and the Toyota Big Data Center, which utilizes vehicle information gathered from cars. In addition, we have established the Mobility Service Platform (“MSPF”) to provide mobility services and are promoting collaboration with service providers. Connected cars and connected technologies will be applied to a variety of areas, and we anticipate that which is to be connected will expand to include people, cars, communities, and society (business-to-society, or BtoS). Toyota will handle the information gathered from customers and vehicles with care, utilizing it for the happiness of customers and the development of society while creating new value from experiences centered on mobility.

With the e-Palette BEV used in the Olympic Village for the Olympic and Paralympic Games Tokyo 2020, our goal was to create mobility that integrates cars and information and that coordinates with the community. During the Games, 49,000 athletes, staff, and volunteers used e-Palette. We also developed a fleet management system for e-Palletes based on the principles of the TPS to ensure effective, efficient, and accurate operation. The system monitors the vehicles remotely and operates them in a just-in-time fashion according to the conditions of the surrounding environment and the number of passengers. All of this was realized via the MSPF that Toyota has been building and refining. In the future, we expect that these technologies will be applied to the Sienna Autono-MaaS minivan being developed in the United States for use as a robotaxi, and that the MSPF will be used not only for automated vehicles, but also for regular commercial vehicles and logistics.

[Table of Contents](#)

In this way, software has the power to promptly turn ideas into products. The aim of Arene, the vehicle development platform that Toyota and Woven Planet are focused on, is to continue fundamentally changing the development of software for vehicles. The most notable characteristics of Arene are that it absorbs the differences in vehicle hardware specifications (abstraction) and employs hardware abstraction layers that enable hardware to be controlled with universal methods. This, in turn, enables the independent development of hardware and software as well as the reuse of software. Arene leverages the strengths of hardware cultivated by Toyota to achieve the development of safe, high-quality, and advanced software.

Because increasingly complicated software development is becoming a bottleneck for cars, too, there is a need for a revolutionary vehicle operating system that can solve these issues. The vehicle operating system will achieve TPS in software development as well, and we must continue to realize combinations of good hardware and software. For example, when developing automated driving software, the on-board software needed for automated driving actually makes up only a small portion of it; the rest comprises various tools, such as data processing by the machine learning system, mounting, code review, software updates, log analyses, and simulations. Basically, most of the software we develop is used “off-board” (that is, outside vehicles) or through the cloud. Arene is used to develop frameworks for vehicle development and development environments based on those frameworks as well as to build ecosystems for mobility development. Using industry-leading software technologies, we will strive to continue providing privacy-conscious, secure, and safe cars.

Furthermore, application development on Arene is also easy. We believe partner companies will be able to program applications more efficiently using Arene’s application programming interface (a mechanism that can share software functions) and software development kit, which includes simulation environments. In this way, we believe development on Arene will swiftly realize commercialization and enables users to share the fun of providing new ideas that appeal to customers while meeting the expectations of worldwide partners and developers as well as the Toyota brand’s high-quality standards.

The portion of a car’s value attributable to software is growing. By internalizing the parts central to Toyota’s future, we will strategically ensure the strengths of our hardware and software through internal production, compartmentalize development undertaken with partners, and accelerate the speed of mass production. For these initiatives, we are building a software development structure on a 3,000-person scale for Toyota, Woven Planet, and Toyota Connected and on a 18,000-person scale when including associates accounted for by the equity method. We are also strengthening the teams responsible for the internal production and development of software.

Through connected technologies, we can contribute to carbon neutrality by gaining a better understanding of the characteristics of each region in the form of data and combining this knowledge with realized technologies. For example, according to market data, in Japan, the engine is turned off for half of all driving time in hybrid electric vehicles, or HEVs, while for plug-in hybrid electric vehicles, or PHEVs, the engine is turned off for as much as 80 percent. We believe HEVs and PHEVs can evolve into environment-friendly vehicles to an even higher degree by upgrading the switching control of engines and electric motors. In other words, there is room to expand the possibilities of both HEVs and PHEVs.

One mechanism that we believe will enable this is geofencing technology. A portmanteau of geography and fence, geofencing refers to the combination of navigation and cloud technologies to enable the automatic switching of engine and motor functions in real time to reflect driving locations and driving times based on geographic data. For example, in zero-emission regulation regions that limit vehicle operation to only BEVs during certain time periods, geofencing would automatically control the functions of HEVs and PHEVs to ensure compliance with regulations.

Furthermore, geofencing would enable anticipatory eco-driving that switches over to BEV driving as appropriate by predicting the driving burden based on the driving environment up to the destination. We believe utilizing connected technologies to control HEVs and PHEVs more intelligently will make it possible to further

[Table of Contents](#)

promote energy saving in cars. The new NX features a mechanism that switches to HEV control. We expect that in the near future we will be able to conduct an over-the-air (“OTA”) update of its software so that it will be able to use geofencing technology.

In October 2021, in advance of introducing geofencing technology that is under development with an eye toward practical application, we introduced anticipatory eco-driving (anticipatory EV/HEV mode switching control) in the Japanese market. It realizes highly efficient driving by automatically switching between EV and HEV modes depending on the charge left in the battery and the road conditions and characteristics.

OTA refers to using wireless connections to keep the software (control software and high-precision mapping software) updated to the latest versions. This means that after a car’s purchase, new functions continue to be added and its performance continues to be enhanced, thereby continuing the vehicle’s evolution into a safer and more secure car that has the latest driving assistance technology.

For the LS and Mirai launched in Japan in April 2021, we have included cars that feature the latest Advanced Drive function of the newest sophisticated driving assistance technologies developed by Toyota Teammate/Lexus Teammate, and they are eligible for related software updates on an ongoing basis. The GR Yaris “Morizo Selection” is a new initiative based on GR Yaris that combines the ROOKIE Racing privateer team run by Morizo (the racing driver name for Akio Toyoda, our President) and Toyota’s KINTO car subscription. We will continue to evolve each car to best match each customer by reflecting updates (which are based on feedback and data gained in races participated in by Morizo and ROOKIE Racing) and personalization (which is based on customer driving data) in the software in GR Garage shops through wired connections (not OTA). Furthermore, we offer better driving methods and support the enhancement of driving skills. Through this, we strive to realize cars that evolve to suit people by updating to the latest software in line with each customer.

Cars have a wide range of applications, from passenger cars to MaaS and commercial vehicles, and we will continue to expand the regions where we operate going forward. Needs are increasingly diversifying, and cars can be used in a myriad of ways to meet them. Our efforts thus encompass people’s problems and social issues, smiles and joy, and needed technological development.

The automobile industry must move people while also achieving coexistence with local communities. For the future and for children, the Toyota family of companies is working on producing happiness for all through freedom of movement for all and the provision of exciting experiences. We will continue to enhance the excitement that can be experienced by being able to move by combining real cars and the power of software. If we combine innovation with technology, we expect that the value of cars will be enhanced further. We will also contribute to the further development of society by going beyond the borders of cars and contributing to community building and the creation of society-wide platforms.

Efforts in Realizing a Safe Mobility Society

According to a 2018 World Health Organization survey, 1.35 million people per year die in traffic accidents worldwide. While the number of deaths due to traffic accidents has been gradually decreasing in Japan, the United States, and Europe, it has been increasing elsewhere, especially in emerging nations, as improvements in safety education and transportation infrastructure have not kept up with increases in cars on the road. Unless countermeasures are implemented, traffic accident casualties are predicted to become the seventh leading cause of death globally by 2030. For Toyota to achieve its ultimate goal of eliminating traffic accident casualties, the development of safe vehicles is of course important, but it is also essential to educate people, including drivers and pedestrians, and to ensure safe traffic infrastructure, including traffic signals and roads. To achieve a safe mobility society, Toyota believes it will be important to implement an integrated three-part initiative involving people, vehicles, and the traffic environment, as well as to pursue real-world safety by learning from actual accidents and incorporating that knowledge into vehicle development. “Integrated Safety Management Concept” is Toyota’s basic philosophy behind its technologies for eliminating traffic casualties and is moving forward with development.

[Table of Contents](#)

Toyota provides optimized driver support at every stage of driving, from parking to normal operation, the moment before a collision, during a collision, and post-collision emergency response. We also aim to enhance safety by strengthening inter-system coordination, rather than considering each system separately. These are the approaches behind our Integrated Safety Management Concept.

Based on this Integrated Safety Management Concept, Toyota is working on active safety, passive safety, emergency response and initiatives for people.

With regards to active safety, the Toyota Safety Sense system packages multiple active safety functions based around three major functions considered effective in reducing serious traffic accidents causing death or injury. These are Pre-Collision Safety, which helps avoid and mitigate damage from collisions with cars ahead or pedestrians; Lane Departure Alert, which contributes to preventing accidents caused by leaving the lane of travel; and Automatic High Beam, which helps ensure clear sight in front of the vehicle at night. In 2018, we expanded the system's driving assistance functions to offer those such as nighttime pedestrian and daytime cyclist detection and Lane Tracing Assist. Since its market launch in 2015, Toyota Safety Sense has been installed in more than 30 million vehicles globally as of March 2022. Toyota Safety Sense is now available on nearly all passenger car models (as standard or an option) in the Japanese, United States, and European markets. It has also been introduced in a total of 120 countries and regions, including such key markets as China, other select Asian countries, the Middle East, Australia and the Central and South America region.

Another important concept is passive safety. In the context of automobiles, passive safety combines a body structure that absorbs collision energy with support to protect vehicle occupants to minimize collision damage. In 1995, in the pursuit of world-leading safety, Toyota created its own stringent internal target related to passive safety performance called "Global Outstanding Assessment ("GOA")" and developed a collision-safety body structure and passenger protection devices. Since then, to maintain its leadership in this field, Toyota has continued to evolve GOA, striving to improve the real-world safety performance of its vehicles in a wide variety of accidents.

In addition, to analyze vehicle-related injuries, Toyota collaborated with Toyota Central R&D Labs., Inc. to develop the Total Human Model for Safety ("THUMS"), a virtual human body model. THUMS is being used in the research and development of a variety of safety technologies, including seat belts, airbags, and other safety equipment, as well as vehicle structures that mitigate injuries in accidents involving pedestrians. Toyota made THUMS freely available through its website in January 2021 in the hope that it will be used by more people across more applications.

Every minute counts in the response to an accident or medical emergency. As a way of using connectivity to support safety, in 2000, Toyota rolled out its HELPNET® service, an emergency reporting system utilizing the G-Book information network (now T-Connect) and G-Link in Japan. In the event of an accident or medical emergency, HELPNET® contacts a dedicated operator who will arrange for the rapid dispatch of an emergency vehicle from the police or fire department/emergency services. Specifically, HELPNET® automatically contacts an operator when the airbags deploy and supports D-Call Net®, a service available throughout Japan that makes quick deployment decisions for air ambulances. This service is provided by sending vehicle data to the HELPNET® center from an on-board data communication module ("DCM"). DCM is installed as a standard feature in all new passenger vehicles in Japan.

Toyota believes that education is an important part of preventing traffic accidents. To prevent accidents involving small children, in cooperation with Toyota dealers across Japan, Toyota has been donating traffic safety teaching materials to kindergartens and nursery schools nationwide since 1969. In 2020, we revamped our educational website for children and guardians, and we use our website and social media to raise awareness of traffic safety while walking and cycling.

For drivers, we periodically hold the Toyota Driver Communication safe driving technique seminar at Toyota Safety Education Center Mobilitas, on the grounds of Fuji Speedway. Additionally, in step with the

government-promoted Safety Support Car program, we are working with Toyota dealers across Japan to roll out safety and assurance activities under the name “Support Toyota” to help realize car ownership experiences that offer safety and assurance.

Commercial Sector Initiatives

On March 24, 2021, Toyota, Isuzu and Hino agreed to form a new alliance in commercial vehicles and established CJPT to promote this alliance. CASE technologies can only contribute to society once they become widespread. Commercial vehicles can play important roles in CASE technology dissemination, as they travel long distances for extended periods of time to support the economy and society and can be easily linked with infrastructure development. By combining the commercial vehicle foundations cultivated by Isuzu and Hino with Toyota’s CASE technologies, the companies aim to accelerate the societal implementation and adoption of CASE technologies and services and thereby help address social issues and contribute to the realization of carbon neutrality.

Specifically, the three companies are jointly working on the development of BEVs and FCEVs, autonomous driving technologies, and electronic platforms centered on the domain of small commercial-purpose trucks. While working together on BEVs and FCEVs to reduce vehicle costs, the companies plan to advance infrastructure-coordinated endeavors, such as introducing FCEV trucks with the goal of implementing a hydrogen-based society in Japan’s Fukushima Prefecture, thereby building an implementation model for a city with a population of 300,000 people before endeavoring to apply this model in the many similar-sized cities nationwide. Furthermore, working toward carbon neutrality, in addition to promoting the spread of electrified vehicles that are suited to logistics uses, the companies will work to increase transport efficiency based on the JIT logistics approach of delivering what is needed, when it is needed, in the amount needed, expanding the range of the options for achieving carbon neutrality.

Working together, we believe Isuzu and Hino are able to reach most of Japan’s truck customers and learn about their real needs and concerns. Distribution by trucks accounts for the vast majority of overland logistics, and the transportation sector (including buses and taxis) involves a significant number of people. Commercial vehicles account for a significant amount of the total distance traveled by automobiles and CO₂ emissions from automobiles in Japan. Furthermore, the logistics companies operating in Japan currently face numerous management issues, such as high-frequency distribution, harsh work environments, labor shortages, and rising burdens. The power of CASE, centered on connected technologies and services, is expected to deliver improvements that help resolve these issues.

Solving these kinds of social issues is not something that one company can accomplish alone. It is necessary to seek a wide range of like-minded partners, apply their different strengths, and work together for the sake of those supporting transportation and for society. As solutions to such issues progress, we expect work in overland transport to become more appealing, leading to an increase in the number of drivers and other logistics professionals.

On July 21, 2021, Suzuki and Daihatsu joined CJPT. As many of Japan’s roads are so narrow that only mini-vehicles can easily use them, mini-vehicles are collectively a kind of “people’s car,” made to suit the roads of Japan. They are a practical and sustainable lifeline for people across the country, and have continued to evolve alongside changing lifestyles. Similarly, commercial mini-vehicles are able to effectively cover areas that their small size makes accessible, supporting logistics operations mainly in the last mile. For more than 60 years, Suzuki and Daihatsu have been protecting these lifelines and driving the market forward. We believe that by working together, these two companies will be able to access the real needs and concerns of a significant number of Japan’s mini-vehicle users.

We expect that expanding CJPT to include mini-vehicles will enable efficient, integrated logistics, linking the main arteries of logistics (handled by trucks) with the capillaries of logistics (the domain of commercial mini-

[Table of Contents](#)

vehicles) while leveraging connected technologies and abundant data. This new collaboration is also aimed at promoting the broader use of affordable advanced safety technologies and electrification by leveraging Suzuki and Daihatsu's strengths in high-quality, low-cost manufacturing and Toyota's CASE technologies.

Amid pressure to enhance cost competitiveness, maintaining a competitive edge in the area of commercial vehicle electrification is increasingly challenging. Competitiveness increasingly hinges on connected technologies and uses of batteries and other technologies. Accordingly, manufacturers must step up the unique added value that they offer.

In addition to electrification, improving transport efficiency will contribute greatly to realizing carbon neutrality. The five companies that make up CJPT plan to link their connected technology platforms to build a more comprehensive platform for commercial vehicles and leverage the TPS, one of Toyota's strengths, to realize JIT logistics and increase transport efficiency, thereby helping to reduce CO₂ emissions. Using connected technologies to link logistics from the major arteries to the fine capillaries, from producers to consumers, using truck logistics and local mini-vehicle-based distribution, JIT logistics have the potential to lower running costs for logistics vendors and sustainably improve logistics. Going forward, we believe the five companies will deepen their collaboration while openly considering cooperation with other like-minded partners, working to help fulfill the automotive industry's mission of helping improve people's lives and leave a better Japan and a better planet for the next generation.

Woven City

The Woven City project, first announced in January 2020, officially broke ground on February 23, 2021. Woven City will demonstrate cutting edge technologies in such areas as automated driving, MaaS, personal mobility, robotics, smart homes, and artificial intelligence in a real living environment. By rapidly implementing development and demonstration cycles of technologies and services in this human-centered city, we aim to continue to produce new value and business models by utilizing the mobility of "information," "goods," and "people" to support daily life.

Woven City will be constructed on the site of Toyota Motor East Japan's former Higashi-Fuji Plant, which was a pillar of production for Toyota for 53 years, starting in 1967. At its peak, the plant had 2,000 employees, and a total of 7,000 individuals worked there over its history, producing such vehicles as the Toyota Century, Toyota's flagship chauffeur car infused with Toyota craftsmanship, and the JPN Taxi, a car that requires many times the durability of an ordinary passenger car.

The concept for Woven City can be traced back to the Great East Japan Earthquake in 2011. As our President, Akio Toyoda sought to create jobs for the region's people, who were hit hardest by the disaster, by creating a third base of operations in the Tohoku region. Guided by his strong leadership, Toyota established Toyota Motor East Japan, Inc. in 2012. However, this also led to the difficult decision to close the Higashi-Fuji Plant. Looking for a way to carry on the Higashi-Fuji Plant's legacy of manufacturing to help create future mobility for the next 50 years, he arrived at the idea of transforming the site into a connected city as a large-scale demonstration experiment.

Under the Woven City project, we are imagining the life of each resident as we seek to design a city that will most make people happy. Working with researchers, engineers, and scientists, we intend to demonstrate future technologies in both the virtual and the real world and to roll out the resulting technologies and products developed around the globe. Woven City will be a constantly improving, ever-evolving city rooted in Toyota's kaizen approach — thinking that there is always a better way. We will work with partners who share our aspiration in this quest to realize better living and mobility for all.

Woven City will comprise three types of roads, woven together like warp and weft: paths for people, roads shared by people and personal mobility devices, and roads for autonomous vehicles. Aimed at realizing safe

mobility, it will be a sort of test course for the integrated three-part development of automated driving at the levels of people, vehicles, and the traffic environment. In its early stages, we anticipate Woven City will house around 360 residents, comprising mainly seniors, families, and inventors. In the future, we believe the city will have more than 2,000 residents, including Toyota employees, demonstrating technologies in mobility and a wide range of other fields, from logistics to energy, food and agriculture as it grows into an environment conducive to the timely generation of new inventions that address social issues.

The name “Woven City” comes from Toyota’s origins in automatic looms. Sakichi Toyoda, the founder of the Toyota family of companies, was driven to invent an automatic loom out of a desire to make his mother’s work easier. We have guarded and nurtured this spirit of service to others ever since. Woven City will take up this commitment from the Higashi-Fuji Plant, growing and evolving as the foundation for a new era at Toyota.

Financial Services

Toyota’s financial services include loan programs and leasing programs for customers and dealers. Toyota believes that its ability to provide financing to its customers is an important value-added service. In July 2000, Toyota established a wholly-owned subsidiary, Toyota Financial Services Corporation, to oversee the management of Toyota’s finance companies worldwide, through which Toyota aims to strengthen the overall competitiveness of its financial business, improve risk management and streamline decision-making processes. Toyota has expanded its network of financial services, in accordance with its strategy of developing auto-related financing businesses in significant markets. Accordingly, Toyota currently operates financial services companies in 42 countries and regions, which support its automotive operations globally.

Toyota’s sales revenues from its financial services operations were ¥2,324.0 billion in fiscal 2022, ¥2,162.2 billion in fiscal 2021 and ¥2,193.1 billion in fiscal 2020. While there were negative factors in fiscal 2022, such as tight global semiconductor supply relative to demand, supply constraints on new cars due to the impact of COVID-19, and increased competition with other financial institutions, Toyota’s business saw steady growth mainly due to the accumulated balance of earning assets resulting from enhanced used-vehicle financing, higher used-vehicle prices in the United States and other regions, lower interest rates worldwide and other measures. Under such circumstances, as a result of Toyota’s continued collaboration with dealers in various countries and regions and efforts to expand products and services that meet customer needs, Toyota’s share of financing provided for new car sales of Toyota and Lexus vehicles in regions where Toyota Financial Services Corporation operates remained at a high level of approximately 30%, and the balance of earning assets continued to steadily increase, with the exception of some countries. In addition, Toyota is making efforts to provide both its customers and dealers with stable financial services by diversifying its funding methods in recent years, such as issuing Green Bonds in addition to using already existing means as commercial paper, corporate bonds, bank borrowings, ABCP (Asset Backed Commercial Paper) and ABS (Asset Backed Securities). Furthermore, Toyota continued to perform detailed credit appraisals and serve customers by monitoring bad debt and loan payment extensions, and the percentage of credit losses remained low, at 0.23% and 0.17% in fiscal 2021 and 2022, respectively. Toyota continues to work towards improving its risk management measures in connection with credit and residual value risks.

Toyota Motor Credit Corporation is Toyota’s principal financial services subsidiary in the United States. Toyota also provides financial services in 41 other countries and regions through various financial services subsidiaries, including:

- Toyota Finance Corporation in Japan;
- Toyota Credit Canada Inc. in Canada;
- Toyota Finance Australia Ltd. in Australia;
- Toyota Kreditbank GmbH in Germany;
- Toyota Financial Services (UK) PLC in the United Kingdom;

[Table of Contents](#)

- Toyota Leasing (Thailand) Co., Ltd. in Thailand; and
- Toyota Motor Finance (China) Co., Ltd. in China.

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

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

Finance receivables for all of Toyota's dealer and customer financing operations were ¥21,764.4 billion as of March 31, 2022, representing an increase of 13.3% as compared to the previous year. The majority of Toyota's financial services are provided in North America. As of March 31, 2022, 55.0% of Toyota's finance receivables were derived from financing operations in North America, 13.3% from Europe, 12.9% from Asia, 7.3% from Japan and 11.5% from other areas.

Approximately 40% of Toyota's unit sales in the United States during fiscal 2022 included a finance or lease arrangement with Toyota. Because the majority of Toyota's financial services operations are related to the sale of Toyota vehicles, a decrease in vehicle unit sales may lead to a contraction of Toyota's financial services operations.

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

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

Retail Financing

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

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

Retail Leasing

In the area of retail leasing, Toyota's finance subsidiaries acquire new vehicle lease contracts originated primarily through Toyota dealers. Lease contracts acquired must first meet specified credit standards after which

[Table of Contents](#)

the finance company assumes ownership of the leased vehicle. The finance company is generally permitted to take possession of the vehicle upon a default by the lessee. Toyota's finance subsidiaries are responsible for contract collection and administration during the lease period. The residual value is normally estimated at the time the vehicle is first leased. Vehicles returned to the finance subsidiaries at the end of their leases are sold by auction. For example, in the United States, vehicles are sold through a network of auction sites, as well as through the Internet. In most cases, Toyota's finance subsidiaries require lessees to carry automobile insurance on leased vehicles covering the interests of both the finance company and the lessee.

Wholesale Financing

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

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

Insurance

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

Other Financial Services

Toyota Finance Corporation launched its credit card business in April 2001 and began issuing Lexus credit cards in 2005 when the Lexus brand was introduced in Japan. As of March 31, 2022, Toyota Finance Corporation has 15.3 million card holders (including Lexus credit card holders).

All Other Operations

In addition to its automotive operations and financial services operations, Toyota is involved in a number of other non-automotive business activities. Sales revenues for these activities totaled ¥1,129.8 billion in fiscal 2022, ¥1,052.3 billion in fiscal 2021, and ¥1,504.9 billion in fiscal 2020.

Governmental Regulation, Environmental and Safety Standards

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

International Harmonization of Vehicle Regulations

The World Forum for Harmonization of Vehicle Regulations ("WP.29") of the United Nations Economic Commission for Europe ("UNECE") has developed certain international rules and regulations such as the UN

[Table of Contents](#)

Regulations (“UNR”) under the 1958 Agreement and the Global Technical Regulations (“GTR”) under the 1998 Agreement and has been working to promote international harmonization of the technical prescriptions for the construction and approval of wheeled vehicles. The UNR has been adopted in jurisdictions such as Japan, EU and Russia, and each participating party’s type approvals are mutually recognized under the 1958 Agreement. The parties to the 1998 Agreement include the U.S., China and India in addition to Japan, the EU and Russia, and 22 Global Technical Regulations have been established to date. As the progress of the international harmonization of technical prescriptions will lead to the reduction of the variations in product specifications from country to country, it is expected to lead to greater efficiency in Toyota’s product development.

Vehicle Emissions

Japanese Standards

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

U.S. Federal Standards

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

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

California Standards

Under the federal Clean Air Act, the State of California has been permitted to establish its own vehicle emission control standards if it receives a waiver from the EPA that allows the California standards to preempt less-stringent federal standards. The EPA granted such a preemption waiver to California in January 2013. The waiver provides a legal basis for California’s Advanced Clean Cars (“ACC”) program.

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

The ACC program also includes a mandate for zero-emission vehicles. Pursuant to the mandate, CARB requires that a specified percentage of a manufacturer’s passenger cars and light-duty trucks sold in California be

[Table of Contents](#)

“zero-emission vehicles” (vehicles producing no emissions of regulated pollutants) (“ZEV”), as well as permits certain advanced technology vehicles such as PHEVs, and alternative fuel vehicles that meet “partial zero-emission vehicles requirements,” to be granted partial qualification as BEVs or FCEVs. Toyota’s MIRAI qualifies as a zero-emission vehicle. The current Prius Prime has been certified as a partial zero-emission vehicle. Toyota intends to continue to develop additional advanced technologies and alternative fuel technologies that will allow other vehicles to qualify as zero-emission vehicles or partial-zero-emission vehicles.

The Advanced Clean Cars II (“ACC II”) regulations will go before the CARB on June 9, 2022. ACC II includes LEV IV regulations that would further reduce emissions from light- and medium-duty vehicles, and an expanded mandate that would increase the percentage of ZEV vehicles that manufacturers must sell in California. The new LEV IV regulations and expanded ZEV mandate would apply to model years 2026 – 2035.

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

Other States’ Standards

Seventeen states (Colorado, Connecticut, Delaware, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New Mexico, New York, Nevada, Oregon, Pennsylvania, Rhode Island, Vermont, Virginia and Washington) have adopted regulations substantially similar to California’s low-emission vehicle requirement, and 15 of these have adopted California’s zero-emission vehicle requirement.

Canadian Standards

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

European Standards

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

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

[Table of Contents](#)

Discussions are currently underway for Euro 7, which will be more stringent than Euro 6. The European Commission expects to publish the Euro 7 proposed limits in the third quarter of 2022.

Chinese Standards

The next-generation emissions regulations for passenger vehicles, or Level 6 Emissions Regulations (China 6), were issued as GB18352.6-2016 at the end of 2016, pursuant to which tighter requirements will be implemented in two steps, depending on the regulated subjects and the implementation timing. Specifically, China 6a will apply to all models to be sold or registered in July 2020 and beyond, and China 6b will apply to all models to be sold or registered in July 2023 and beyond. China 6b will also introduce the RDE Regulations adopted under Euro 6. The OBD regulations have also been tightened in terms of both subject parts and regulatory values. With respect to fuels in the market, the quality standards and the implementation from January 2019 for China 6 gasoline fuel and China 6 diesel fuel have been provided in GB17930-2016 and GB19147-2016 so as to keep up with the implementation timing of China 6 emissions regulations. Moreover, for areas where the air quality improvement is an urgent necessity, China 6 is scheduled to be implemented from July 2019 ahead of the implementation throughout China. Discussions are currently underway for Level 7 Emissions Regulations (“China 7”), which will be more stringent than the China 6 Emissions Regulations.

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

Standards of Other Countries or Regions

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

Vehicle Fuel Economy

Japanese Standards

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

U.S. Standards

The Federal Motor Vehicle Information and Cost Savings Act requires automobile manufacturers to comply with CAFE standards. A manufacturer is subject to substantial civil penalties if, in any model year, its vehicles

[Table of Contents](#)

do not meet the CAFE standards. Manufacturers that exceed the CAFE standards earn credits determined by the difference between the average fuel economy performance of their vehicles and the CAFE standards. Credits earned for the five model years preceding the current model year, and credits projected to be earned for the next three model years, can be used to meet CAFE standards in a current model year.

In December 2011, the EPA and the NHTSA issued a joint proposed rule to further reduce greenhouse gas emissions and improve fuel economy for passenger cars, light-duty trucks and medium-duty passenger vehicles for model years 2017 through 2025. Pursuant to the rule, which was finalized in August 2012, these vehicles would be required to meet an estimated combined average emission level of 163 grams of carbon dioxide per mile in model year 2025, equivalent to 54.5 miles per gallon if these requirements are met through improvements in fuel economy standards. At the same time, the NHTSA issued CAFE standards for passenger vehicles and light-duty trucks that would require manufacturers to meet an estimated combined average fuel economy level of 49.6 miles per gallon in model year 2025.

Under the Trump Administration, the EPA and the NHTSA proposed less stringent greenhouse gas emission standards and CAFE standards, and the withdrawal of California's waiver to issue its own, more stringent greenhouse gas emission standards under the LEV III program. However, under the Biden Administration, the EPA and the NHTSA withdrew these proposed greenhouse gas emission standards and CAFE standards, and in March 2022, the EPA reinstated California's authority to enforce its own greenhouse gas emissions standards.

On December 30, 2021, the EPA issued a final rule revising passenger car and light-duty truck greenhouse gas emissions standards for model years 2023 through 2026. The new rule, which is based on Presidential Executive Order 13990, reduces greenhouse gas emissions, year-over-year, by 10% for model year 2023, 5% for 2024, 6.6% for 2025, and more than 10% for 2026. Based on these reductions, the industry-wide average emission targets for passenger cars and light-duty trucks is projected by the EPA to be 161 grams of carbon dioxide per mile in model year 2026.

On March 31, 2022, the NHTSA issued a final rule revising passenger car and light-duty truck fuel economy standards for model years 2024 through 2026. As with the EPA's greenhouse gas emission rule, this new rule is based on Presidential Executive Order 13990. The new rule establishes standards that would require an industry-wide fleet of approximately 49 mpg for passenger cars and light duty trucks in model year 2026. This is to be achieved by increasing fuel efficiency, year-over-year, by 8 % for model year 2024, 8% for 2025, and 10% for 2026.

European Standards

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

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

To achieve a climate-neutral EU by 2050 and an intermediate target of at least 55% net reduction in greenhouse gas emissions by 2030, the European Commission proposed in July 2021 substantially more stringent carbon dioxide emissions targets for vehicles and light commercial vehicles, as part of its "Fit for 55" package. The proposal strengthens the 2030 targets from 37.5% to a 55% reduction for new passenger cars and from 31%

[Table of Contents](#)

to a 50% reduction for new light commercial vehicles, both relative to the 2021 baseline discussed above. In addition, the proposal introduces a new 2035 carbon dioxide target set at a 100% reduction for new vehicles and vans, again relative to the 2021 baseline. The 2025 target remains unchanged at a 15% reduction for both new vehicles and vans. The proposal has not yet been finalized.

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

Chinese Standards

Fuel consumption regulations are being implemented pursuant to the Chinese National Standards (“GB”), and the manufacture and sale of vehicle models not meeting these regulations are prohibited. For light-duty passenger vehicles, GB27999-2011 was issued. In these Level 3 Fuel Consumption Regulations for passenger cars, the regulation framework was substantially revised, such as the introduction of new regulations requiring automobile manufacturers to meet standards of corporate average fuel consumption across models in addition to existing regulations requiring each model to meet consumption standards. Furthermore, in order to achieve the national target for average fuel efficiency for 2020, the following more stringent fuel consumption regulations have been enacted and enforced. First, GB19578-2014, which has been enacted to strengthen regulations for each model, is being applied to new models after January 2016. Second, GB27999-2019, which has been enacted as Level 5 Fuel Consumption Regulations for passenger vehicles to strengthen corporate average regulations, has been in effect since 2021. In addition, Level 5 Fuel Consumption Regulations for passenger vehicles are being examined as more stringent next-generation fuel consumption regulations. For light-duty commercial vehicles, GB20997-2015 was enacted, which further applied Level 3 Fuel Consumption Regulations to all new vehicles from January 2018 and is currently being enforced. Moreover, the implementation of the Life Cycle Assessment (LCA), which comprehensively regulates the amount of carbon dioxide emitted during the vehicle manufacturing, use, and disposal processes, among others, is being considered earlier than in the rest of the world.

With respect to large commercial vehicles, pursuant to GB30510-2018, Level 3 Fuel Consumption Regulations apply to new vehicles from July 2019 and are currently being enforced. In addition, in an effort to further strengthen fuel consumption regulations for the next generation, Level 4 Fuel Consumption Regulations are currently being considered.

Vehicle Safety

Japanese Standards

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

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

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

U.S. Standards

In the U.S., in light of the Executive Order issued by President Trump on January 30, 2017, few safety standards providing new technical requirements have been issued. With respect to automated driving vehicles, on

[Table of Contents](#)

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

European Standards

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

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

United Nations Standards

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

Chinese Standards

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

Environmental Matters

Japanese Standards

Automotive operations in Japan are subject to substantial environmental regulation under laws such as the Air Pollution Control Act, the Water Pollution Prevention Act, the Noise Regulation Act and the Vibration Control Act. Under these laws, if a business entity establishes or alters any facility that is regulated by these laws, the business entity is required to give prior notice to regulators, and if a business entity discharges, uses or stores substances that are environmental burdens or causes noise or vibration from such facility, the business entity is

[Table of Contents](#)

also required to comply with the applicable standards. Toyota is subject to local regulations, which in some cases impose more stringent obligations than the Japanese central government requirements. Under the Waste Management and Public Cleansing Act, producers of industrial waste must dispose of industrial waste in the manner prescribed in the same act.

The Soil Contamination Countermeasures Act of Japan requires that landowners conduct contamination testing and submit a report at the time they cease to use hazardous substances, such as in connection with the sale of a former factory, or if there is a possibility of health hazards due to land contamination. If it is found that land contamination exceeds a certain level, the relevant prefectural authority designates the area as considered to be contaminated, orders the landowner to submit a plan for decontamination (such plan must describe the measures to be taken in the area, the reasons therefor, and the deadline for implementing such measures, etc.), and has the landowner take such measures in accordance with such plan. In addition, under the Act on Recycling, etc. of End-of-Life Vehicles, vehicle manufacturers are required to take back and recycle specified materials (automotive shredder residues, air bags and fluorocarbons) of end-of-life vehicles and the provisions concerning such obligations of vehicle manufacturers became effective in January 2005. Toyota has coordinated with relevant parties to establish a vehicle take-back and recycle system throughout Japan. As a result, in fiscal 2021, Toyota achieved a recycling/recovery rate of 96% for automobile shredder residue (the legal requirement being 70%) and 95% for air bags (the legal requirement being 85%) and reached the targets set forth in this law.

U.S. Standards

The environmental regulations applicable in the United States include, among others, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Pollution Prevention Act of 1990 and the Toxic Substances Control Act. Toyota is subject to a variety of state legislation that parallels, and in some cases imposes more stringent obligations than, federal requirements.

Pursuant to the Clean Air Act, the EPA has promulgated National Ambient Air Quality Standards (“NAAQS”) for six “criteria” pollutants, including for ozone and particulate matter. The Clean Air Act requires that the EPA review and possibly revise these NAAQS every five years. In 2012, the EPA made the annual health-based particulate matter NAAQS more stringent. In 2015, the EPA made the annual health-based and welfare-based ozone NAAQS more stringent. On June 10, 2021, the EPA announced that it would reconsider a December 7, 2020 decision to retain the 2012 annual health-based particulate matter NAAQS without changes, which might result in a tightening of the standards. The 2012 annual health-based particulate matter NAAQS, the 2015 annual health-based and welfare-based ozone NAAQS, as well as any future NAAQS revisions, could lead to additional pollution control requirements on the industry, including on Toyota’s manufacturing operations.

European Standards

In the EU, the Ambient Air Quality and Clearer Air for Europe Directive (Directive 2008/50/EC) sets the environmental standards for air quality. In relation to this, environmental regulations, such as the National Emissions Ceilings Directive, or NEC Directive (2016/2284/EU), the Industrial Emissions Directive, or IED Directive (2010/75/EU), and Directive 2007/46/EC, which is intended to control on-road emission sources, have been established, and emissions are managed under these directives based on their source.

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

Toyota strives to ensure that its operations are in compliance with environmental regulatory requirements concerning its facilities and products in each of the markets in which it operates. Toyota continuously monitors these requirements and takes necessary operational measures in an effort to ensure that it remains in material compliance with all of these requirements. However, compliance with environmental regulations and standards

[Table of Contents](#)

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

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

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

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added Section 13(r) to the Securities Exchange Act of 1934, as amended. Section 13(r) requires an issuer to disclose in its annual or quarterly reports, as applicable, whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with designated natural persons or entities involved in terrorism or the proliferation of weapons of mass destruction. Pursuant to Section 13(r), Toyota is disclosing the following information.

During the fiscal year ended March 31, 2022, TMT performed maintenance services on Toyota vehicles owned by the Iranian embassy in Japan.

This activity contributed an insignificant amount of gross revenues and net profit to Toyota. Toyota believes that none of the above transactions subject it or its affiliates to U.S. sanctions. TMT intends to cease conducting its activities described above, except that it intends to provide to the Iranian embassy necessary repair services in case of a recall or other safety measures in accordance with applicable laws and regulations.

Research and Development

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

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

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

[Table of Contents](#)

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

- further improvements in hybrid technologies, including in functions and cost, and contributions to the environment through advancements;
- improvement in internal combustion engine fuel economy technology as well as improvement in technology in connection with more stringent emission standards;
- development of BEVs, FCEVs and other alternative fuel vehicles;
- development of advanced safety technology designed to promote driving and vehicle safety;
- development of automated driving technologies
- connected car technologies; and
- development of technology to bring about more comfortable travel (driving).

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

Components and Parts, Raw Materials and Sources of Supply

Toyota purchases parts, components, raw materials, equipment and other supplies from multiple competing suppliers located around the world. Toyota works closely with its suppliers to pursue optimal procurement. Toyota believes that this policy encourages technological innovation, cost reduction and other measures to strengthen its vehicle competitiveness. Although there are supply restrictions with respect to the procurement of certain parts and components, Toyota plans to continue purchases based on the same principle.

Because Toyota had more than 50 overseas operations in 27 countries and regions as of March 31, 2022, procurement of parts and components is being carried out not only locally in the country of the production site but also from third countries. As a result, the distribution network has become increasingly complex. In order to realize timely and efficient distribution while minimizing costs, Toyota is promoting efforts to optimize each stage of the supply chain. To this end, Toyota has developed a standardized system of global distribution and is supporting the operation of the system at each production base. The use of the global distribution system aims at implementing parts procurement that meets changes in vehicle production in a timely manner. These varying efforts, combined together, have led to maximized customer satisfaction, as well as to building a good working relationship with Toyota's suppliers.

Toyota aims to share information and collaborate among the procurement divisions in each of the regions throughout the world in order to procure parts and materials from the most competitive suppliers among Toyota factories located in various areas worldwide. At the same time, Toyota carries out streamlining efforts together with suppliers in each country in order to achieve sustainable growth. Toyota has been working on cost reduction measures, referred to as RR-CI (ryohin-renka cost innovation) and VA (value analysis) activities, which aims to eliminate waste in all processes from design to production while ensuring the reliability and safety of each part. Through these activities, Toyota focuses on "developing a real cost-competitive structure" by working together with suppliers.

In response to a significant upward trend in materials costs, including related logistics and other costs, since fiscal 2022, Toyota is accelerating initiatives such as the replacement of raw materials with those that are less subject to price pressure and reduction of raw material usage.

Intellectual Property

Through its ongoing challenge to be one step ahead in conducting new research and development, Toyota has enhanced its product appeal and technological prowess, which have been serving as the source of the company's competitiveness. At the core of Toyota's products created through this research and development always lies intellectual property, including invention, know-how and brands. This intellectual property functions as Toyota's important management resources. By protecting and utilizing our intellectual property in an appropriate manner, we will continue to contribute to society.

Toward the realization of a future mobility society, Toyota is carrying out intellectual property activities in line with its focus areas. For example, by distributing resources mainly to such areas as carbon neutrality, software and Woven City and enhancing the obtainment and use of intellectual property rights, we are committed to strengthening our future competitiveness.

As for the intellectual property activities framework, having established intellectual property functions at the R&D centers in the United States, Europe and China, Toyota supports technology development globally by securing organic, systematic coordination between R&D activities and intellectual property activities. Working in concert with approximately 110 law firms around the world, we collect intellectual property information and take measures suitable for each country or region. To enhance activities that incorporate management, R&D and intellectual property in one, Toyota has an Intellectual Property Management Committee. The members of the Committee discuss and make decisions concerning obtaining and utilizing important intellectual property conducive to management and for responding to management risks related to intellectual property.

Toyota holds approximately 70,000 patents around the world. While Toyota considers all of its intellectual property to be important, it does not consider any specific subset of its patents, trademarks, design patents or utility model registrations to be so important that their expiration or termination would materially affect Toyota's business.

In recent years, Toyota has filed approximately 12,000 patent applications a year domestically and internationally. In 2020, Toyota became the holder of the most patents among the car manufacturers in Japan, the United States and other countries. According to a ranking list of companies filing patent applications concerning decarbonization-related technologies to the Japan Patent Office, which was released by an external institution, Toyota has maintained a top ranking. One example of Toyota's utilizing its patents toward the realization of carbon neutrality is its granting royalty-free licenses on patents for vehicle electrification-related technologies. In 2019, as part of its initiatives for further promoting the widespread use of electrified vehicles, Toyota decided to grant royalty-free licenses on approximately 23,740 patents, which Toyota holds around the world, for vehicle electrification-related technologies, including power control units and system controls. These advanced vehicle electrification-related technologies have helped Toyota realize enhanced performance, reduced size and cost reductions through over more than 20 years of HEV development, serving as core technologies that can be applied to the development of various types of electrified vehicles, including HEVs, PHEVs, BEVs and FCEVs. In this way, while building external partnerships by sharing technologies, we are actively involved in promoting the further growth of electrified vehicles.

[Table of Contents](#)

Capital Expenditures and Divestitures

Set forth below is a chart of Toyota's principal capital expenditures between April 1, 2019 and March 31, 2022, the approximate total costs of such activity, as well as the location and method of financing of such activity, presented on a "by subsidiary" basis and as reported in Toyota's annual Japanese securities report filed with the director of the Kanto Local Finance Bureau.

Description of Activity	Total Cost (Yen in billions)	Location	Primary Method of Financing
<i>Japan</i>			
Investment primarily in technology and products by Toyota Motor Corporation	1,081.6	Japan	Internal funds, financing from issuance of bonds, etc.
Investment primarily in technology and products by Daihatsu Motor Co., Ltd.	121.9	Japan	Internal funds
Investment primarily in technology and products by Toyota Motor Kyushu, Inc.	107.5	Japan	Internal funds
Investment primarily in technology and products by Toyota Auto Body Co., Ltd.	92.3	Japan	Internal funds
Investment primarily in technology and products by Primearth EV Energy Co., Ltd.	73.6	Japan	Internal funds
Investment primarily in technology and products by Prime Planet Energy & Solutions, Inc.	72.1	Japan	Internal funds
Investment primarily in technology and products by Hino Motors, Ltd.	56.8	Japan	Internal funds
<i>Outside of Japan</i>			
Investment primarily to promote localization by Toyota Motor Manufacturing, Indiana, Inc.	199.2	United States	Internal funds
Investment primarily to promote localization by Toyota Motor Manufacturing Texas, Inc.	167.0	United States	Internal funds
Investment primarily to promote localization by Toyota Motor Manufacturing Canada, Inc.	91.9	Canada	Internal funds
Investment primarily to promote localization by Toyota Motor Europe NV/SA	85.6	Belgium	Internal funds
Investment primarily to promote localization by Toyota Motor Manufacturing, Northern Kentucky, Inc.	72.0	United States	Internal funds
Investment primarily to promote localization by Toyota Motor Thailand Co., Ltd.	71.2	Thailand	Internal funds
Investment primarily to promote localization by Toyota Motor Manufacturing, Kentucky, Inc.	69.6	United States	Internal funds
Investment primarily in leased automobiles by Toyota Motor Credit Corporation	5,596.6	United States	Internal funds, financing from issuance of bonds, etc.

[Table of Contents](#)

Set forth below is information with respect to Toyota's material plans to construct, expand or improve its facilities between April 2022 and March 2023, presented on a "by subsidiary" basis and as reported in Toyota's annual Japanese securities report filed with the director of the Kanto Local Finance Bureau.

Description of Activity	Total Cost (Yen in billions)	Location	Primary Method of Financing
<i>Japan</i>			
Investment primarily in manufacturing facilities by Toyota Motor Corporation	430.0	Japan	Internal funds
<i>Outside of Japan</i>			
Investment primarily in manufacturing facilities by Toyota Battery Manufacturing, Inc.	69.8	United States	Internal funds
Investment primarily in manufacturing facilities by Toyota Motor Manufacturing, Canada, Inc.	66.5	Canada	Internal funds
Investment primarily in manufacturing facilities by Toyota Motor Manufacturing, Kentucky, Inc.	60.4	United States	Internal funds
Investment primarily in manufacturing facilities by Toyota Motor Europe NV/SA	55.2	Belgium	Internal funds
Investment primarily in manufacturing facilities by Toyota Kirloskar Motor Private Ltd.	53.2	India	Internal funds

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

Seasonality

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

Legal Proceedings

Toyota and other automakers were named in certain class actions filed in Mexico, Canada, Australia, Israel and Brazil relating to Takata airbag issues. The actions in Mexico, Israel and Brazil are being litigated. The action in Australia is in the process of resolution. The action in Canada has been settled.

Toyota is named as a defendant in an economic loss class action lawsuit in Australia in which damages are claimed on the basis that diesel particulate filters in certain vehicle models are defective. On April 7, 2022, Toyota received an unfavourable judgment in the court of first instance. The judgment included a finding that there was a perceived reduction in vehicle value of certain vehicle models. Toyota disagrees with the judgment and has filed an appeal. Other claims of economic loss in this class action lawsuit continue to be litigated at the court of first instance. In estimating the provision we should record in the consolidated financial statements as a result of the aforementioned judgment, Toyota has considered various factors including the legal and factual circumstances of the case, the contents of the judgement of the court of first instance, and the views of legal counsel. The currently estimated probable economic outflow related to the class action is immaterial to Toyota's consolidated financial position, results of operations and cash flows. At this stage, however, the final outcome and therefore ultimate financial liability for Toyota on account of this matter cannot be predicted with certainty.

As previously disclosed, Toyota entered into a consent decree on January 14, 2021 with the U.S. EPA, the Department of Justice ("DOJ") and the Civil Division of the U.S. Attorney's Office for the Southern District of

[Table of Contents](#)

New York (“SDNY”) to resolve investigations stemming from a self-reported process gap in fulfilling certain emissions defect information reporting requirements. Under the consent decree, Toyota agreed to pay, and has paid, a \$180 million civil penalty and to comply with certain additional periodic reporting requirements. The U.S. District Court for the Southern District of New York approved the consent decree on April 2, 2021.

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

On March 4, 2022, Hino Motors, Ltd., a publicly traded Japanese company that produces and sells commercial trucks and buses, and of which Toyota owns 50.18% of the voting interests as of March 31, 2022, disclosed that it had voluntarily commenced an investigation into potential issues regarding emissions performance and certification in the North American and Japanese markets, and that it has reported such issues to and is cooperating with the relevant authorities, including the Japanese Ministry of Land, Infrastructure, Transport and Tourism (“MLIT”) and the U.S. Department of Justice. Hino announced that, through such investigation, it identified past misconduct in relation to its applications for certification concerning the emissions and the fuel economy performance of certain of its engines for the Japanese market. Accordingly, Hino disclosed that it decided to suspend the sale of such engine models and their corresponding vehicles in Japan and announced on March 25, 2022 a recall of vehicles equipped with one of the engines. On March 29, 2022, MLIT announced that it had revoked certain of the “type approvals” (that is, approvals that exempt new vehicles or vehicles with certain equipment from individual testing by government inspectors prior to sale) and the fuel consumption ratings relating to such engine models. Investigations by governmental authorities related to these matters could result in the imposition of civil or criminal penalties, fines or other sanctions, or litigation. Toyota cannot predict the scope, duration, or outcome of these matters at this time.

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

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

4.C ORGANIZATIONAL STRUCTURE

As of March 31, 2022, Toyota Motor Corporation had 208 Japanese subsidiaries and 351 overseas subsidiaries. The following table sets forth for each of Toyota Motor Corporation's principal subsidiaries, the country of incorporation and the percentage ownership interest and the voting interest held by Toyota Motor Corporation.

Name of Subsidiary	Country of Incorporation	Percentage Ownership Interest	Percentage Voting Interest
Toyota Financial Services Corporation	Japan	100.00	100.00
Hino Motors, Ltd.	Japan	50.11	50.18
Daihatsu Motor Co., Ltd.	Japan	100.00	100.00
TOYOTA Mobility Tokyo Inc.	Japan	100.00	100.00
Toyota Finance Corporation	Japan	100.00	100.00
Toyota Mobility Parts Co., Ltd.	Japan	54.08	54.08
Toyota Auto Body Co., Ltd.	Japan	100.00	100.00
Toyota Motor Kyushu, Inc.	Japan	100.00	100.00
Toyota Motor East Japan, Inc.	Japan	100.00	100.00
Daihatsu Motor Kyushu Co., Ltd.	Japan	100.00	100.00
Cataler Corporation	Japan	56.51	57.31
Toyota Motor Engineering & Manufacturing North America, Inc.	United States	100.00	100.00
Toyota Motor Manufacturing, Kentucky, Inc.	United States	100.00	100.00
Toyota Motor North America, Inc.	United States	100.00	100.00
Toyota Motor Credit Corporation	United States	100.00	100.00
Toyota Motor Manufacturing, Indiana, Inc.	United States	100.00	100.00
Toyota Motor Manufacturing, Texas, Inc.	United States	100.00	100.00
Toyota Motor Sales, U.S.A., Inc.	United States	100.00	100.00
Toyota Motor Manufacturing Canada Inc.	Canada	100.00	100.00
Toyota Credit Canada Inc.	Canada	100.00	100.00
Toyota Canada Inc.	Canada	51.00	51.00
Toyota Motor Manufacturing de Baja California, S. de R.L. de C.V.	Mexico	100.00	100.00
Toyota Motor Manufacturing de Guanajuato, S.A.de C.V.	Mexico	100.00	100.00
Toyota Motor Europe NV/SA	Belgium	100.00	100.00
Toyota Motor Manufacturing France S.A.S.	France	100.00	100.00
Toyota France S.A.S	France	100.00	100.00
Toyota Motor Finance (Netherlands) B.V.	Netherlands	100.00	100.00
Toyota Motor Manufacturing (UK) Ltd.	United Kingdom	100.00	100.00
Toyota Financial Services (UK) PLC	United Kingdom	100.00	100.00
Toyota (GB) PLC	United Kingdom	100.00	100.00
OOO "TOYOTA MOTOR"	Russia	100.00	100.00
Toyota Motor Manufacturing Turkey Inc.	Turkey	90.00	90.00
Guangqi Toyota Engine Co., Ltd.	China	70.00	70.00
Toyota Motor (China) Investment Co., Ltd.	China	100.00	100.00
Toyota Motor Finance (China) Co., Ltd.	China	100.00	100.00
Toyota Kirloskar Motor Private Ltd.	India	89.00	89.00
P.T. Astra Daihatsu Motor	Indonesia	61.75	61.75
PT. Toyota Motor Manufacturing Indonesia	Indonesia	95.00	95.00
Toyota Motor Asia Pacific Pte Ltd.	Singapore	100.00	100.00
Kuozui Motors, Ltd.	Taiwan	70.00	70.00
Toyota Leasing (Thailand) Co., Ltd.	Thailand	87.44	87.44
Toyota Motor Thailand Co., Ltd.	Thailand	86.43	86.43
Toyota Daihatsu Engineering & Manufacturing Co., Ltd.	Thailand	100.00	100.00
Toyota Motor Corporation Australia Ltd.	Australia	100.00	100.00
Toyota Finance Australia Ltd.	Australia	100.00	100.00
Toyota Argentina S.A.	Argentina	100.00	100.00
Toyota do Brasil Ltda.	Brazil	100.00	100.00
Toyota South Africa Motors (Pty) Ltd.	South Africa	100.00	100.00

4.D PROPERTY, PLANTS AND EQUIPMENT

As of March 31, 2022, Toyota and its affiliated companies produced automobiles and related components through more than 50 overseas manufacturing organizations in 27 countries and regions besides Japan. The facilities are located principally in Japan, the United States, Canada, the United Kingdom, France, Turkey, Czech Republic, Russia, Poland, Thailand, China, Taiwan, India, Indonesia, South Africa, Argentina and Brazil.

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

The following table sets forth information, as of March 31, 2022, with respect to Toyota's principal facilities and organizations, all of which are owned by Toyota Motor Corporation or its subsidiaries. However, small portions, all under approximately 20%, of some facilities are on leased premises.

Facility or Subsidiary Name	Location	Land Area (thousands of square meters)	Number of Employees	Principal Products or Functions
Japan (Toyota Motor Corporation)				
Toyota Technical Center Shimoyama	Toyota City, Aichi Pref.	5,573	207	Research and Development
Tahara Plant	Tahara City, Aichi Pref.	4,032	6,738	Automobiles
Toyota Head Office and Technical Center	Toyota City, Aichi Pref.	2,767	22,506	Research and Development
Higashi-Fuji Technical Center	Susono City, Shizuoka Pref.	2,722	2,703	Research and Development
Motomachi Plant	Toyota City, Aichi Pref.	1,575	8,349	Automobiles
Takaoka Plant	Toyota City, Aichi Pref.	1,317	4,068	Automobiles
Kamigo Plant	Toyota City, Aichi Pref.	895	3,063	Automobile parts
Kinu-ura Plant	Hekinan City, Aichi Pref.	808	2,878	Automobile parts
Honsha Plant	Toyota City, Aichi Pref.	623	1,985	Automobile parts
Nagoya Office	Nagoya City, Aichi Pref.	5	2,306	Office
Japan (Subsidiaries)				
Daihatsu Motor Co., Ltd	Ikeda City, Osaka, etc.	7,740	11,293	Automobiles
Hino Motors, Ltd.	Hino City, Tokyo, etc.	6,330	12,691	Automobiles
Toyota Auto Body Co., Ltd.	Kariya City, Aichi Pref., etc.	2,271	11,530	Automobiles
Toyota Motor Kyushu, Inc.	Miyawaka City, Fukuoka Pref.	1,940	8,563	Automobiles etc.
TOYOTA Mobility Tokyo Inc.	Minato-ku, Tokyo, etc.	365	6,758	Sales facilities
Outside Japan (Subsidiaries)				
Toyota Motor Manufacturing, Texas, Inc.	Texas, U.S.A.	8,127	2,825	Automobiles
Toyota Motor Manufacturing, Kentucky, Inc.	Kentucky, U.S.A.	5,161	7,460	Automobiles
Toyota Motor Manufacturing Canada, Inc.	Ontario, Canada	4,752	7,756	Automobiles
Toyota Motor Thailand Co., Ltd.	Samutprakarn, Thailand	4,414	8,670	Automobiles
Toyota Motor Manufacturing, Indiana, Inc.	Indiana, U.S.A.	4,359	6,521	Automobiles

Toyota is constantly engaged in upgrading, modernizing and revamping the operations of its manufacturing facilities based on its assessment of market needs and prospects. To respond flexibly to fluctuations in demand in each of its production operations throughout the world, Toyota continually reviews and implements appropriate production measures such as revising takt time and adjusting days of operation. As a result, Toyota believes it would require unreasonable effort to track the exact productive capacity and the extent of utilization of each of its manufacturing facilities with a reasonable degree of accuracy.

[Table of Contents](#)

As of March 31, 2022, property, plant and equipment having a net book value of approximately ¥1,474.6 billion was pledged as collateral securing indebtedness incurred by Toyota Motor Corporation's consolidated subsidiaries. Toyota believes that there does not exist any material environmental issues that may affect the company's utilization of its assets.

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

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

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

5.A OPERATING RESULTS

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

Overview

The business segments of Toyota include automotive operations, financial services operations and all other operations. Automotive operations are Toyota's most significant business segment, accounting for 89% of Toyota's total revenues before the elimination of intersegment revenues for fiscal 2022. Toyota's primary markets based on vehicle unit sales for fiscal 2022 were: Japan (23.4%), North America (29.1%), Europe (12.4%) and Asia (18.7%).

Automotive Market Environment

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

During fiscal 2022, automotive markets recovered compared with fiscal 2021 as demand remained firm in regions including the U.S., China, and Japan, despite being forced to curb production worldwide due to limited parts supplies caused by the global semiconductor shortage and the impact of COVID-19.

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

	Thousands of units		
	Year Ended March 31,		
	2020	2021	2022
Japan	2,240	2,125	1,924
North America	2,713	2,313	2,394
Europe	1,029	959	1,017
Asia	1,600	1,222	1,543
Other*	1,372	1,027	1,352
Overseas total	6,715	5,521	6,306
Total	8,955	7,646	8,230

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

[Table of Contents](#)

During both fiscal 2021 and fiscal 2022, Toyota's consolidated vehicle unit sales in Japan decreased due to weak market conditions as compared to the prior fiscal year. During fiscal 2021, overseas vehicle unit sales decreased, particularly in North America, Asia and Other, where the contraction of automotive markets was especially pronounced. During fiscal 2022, overseas vehicle unit sales increased, particularly in Asia and Other, due to recovery of demand.

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

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

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

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

Many governments also impose local content requirements, impose tariffs and other trade barriers, and enact price or exchange controls that can limit an automaker's operations and can make the repatriation of profits unpredictable. Changes in these laws, regulations, policies and other governmental actions may affect the production, licensing, distribution or sale of Toyota's products, cost of products or applicable tax rates. From time-to-time when potential safety problems arise, Toyota issues vehicle recalls and takes other safety measures including safety campaigns relating to its vehicles. The recalls and other safety measures described above have led to a number of claims and lawsuits against Toyota. For a more detailed description of these claims and lawsuits, see "Information on the Company — Business Overview — Legal Proceedings" and note 24 and 30 to the consolidated financial statements.

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

Financial Services Operations

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

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

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

Toyota's total receivables related to financial services increased during fiscal 2022 mainly due to the impact of changes in exchange rates. Also, vehicles and equipment on operating leases increased during fiscal 2022 mainly due to the impact of changes in exchange rates.

For details on receivables related to financial services and vehicles and equipment on operating leases, see notes 8 and 12 to the consolidated financial statements.

Toyota's receivables related to financial services are subject to collectability risks. These risks include consumer and dealer insolvencies and insufficient collateral values (less costs to sell) to realize the full carrying values of these receivables. See notes 4 and 19 to the consolidated financial statements for additional information.

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

Toyota enters into interest rate swap agreements and cross currency interest rate swap agreements to convert its fixed-rate debt to variable-rate functional currency debt. A portion of the derivative instruments are entered into to hedge interest rate risk from an economic perspective and are not designated as a hedge of specific assets or liabilities on Toyota's consolidated statements of financial position and accordingly, unrealized gains or losses related to derivatives that are not designated as a hedge are recognized currently in operations. See the discussion in "Quantitative and Qualitative Disclosures about Market Risk" and notes 20 and 21 to the consolidated financial statements.

The fluctuations in funding costs can affect the profitability of Toyota's financial services operations. Funding costs are affected by a number of factors, some of which are not in Toyota's control. These factors include general economic conditions, prevailing interest rates and Toyota's financial strength. Funding costs decreased during fiscal 2021 and 2022 mainly as a result of lower interest rates.

Toyota launched its credit card business in Japan in April 2001. As of March 31, 2021, Toyota had 16.4 million cardholders, an increase of 0.5 million cardholders compared with March 31, 2020. As of March 31,

[Table of Contents](#)

2022, Toyota had 15.7 million cardholders, a decrease of 0.7 million cardholders compared with March 31, 2021. Credit card receivables as of March 31, 2021 increased by ¥2.4 billion from March 31, 2020 to ¥484.1 billion, and that as of March 31, 2022 increased by ¥17.3 billion from March 31, 2021 to ¥501.4 billion.

Other Business Operations

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

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

Currency Fluctuations

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

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

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

Toyota believes that the location of its production facilities in different parts of the world has significantly reduced the level of transaction risk. As part of its globalization strategy, Toyota has continued to localize production by constructing production facilities in the major markets in which it sells its vehicles. In fiscal 2021 and 2022, Toyota produced 69.7% and 71.6%, respectively, of its non-domestic sales outside Japan. In North America, 65.3% and 68.5% of vehicles sold in fiscal 2021 and 2022, respectively, were produced locally. In Europe, 71.9% and 69.1% of vehicles sold in fiscal 2021 and 2022, respectively, were produced locally. Localizing production enables Toyota to locally purchase many of the supplies and resources used in the production process, which allows for a better match of local currency revenues with local currency expenses.

Toyota also enters into foreign currency transactions and other hedging instruments to address a portion of its transaction risk. This has reduced, but not eliminated, the effects of foreign currency exchange rate fluctuations, which in some years can be significant. See notes 20 and 21 to the consolidated financial statements for additional information.

Generally, a weakening of the Japanese yen against other currencies has a positive effect on Toyota's revenues, operating income and net income attributable to Toyota Motor Corporation. A strengthening of the

[Table of Contents](#)

Japanese yen against other currencies has the opposite effect. In fiscal 2021, the Japanese yen was on average stronger against the U.S. dollar in comparison to the previous fiscal year, but in fiscal 2022, was on average weaker against the U.S. dollar in comparison to the previous fiscal year. At the end of each of fiscal 2021 and 2022, the Japanese yen was weaker against the U.S. dollar in comparison to the end of fiscal 2020 and 2021, respectively. In fiscal 2021 and 2022, the Japanese yen was on average weaker against the euro in comparison to fiscal 2020 and 2021, respectively. At the end of each of fiscal 2021 and 2022, the Japanese yen was weaker against the euro in comparison to the end of fiscal 2020 and 2021, respectively. See note 19 to the consolidated financial statements for additional information.

Segmentation

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

Geographic Breakdown

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

	Yen in millions		
	Year ended March 31,		
	2020	2021	2022
Japan	9,503,238	8,587,193	8,214,740
North America	10,419,869	9,325,950	10,897,946
Europe	3,133,227	2,968,289	3,692,214
Asia	4,785,489	4,555,897	5,778,115
Other*	2,024,724	1,777,266	2,796,493

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

Results of Operations — Fiscal 2022 Compared with Fiscal 2021

	Yen in millions			
	Year ended March 31,		2022 v. 2021 Change	
	2021	2022	Amount	Percentage
Sales revenues:				
Japan	14,948,931	15,991,436	1,042,505	7.0%
North America	9,491,803	11,166,479	1,674,676	17.6
Europe	3,134,489	3,867,847	733,359	23.4
Asia	5,045,295	6,530,566	1,485,272	29.4
Other*	1,872,895	2,928,183	1,055,287	56.3
Intersegment elimination/unallocated amount	(7,278,820)	(9,105,004)	(1,826,185)	—
Total	27,214,594	31,379,507	4,164,914	15.3
Operating income (loss):				
Japan	1,149,217	1,423,445	274,228	23.9
North America	401,361	565,784	164,423	41.0
Europe	107,971	162,973	55,002	50.9
Asia	435,940	672,350	236,410	54.2
Other*	59,847	238,169	178,322	298.0
Intersegment elimination/unallocated amount	43,413	(67,024)	(110,436)	—
Total	2,197,748	2,995,697	797,948	36.3
Operating margin	8.1%	9.5%	1.4%	
Income before income taxes	2,932,354	3,990,532	1,058,177	36.1
Net margin from income before income taxes	10.8%	12.7%	1.9%	
Net income attributable to Toyota Motor Corporation	2,245,261	2,850,110	604,849	26.9
Net margin attributable to Toyota Motor Corporation	8.3%	9.1%	0.8%	

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

Sales Revenues

Toyota had sales revenues for fiscal 2022 of ¥31,379.5 billion, an increase of ¥4,164.9 billion, or 15.3%, compared with the prior fiscal year. The increase resulted mainly from the ¥1,510.0 billion impact of increased vehicle unit sales and changes in sales mix and the ¥1,390.0 billion favorable impact of changes in exchange rates.

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

	Yen in millions			
	Year ended March 31,		2022 v. 2021 Change	
	2021	2022	Amount	Percentage
Vehicles	20,509,606	23,739,442	3,229,836	15.7%
Parts and components for production	1,287,053	1,504,215	217,162	16.9
Parts and components for after service	2,049,187	2,407,143	357,956	17.5
Other	752,000	881,193	129,193	17.2
Total Automotive	24,597,846	28,531,993	3,934,147	16.0
All Other	479,553	541,436	61,883	12.9
Total sales of products	25,077,398	29,073,428	3,996,030	15.9
Financial services	2,137,195	2,306,079	168,884	7.9
Total sales revenues	27,214,594	31,379,507	4,164,914	15.3%

Table of Contents

Toyota's sales revenues include sales revenues from sales of products, consisting of sales revenues from automotive operations and all other operations, which increased by 15.9% during fiscal 2022 compared with the prior fiscal year to ¥29,073.4 billion, and sales revenues from financial services operations, which increased by 7.9% during fiscal 2022 compared with the prior fiscal year to ¥2,306.0 billion. The increase in sales revenues from sales of products is mainly due to an increase in Toyota vehicle unit sales of 584 thousand vehicles and the favorable impact of changes in exchange rates compared with the prior fiscal year.

The following table shows the number of financing contracts by geographic region at the end of fiscal 2022 and 2021, respectively.

	Number of financing contracts in thousands			
	As of March 31,		2022 v. 2021 Change	
	2021	2022	Amount	Percentage
Japan	2,660	2,745	85	3.2%
North America	5,553	5,549	(4)	(0.1)
Europe	1,412	1,507	95	6.7
Asia	1,992	2,070	78	3.9
Other*	881	895	14	1.6
Total	12,498	12,766	268	2.1%

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

Geographically, sales revenues (before the elimination of intersegment revenues) for fiscal 2022 increased by 7.0% in Japan, 17.6% in North America, 23.4% in Europe, 29.4% in Asia, and 56.3% in Other compared with the prior fiscal year. Excluding the impact of changes in exchange rates of ¥1,390.0 billion, sales revenues in fiscal 2022 would have increased by 7.0% in Japan, 10.5% in North America, 16.6% in Europe, 20.3% in Asia, and 49.2% in Other compared with the prior fiscal year.

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

Japan

	Thousands of units			
	Year ended March 31,		2022 v. 2021 Change	
	2021	2022	Amount	Percentage
Toyota's consolidated vehicle unit sales*	3,853	3,640	(213)	(5.5)%

* including number of exported vehicle unit sales

	Yen in millions			
	Year ended March 31,		2022 v. 2021 Change	
	2021	2022	Amount	Percentage
Sales revenues:				
Sales of products	14,674,496	15,706,514	1,032,018	7.0%
Financial services	274,435	284,922	10,487	3.8
Total	14,948,931	15,991,436	1,042,505	7.0%

Despite Toyota's domestic and exported vehicle unit sales having decreased by 213 thousand vehicles compared with the prior fiscal year, sales revenues in Japan increased due primarily to the favorable impact of changes in exchange rates related to export transactions. For fiscal 2021 and 2022, exported vehicle unit sales were 1,728 thousand units and 1,716 thousand units, respectively.

[Table of Contents](#)

North America

	Thousands of units			
	Year ended March 31,		2022 v. 2021 Change	
	2021	2022	Amount	Percentage
Toyota's consolidated vehicle unit sales	2,313	2,394	81	3.5%

	Yen in millions			
	Year ended March 31,		2022 v. 2021 Change	
	2021	2022	Amount	Percentage
Sales revenues:				
Sales of products	7,995,051	9,578,534	1,583,483	19.8%
Financial services	1,496,752	1,587,945	91,193	6.1
Total	9,491,803	11,166,479	1,674,676	17.6%

Sales revenues in North America increased due primarily to the 81 thousand vehicles increase in vehicle unit sales and the favorable impact of changes in exchange rates compared with the prior fiscal year.

Europe

	Thousands of units			
	Year ended March 31,		2022 v. 2021 Change	
	2021	2022	Amount	Percentage
Toyota's consolidated vehicle unit sales	959	1,017	58	6.0%

	Yen in millions			
	Year ended March 31,		2022 v. 2021 Change	
	2021	2022	Amount	Percentage
Sales revenues:				
Sales of products	2,976,259	3,671,205	694,946	23.3%
Financial services	158,229	196,642	38,413	24.3
Total	3,134,489	3,867,847	733,359	23.4%

Sales revenues in Europe increased due primarily to the 58 thousand vehicles increase in vehicle unit sales and the favorable impact of changes in exchange rates compared with the prior fiscal year.

Asia

	Thousands of units			
	Year ended March 31,		2022 v. 2021 Change	
	2021	2022	Amount	Percentage
Toyota's consolidated vehicle unit sales	1,222	1,543	321	26.3%

	Yen in millions			
	Year ended March 31,		2022 v. 2021 Change	
	2021	2022	Amount	Percentage
Sales revenues:				
Sales of products	4,874,746	6,345,172	1,470,426	30.2%
Financial services	170,549	185,394	14,845	8.7
Total	5,045,295	6,530,566	1,485,272	29.4%

[Table of Contents](#)

Sales revenues in Asia increased due primarily to the 321 thousand vehicles increase in vehicle unit sales and the favorable impact of changes in exchange rates compared with the prior fiscal year.

Other

	Thousands of units			
	Year ended March 31,		2022 v. 2021 Change	
	2021	2022	Amount	Percentage
Toyota's consolidated vehicle unit sales	1,027	1,352	326	31.7%

	Yen in millions			
	Year ended March 31,		2022 v. 2021 Change	
	2021	2022	Amount	Percentage
Sales revenues:				
Sales of products	1,719,132	2,756,840	1,037,708	60.4%
Financial services	153,764	171,343	17,579	11.4
Total	<u>1,872,895</u>	<u>2,928,183</u>	<u>1,055,287</u>	<u>56.3%</u>

Sales revenues in Other increased due primarily to the 326 thousand vehicles increase in vehicle unit sales compared with the prior fiscal year.

Operating Costs and Expenses

	Yen in millions			
	Year ended March 31,		2022 v. 2021 Change	
	2021	2022	Amount	Percentage
Operating costs and expenses				
Cost of products sold	21,199,890	24,250,784	3,050,894	14.4%
Cost of financing services	1,182,330	1,157,050	(25,280)	(2.1)
Selling, general and administrative	2,634,625	2,975,977	341,351	13.0
Total	<u>25,016,845</u>	<u>28,383,811</u>	<u>3,366,965</u>	<u>13.5%</u>

	Yen in millions
	2022 v. 2021 Change
Changes in operating costs and expenses:	
Effect of changes in vehicle unit sales and sales mix	1,330,000
Effect of changes in exchange rates	780,000
Effect of decrease of cost of financial services	(100,000)
Effect of cost reduction efforts	360,000
Increase or decrease in expenses and expense reduction efforts	220,000
Other	<u>776,965</u>
Total	<u>3,366,965</u>

Operating costs and expenses increased by ¥3,366.9 billion, or 13.5%, to ¥28,383.8 billion during fiscal 2022 compared with the prior fiscal year.

Cost Reduction Efforts

Operating costs and expenses increased by ¥360.0 billion during fiscal 2022. This increase was due to a ¥640.0 billion increase in operating costs and expenses attributable to the impact of soaring materials prices.

[Table of Contents](#)

Through continued cost reduction efforts together with suppliers, however, that increase was partially offset by a ¥240.0 billion reduction principally attributable to value engineering activities and other cost reduction efforts concerning design-related costs, and a ¥40.0 billion reduction attributable to cost reduction efforts principally at plants and logistics departments.

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

Cost of Products Sold

Cost of products sold increased by ¥3,050.8 billion, or 14.4%, to ¥24,250.7 billion during fiscal 2022 compared with the prior fiscal year. This increase mainly reflected the impact of changes in vehicle unit sales and sales mix, the unfavorable impact of soaring materials prices, and the unfavorable impact of fluctuations in foreign currency translation rates.

Cost of Financial Services

Cost of financial services decreased by ¥25.2 billion, or 2.1%, to ¥1,157.0 billion during fiscal 2022 compared with the prior fiscal year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by ¥341.3 billion, or 13.0%, to ¥2,975.9 billion during fiscal 2022 compared with the prior fiscal year. This increase mainly reflected the unfavorable impact of fluctuations in foreign currency translation rates.

Operating Income

	<u>Yen in millions</u> <u>2022 v. 2021 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	860,000
Effect of cost reduction efforts	(360,000)
Effect of changes in exchange rates	610,000
Increase or decrease in expenses and expense reduction efforts	(220,000)
Other	(92,052)
Total	<u>797,948</u>

Toyota's operating income increased by ¥797.9 billion, or 36.3%, to ¥2,995.6 billion during fiscal 2022 compared with the prior fiscal year. This increase was due to the ¥860.0 billion impact of marketing efforts and the ¥610.0 billion favorable impact of changes in exchange rates, partially offset by, among other factors, the ¥360.0 billion aggregate unfavorable impact of factors categorized as cost reduction efforts (including fluctuations in raw materials prices) and the ¥220.0 billion aggregate unfavorable impact of changes in expenses and expense reduction efforts.

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

[Table of Contents](#)

The favorable impact of changes in exchange rates was due mainly to the ¥590.0 billion impact of overseas transactions such as imports and exports denominated in foreign currencies.

During fiscal 2022, operating income (before elimination of intersegment profits) compared with the prior fiscal year increased by ¥274.2 billion, or 23.9%, in Japan, ¥164.4 billion, or 41.0%, in North America, ¥55.0 billion, or 50.9%, in Europe, ¥236.4 billion, or 54.2%, in Asia, and ¥178.3 billion, or 298.0%, in Other.

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

Japan

	<u>Yen in millions</u> <u>2022 v. 2021 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	260,000
Effect of cost reduction efforts	(145,000)
Effect of changes in exchange rates	370,000
Increase or decrease in expenses and expense reduction efforts	(50,000)
Other	(160,772)
Total	<u>274,228</u>

North America

	<u>Yen in millions</u> <u>2022 v. 2021 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	380,000
Effect of cost reduction efforts	(125,000)
Effect of changes in exchange rates	50,000
Increase or decrease in expenses and expense reduction efforts	(135,000)
Other	(5,577)
Total	<u>164,423</u>

Europe

	<u>Yen in millions</u> <u>2022 v. 2021 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	105,000
Effect of cost reduction efforts	(40,000)
Effect of changes in exchange rates	0
Increase or decrease in expenses and expense reduction efforts	(10,000)
Other	2
Total	<u>55,002</u>

[Table of Contents](#)

Asia

	<u>Yen in millions</u> <u>2022 v. 2021 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	130,000
Effect of cost reduction efforts	(35,000)
Effect of changes in exchange rates	170,000
Increase or decrease in expenses and expense reduction efforts	(40,000)
Other	11,410
Total	<u>236,410</u>

Other

	<u>Yen in millions</u> <u>2022 v. 2021 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	95,000
Effect of cost reduction efforts	(15,000)
Effect of changes in exchange rates	20,000
Increase or decrease in expenses and expense reduction efforts	15,000
Other	63,322
Total	<u>178,322</u>

Other Income and Expenses

Share of profit (loss) of investments accounted for using the equity method during fiscal 2022 increased by ¥209.3 billion, or 59.6%, to ¥560.3 billion compared with the prior fiscal year. This increase was due mainly to an increase during fiscal 2022 in net income attributable to the shareholders of companies accounted for by the equity method.

Other finance income decreased by ¥100.4 billion, or 23.1%, to ¥334.7 billion during fiscal 2022 compared with the prior fiscal year. This decrease was due mainly to a decrease during fiscal 2022 in profit on sales of securities.

Other finance costs decreased by ¥3.5 billion, or 7.4%, to ¥43.9 billion during fiscal 2022 compared with the prior fiscal year.

Foreign exchange gain (loss), net increased by ¥201.0 billion to ¥216.1 billion during fiscal 2022 compared with the prior fiscal year. Foreign exchange gains and losses include the differences between the value of foreign currency denominated assets and liabilities recognized through transactions in foreign currencies translated at prevailing exchange rates and the value at the date the transaction settled during the fiscal year, including those settled using forward foreign currency exchange contracts, or the value translated by appropriate year-end exchange rates. The ¥201.0 billion increase in foreign exchange gain (loss), net was due mainly to the gains recorded in fiscal 2022 resulting from the Japanese yen being weaker against foreign currencies at the maturity dates of the foreign currency deposit than at the dates of the deposit.

Other income (loss), net decreased by ¥53.2 billion, to ¥72.4 billion in losses during fiscal 2022 compared with the prior fiscal year.

[Table of Contents](#)

Income Taxes

The provision for income taxes increased by ¥465.9 billion, or 71.7%, to ¥1,115.9 billion during fiscal 2022 compared with the prior fiscal year. This increase was due mainly to the increase in income before income taxes and reversals of deferred tax assets on account of the reassessment of their recoverability. The average effective tax rate for fiscal 2022 was 28.0%.

Net Income Attributable to Non-controlling Interests

Net income attributable to non-controlling interests decreased by ¥12.6 billion, or 34.0%, to ¥24.5 billion during fiscal 2022 compared with the prior fiscal year. This decrease was due mainly to a decrease during fiscal 2022 in net income of consolidated subsidiaries.

Net Income Attributable to Toyota Motor Corporation

Net income attributable to Toyota Motor Corporation increased by ¥604.8 billion, or 26.9%, to ¥2,850.1 billion during fiscal 2022 compared with the prior fiscal year.

Other Comprehensive Income, Net of Tax

Other comprehensive income, net of tax increased by ¥130.6 billion to ¥1,143.1 billion for fiscal 2022 compared with the prior fiscal year. This increase resulted from exchange differences on translating foreign operations gains of ¥902.8 billion in fiscal 2022 compared with gains of ¥403.6 billion in the prior fiscal year and share of other comprehensive income of equity method investees gains of ¥307.4 billion in fiscal 2022 compared with gains of ¥88.6 billion in the prior fiscal year, due mainly to the weakening of the yen against the U.S. dollar and the euro, net changes in revaluation of financial assets measured at fair value through other comprehensive income losses of ¥203.4 billion in fiscal 2022 compared with gains of ¥303.9 billion in the prior fiscal year, due mainly to changes in prices of public and corporate bonds, and remeasurements of defined benefit plans gains of ¥136.2 billion in fiscal 2022 compared with gains of ¥216.2 billion in the prior fiscal year, due mainly to changes in fair value of plan assets.

Segment Information

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

	Yen in millions			
	Year ended March 31,		2022 v. 2021 Change	
	2021	2022	Amount	Percentage
Automotive:				
Sales revenues	24,651,552	28,605,738	3,954,186	16.0%
Operating income	1,607,161	2,284,290	677,130	42.1
Financial Services:				
Sales revenues	2,162,237	2,324,026	161,789	7.5
Operating income	495,593	657,001	161,408	32.6
All Other:				
Sales revenues	1,052,365	1,129,876	77,512	7.4
Operating income	85,350	42,302	(43,048)	(50.4)
Intersegment elimination/unallocated amount:				
Sales revenues	(651,560)	(680,133)	(28,573)	—
Operating income	9,645	12,104	2,459	—

[Table of Contents](#)

Automotive Operations Segment

The automotive operations segment is Toyota's largest operating segment by sales revenues. Sales revenues for the automotive segment increased during fiscal 2022 by ¥3,954.1 billion, or 16.0%, to ¥28,605.7 billion compared with the prior fiscal year. The increase mainly reflects the ¥1,510.0 billion favorable impact of changes in vehicle unit sales and sales mix and the ¥1,250.0 billion favorable impact of changes in exchange rates.

Operating income from the automotive operations increased by ¥677.1 billion, or 42.1%, to ¥2,284.2 billion during fiscal 2022 compared with the prior fiscal year. This increase in operating income was due mainly to the ¥760.0 billion effect of marketing activities and the ¥570.0 billion favorable impact of changes in exchange rates, partially offset by the ¥360.0 billion aggregate unfavorable impact of factors categorized as cost reduction efforts (including fluctuations in raw materials prices) and the ¥220.0 billion aggregate unfavorable impact of changes in expenses and expense reduction efforts.

Financial Services Operations Segment

Sales revenues for the financial services operations increased during fiscal 2022 by ¥161.7 billion, or 7.5%, to ¥2,324.0 billion compared with the prior fiscal year. This increase was due mainly to the favorable impact of changes in exchange rates.

Operating income from financial services operations increased by ¥161.4 billion, or 32.6%, to ¥657.0 billion during fiscal 2022 compared with the prior fiscal year. This increase was due primarily to the increases in both financing margin and financing volume.

All Other Operations Segment

Sales revenues for Toyota's other operations segments increased by ¥77.5 billion, or 7.4%, to ¥1,129.8 billion during fiscal 2022 compared with the prior fiscal year.

Operating income from Toyota's other operations segments decreased by ¥43.0 billion, or 50.4%, to ¥42.3 billion during fiscal 2022 compared with the prior fiscal year.

Results of Operations — Fiscal 2021 Compared with Fiscal 2020

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

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

Sales Revenues

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

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

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

[Table of Contents](#)

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

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

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

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

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

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

Japan

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

* including number of exported vehicle unit sales

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

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

[Table of Contents](#)

North America

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

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

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

Europe

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

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

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

Asia

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

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

[Table of Contents](#)

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

Other

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

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

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

Operating Costs and Expenses

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

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

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

Cost Reduction Efforts

During fiscal 2021, continued cost reduction efforts together with suppliers contributed to a reduction of operating costs and expenses by ¥150.0 billion. This was due to ¥80.0 billion in cost reduction efforts concerning

[Table of Contents](#)

design related costs due mainly to ongoing value engineering activities, and ¥70.0 billion in cost reduction efforts at plants and logistics departments.

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

Cost of Products Sold

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

Cost of Financial services

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

Selling, General and Administrative Expenses

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

Operating Income

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

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

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

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

[Table of Contents](#)

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

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

Japan

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

North America

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

Europe

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

[Table of Contents](#)

Asia

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

Other

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

Other Income and Expenses

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

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

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

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

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

[Table of Contents](#)

Income Taxes

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

Net Income Attributable to Noncontrolling Interests

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

Net Income Attributable to Toyota Motor Corporation

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

Other Comprehensive Income, Net of Tax

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

Segment Information

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

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

Automotive Operations Segment

The automotive operations segment is Toyota's largest operating segment by sales revenues. Sales revenues for the automotive segment decreased during fiscal 2021 by ¥2,148.1 billion, or 8.0%, to ¥24,651.5 billion

[Table of Contents](#)

compared with the prior fiscal year. The decrease mainly reflects the ¥2,080.0 billion unfavorable impact of changes in vehicle unit sales and sales mix and the ¥560.0 billion unfavorable impact of changes in exchange rates.

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

Financial Services Operations Segment

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

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

All Other Operations Segment

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

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

Related Party Transactions

See note 32 to the consolidated financial statements for further discussion.

Basic Concept Regarding the Selection of Accounting Standards

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

Outlook

As the automotive industry faces a once-in-a-century transformational period and at a time when the right answers are elusive, we are committed to "Producing Happiness for All" together with our stakeholders, underpinned by the spirit of "For the Sake of Others" which we have maintained since our founding. We believe management practices that value what makes us Toyota will lead to sustained efforts to achieve the aims of the SDGs to "build a better world" while ensuring that "no one will be left behind." We are accelerating our shift toward product-centered management under the "making ever-better cars" initiative, efforts to achieve carbon neutrality, and endeavors to develop essential technologies such as software and connected vehicles. Taking the foregoing external factors and other factors into account, Toyota expects that sales revenues for fiscal 2023 will

increase compared with fiscal 2022 due mainly to the increase in vehicle unit sales. Toyota expects that operating income will decrease in fiscal 2023 compared with fiscal 2022 due mainly to the unfavorable impact of soaring materials prices, partially offset by the increase in vehicle unit sales. Toyota expects that income before income taxes and net income attributable to Toyota Motor Corporation will also decrease in fiscal 2023 compared with fiscal 2022.

For the purposes of this outlook discussion, Toyota is assuming an average exchange rate of ¥115 to the U.S. dollar and ¥130 to the euro. Exchange rate fluctuations can materially affect Toyota's operating results. In particular, a strengthening of the Japanese yen against the U.S. dollar can have a material adverse effect on Toyota's operating results. See "Operating and Financial Review and Prospects — Operating Results — Overview — Currency Fluctuations" for further discussion.

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

5.B LIQUIDITY AND CAPITAL RESOURCES

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

In fiscal 2023, Toyota expects to sufficiently fund its cash requirements, including those relating to capital expenditures as well as its research and development activities, through cash and cash equivalents on hand, cash generated by operations, the issuance of corporate bonds, and debt financing. Toyota will use its funds to efficiently invest in maintenance and replacement of conventional manufacturing facilities and the introduction of new products, and will focus on investment in areas contributing to strengthening competitiveness and future growth for realization of a new mobility society. See "Information on the Company — Business Overview — Capital Expenditures and Divestitures" for information regarding Toyota's material capital expenditures and divestitures for fiscal 2021 and 2022, and information concerning Toyota's principal capital expenditures and divestitures currently in progress.

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

Net cash provided by operating activities increased by ¥995.4 billion to ¥3,722.6 billion for fiscal 2022, compared with ¥2,727.1 billion for fiscal 2021. The increase was primarily attributable to the ¥592.2 billion increase in net income.

Net cash used in investing activities decreased by ¥4,106.6 billion to ¥577.4 billion for fiscal 2022, compared with ¥4,684.1 billion for fiscal 2021. The decrease was primarily attributable to the ¥3,770.9 billion decrease in time deposits, which was largely attributable to withdrawals from time deposits that were funded from debt financing that was conducted taking into account the risk that COVID-19 will have a prolonged impact.

Net cash used in financing activities was ¥2,466.5 billion for fiscal 2022, compared with net cash provided by financing activities of ¥2,739.1 billion for fiscal 2021, a ¥5,205.6 billion change. The change was primarily attributable to the ¥1,533.5 billion decrease in funding by long-term debt.

Total capital expenditures for property, plant and equipment, including vehicles and equipment on operating leases, were ¥3,611.5 billion during fiscal 2022, remaining largely unchanged from the ¥3,609.6 billion in total capital expenditures during the prior fiscal year.

[Table of Contents](#)

Toyota expects investments in property, plant and equipment, excluding vehicles and equipment on operating leases, to be approximately ¥1,400.0 billion during fiscal 2023.

Cash and cash equivalents were ¥6,113.6 billion as of March 31, 2022. Most of Toyota's cash and cash equivalents are held in Japanese yen or in U.S. dollars.

Liquid assets, which Toyota defines as cash and cash equivalents, time deposits, public and corporate bonds and its investment in monetary trust funds decreased during fiscal 2022, by ¥761.1 billion, or 5.4%, to ¥13,451.0 billion as of March 31, 2022.

Trade accounts and notes receivable, less allowance for doubtful accounts increased during fiscal 2021 by ¥184.0 billion, or 6.2%, to ¥3,142.8 billion. This increase was due mainly to increased revenue from sales during the quarter ended March 31, 2022.

Inventories increased during fiscal 2022 by ¥933.3 billion, or 32.3%, to ¥3,821.3 billion. This increase was due mainly to an increase in unit prices attributable to rising prices in the precious metal market.

Total finance receivables, net increased during fiscal 2022 by ¥2,558.7 billion, or 13.3%, to ¥21,764.4 billion. This increase was due mainly to an increase in the impact of changes in exchange rates. Finance receivables were geographically distributed as follows: in North America 55.0%, in Asia 12.9%, in Europe 13.3%, in Japan 7.3% and in Other 11.5%.

Other financial assets decreased during fiscal 2022 by ¥1,274.8 billion, or 9.6%. This decrease was due mainly to a decrease in time deposits and other factors.

Property, plant and equipment increased during fiscal 2022 by ¥915.4 billion, or 8.0%. This increase was due mainly to capital expenditures.

Accounts and notes payable increased during fiscal 2022 by ¥246.1 billion, or 6.1%.

Income taxes payable increased during fiscal 2022 by ¥475.9 billion, or 135.6%. This increase was mainly due to an increase in income before income taxes that led to increased income tax expense.

Toyota's total borrowings increased during fiscal 2022 by ¥836.7 billion, or 3.3%. Toyota's short-term borrowings consist of loans with a weighted-average interest rate of 1.64% and commercial paper with a weighted-average interest rate of 0.38%. Short-term borrowings decreased during fiscal 2022 by ¥235.0 billion, or 5.4%, to ¥4,104.8 billion. Toyota's long-term debt consists of unsecured and secured loans, medium-term notes, unsecured and secured notes etc. with weighted-average interest rates ranging from 1.02% to 5.81%, and maturity dates ranging from 2022 to 2048. The current portion of long-term debt decreased during fiscal 2022 by ¥557.4 billion, or 7.4%, to ¥7,026.8 billion and the non-current portion increased by ¥1,809.9 billion, or 13.8%, to ¥14,943.7 billion. The increase in total borrowings resulted mainly from the increasing demand for financing associated with the increase in the loan balance at financial subsidiaries. As of March 31, 2022, approximately 52% of long-term debt was denominated in U.S. dollars, 11% in Japanese yen, 13% in euros, 6% in Australian dollars, 4% in Canadian dollars, and 14% in other currencies. Toyota hedges interest rate risk exposure of fixed-rate borrowings by entering into interest rate swaps. There are no material seasonal variations in Toyota's borrowings requirements.

As of March 31, 2022, Toyota's total interest bearing debt was 101.0% of Toyota Motor Corporation shareholders' equity, compared with 109.6% as of March 31, 2021.

The following table provides information on credit ratings of Toyota's short-term borrowing and long-term debt from Standard & Poor's Ratings Group (S&P), Moody's Investors Services (Moody's), and Rating and

[Table of Contents](#)

Investment Information, Inc. (R&I), as of May 31, 2022. A credit rating is not a recommendation to buy, sell or hold securities. A credit rating may be subject to withdrawal or revision at any time. Each rating should be evaluated separately of any other rating.

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

Toyota's net defined benefit liability (asset) of Japanese plans decreased during fiscal 2022 by ¥50.6 billion, or 17.9%, to ¥232.3 billion. The net defined benefit liability (asset) of foreign plans decreased during fiscal 2022 by ¥77.4 billion, or 22.7%, to ¥262.9 billion. The amounts of net defined benefit liability (asset) will be funded through future cash contributions by Toyota or in some cases will be settled on the retirement date of each covered employee. The decrease in net defined benefit liability (asset) of the Japanese plans reflects mainly an increase in plan assets that resulted from an increase in stock prices. See note 23 to the consolidated financial statements for further discussion.

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

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

Toyota uses its securitization program as part of its funding through special purpose entities for its financial services operations. Toyota is considered as the primary beneficiary of these special purpose entities and therefore consolidates them. Toyota has not entered into any off-balance sheet securitization transactions during fiscal 2022.

For information regarding the amounts of non-derivative financial liabilities and derivative financial liabilities by a remaining contract maturity period, see note 19 to the consolidated financial statements. In addition, as part of Toyota's normal business practices, Toyota enters into long-term arrangements with suppliers for purchases of certain raw materials, components and services. These arrangements may contain fixed/minimum quantity purchase requirements. Toyota enters into such arrangements to facilitate an adequate supply of these materials and services.

Table of Contents

The following tables summarize Toyota's contractual obligations and commercial commitments as of March 31, 2022.

	Yen in millions				
	Total	Less than 1 year	Payments Due by Period		
			1 to 3 years	3 to 5 years	5 years and after
Contractual Obligations:					
Short-term debt	4,104,858	4,104,858	—	—	—
Long-term debt	22,391,500	7,082,981	8,937,246	4,447,945	1,923,328
Commitments for the purchase of property, plant, other assets and services (note 30)	349,143	201,482	89,695	40,423	17,543
Total	26,845,501	11,389,321	9,026,941	4,488,368	1,940,871
Commercial Commitments (note 30):					
Maximum potential exposure to guarantees given in the ordinary course of business	3,641,978	939,994	1,631,204	975,963	94,817
Total	3,641,978	939,994	1,631,204	975,963	94,817

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

Toyota expects to contribute ¥33,069 million domestically and ¥14,876 million overseas to its pension plans in fiscal 2023.

Lending Commitments

Credit Facilities with Credit Card Holders

Toyota's financial services operations issue credit cards to customers. As customary for credit card businesses, Toyota maintains credit facilities with holders of credit cards issued by Toyota. These facilities are used upon each holder's requests up to the limits established on an individual holder's basis. Although loans made to customers through these facilities are not secured, for the purposes of minimizing credit risks and of appropriately establishing credit limits for each individual credit card holder, Toyota employs its own risk management policy which includes an analysis of information provided by financial institutions in alliance with Toyota. Toyota periodically reviews and revises, as appropriate, these credit limits. Outstanding credit facilities with credit card holders were ¥179.2 billion as of March 31, 2022.

Credit Facilities with Dealers

Toyota's financial services operations maintain credit facilities with dealers. These credit facilities may be used for business acquisitions, facilities refurbishment, real estate purchases, and working capital requirements. These loans are typically collateralized with liens on real estate, vehicle inventory, and/or other dealership assets, as appropriate. Toyota obtains a personal guarantee from the dealer or corporate guarantee from the dealership when deemed prudent. Although the loans are typically collateralized or guaranteed, the value of the underlying collateral or guarantees may not be sufficient to cover Toyota's exposure under such agreements. Toyota evaluates the credit facilities according to the risks assumed in entering into the credit facility. Toyota's financial services operations also provide financing to various multi-franchise dealer organizations, referred to as dealer groups, often as part of a lending consortium, for wholesale inventory financing, business acquisitions, facilities refurbishment, real estate purchases, and working capital requirements. Toyota's outstanding credit facilities with dealers totaled ¥3,839.1 billion as of March 31, 2022.

Guarantees

Toyota enters into certain guarantee contracts with its dealers to guarantee customers' payments of their installment payables that arise from installment contracts between customers and Toyota dealers, as and when requested by Toyota dealers. Guarantee periods are set to match the maturity of installment payments, and as of March 31, 2022, ranged from one month to 8 years. However, they are generally shorter than the useful lives of products sold. Toyota is required to execute its guarantee primarily when customers are unable to make required payments.

The maximum potential amount of future payments as of March 31, 2022 is ¥3,641.9 billion. Liabilities for these guarantees of ¥21.8 billion have been provided as of March 31, 2022. Under these guarantee contracts, Toyota is entitled to recover any amounts paid by it from the customers whose obligations it guaranteed.

5.C RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

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

Toyota's research and development expenditures were approximately ¥1,124.2 billion in fiscal 2022, ¥1,090.4 billion in fiscal 2021 and ¥1,110.3 billion in fiscal 2020.

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

For details of the research and development cost recorded in the consolidated statement of income, see note 27 to the consolidated financial statements.

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

Toyota established TRI in January 2016 to accelerate research and development of artificial intelligence technology, which has significant potential to support future industrial technologies. In July 2017, TRI invested \$100 million to launch a venture capital fund designed to provide financing to startup companies, and is making investments in newly established promising startup companies in the four areas of artificial intelligence, robotics, autonomous mobility, and data and cloud technology. TRI successively invested another \$100 million in May 2019 and \$150 million in June 2021. In addition, TRI established a \$150 million fund in an aim to achieve carbon neutrality.

In Japan, Toyota established a new company, Toyota Research Institute — Advanced Development ("TRI-AD"), in March 2018 to further accelerate its efforts in advanced development for automated driving technology and related technologies. Its key objectives include creating a smooth software pipeline from research to commercialization, leveraging data-handling capabilities, strengthening collaboration in development within

[Table of Contents](#)

the Toyota group, including TRI, to accelerate development, and recruiting and employing top-level engineers globally, while cultivating and coordinating strong talent within the Toyota group. In January 2021, TRI-AD was reorganized into Woven Planet Group comprising four companies—Woven Planet Holdings, Inc., which is responsible for decision-making for the entire group and creates new business opportunities; Woven Core, Inc., which assumed the business of TRI-AD and is responsible for the development of automated driving technologies; Woven Alpha, Inc., which is responsible for the development of new projects such as Woven City and Arene, a software platform; and Woven Capital, L.P. with a total investment value of \$800 million, which invests in growth-stage companies in areas such as autonomous driving mobility, artificial intelligence, and smart city. Moreover, to bolster overseas research and development initiatives related to automated driving technology and software platforms, Toyota established Woven Planet North America (WPNA) in the United States and Woven Planet United Kingdom in the United Kingdom, and transferred TRI’s automated driving division to WPNA in May 2022.

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

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

Facility	Principal Activity
<i>Japan</i>	
Toyota Technical Center	Product planning, style, design, prototype production and vehicle evaluation
Higashi-Fuji Technical Center	Advanced development
Tokyo Design Research & Laboratory	Advanced styling designs
Woven Core, Inc.	Development of artificial intelligence technology with a focus on automated driving technology
Woven Alpha, Inc.	Development of Woven City and software platform technologies
Otemachi Office	Development of key IT technologies, creation of new values by utilizing big data and collaboration with venture companies
Shibetsu Proving Ground	Evaluation
Toyota Central R&D Labs., Inc.	Basic research
<i>United States</i>	
Toyota Motor Engineering and Manufacturing North America, Inc.	Product planning, design and evaluation of vehicles manufactured in North America
Calt Design Research, Inc.	Design
Toyota Research Institute of North America (TRI-NA)	Advanced research relating to “energy and environment,” “safety” and “mobility infrastructure”
Toyota Research Institute, Inc.	Research and development of artificial intelligence technology
Woven Planet North America, Inc.	Development of automated driving technology and software platform technology

[Table of Contents](#)

Facility	Principal Activity
<i>Europe</i>	
Toyota Motor Europe NV/SA	Planning and evaluation of vehicles manufactured in Europe
Toyota Europe Design Development S.A.R.L.	Design
Toyota Motorsport GmbH	Development of motor sports vehicles
Woven Planet United Kingdom, Ltd.	Development of automated driving technology and software platform technology
<i>Asia Pacific</i>	
Toyota Daihatsu Engineering and Manufacturing Co., Ltd.	Planning and evaluation of vehicles manufactured in Australia and Asia
<i>China</i>	
Toyota Motor Engineering and Manufacturing (China) Co., Ltd.	Environmental technology design and evaluation in China
FAW Toyota Research & Development Co., Ltd.	Design, evaluation and certification of vehicles manufactured in China
GAC Toyota Motor Co., Ltd. R&D Center	Design, evaluation and certification of vehicles manufactured in China
BYD Toyota EV Technology Co., Ltd.	Design and evaluation of BEVs
Toyota Motor Technical Research and Service (Shanghai) Co., Ltd.	Research of new technology, construction and system of automobiles

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

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

5.D TREND INFORMATION

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

5.E CRITICAL ACCOUNTING ESTIMATES

Not applicable.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A DIRECTORS AND SENIOR MANAGEMENT

In order to advance its transition to a mobility company, Toyota has reflected on the path it has taken thus far and has formulated the "Toyota Philosophy" as a roadmap for the future. Toyota's mission is "Producing Happiness for All" by expanding the possibilities of people, companies and communities through addressing the

challenges of mobility as a mobility company. In order to do so, Toyota will continue to create new and unique value with various partners by relentlessly committing towards *monozukuri* (manufacturing), and by fostering imagination for people and society.

Toyota strives to provide a full lineup of products with “good quality yet affordable prices” globally at the right place at the right time, and offer products and services that are sympathetic towards customers in each country and region, through the initiative of “making even better cars” that we have been engaged in since the 2008 financial crisis. In order to meet these objectives, following the introduction of “region-based operations,” the “business unit system” and the “in-house company system” in 2011, 2013 and 2016, respectively, in April 2017 Toyota further clarified that, for the purpose of further accelerating decision-making and operational execution, members of the board of directors are responsible for decision-making and management oversight and that operating officers are responsible for operational execution. Furthermore, in 2018, Toyota changed the commencement of operating officers’ terms of office from April to January, reduced corporate strategy functions and restructured the Japan Sales Business Group based on regions rather than sales channels in an effort to enable decision-making closer to customers and the field, in order to further accelerate execution in full coordination with each site. In 2019, in order to further advance Toyota’s “acceleration of management” and the development of a diverse and talented workforce, the executive structure was changed to be composed only of senior managing officers and people of higher rank, and a new classification called “senior professional/senior management” (*kanbushoku*) grouped and replaced the following titles or ranks: managing officers, executive general managers, (sub-executive managerial level) senior grade 1 and senior grade 2 managers, and grand masters. From the perspective of appointing the right people to the right positions, senior professionals/senior management were positioned in a wide range of posts, from those of chief officer, deputy chief officer, plant general manager, and senior general manager to group manager, to deal with management issues as they arise and to strengthen their development as part of a diverse and talented workforce through on-site learning and problem-solving (*genchi genbutsu*). In April 2020, Toyota consolidated the posts of executive vice president and operating officer into the post of operating officer. In July 2020, Toyota further clarified the roles of operating officers. Members of management who, together with the president, have cross-functional oversight of the entire company, were redefined as “operating officers.” In-house company presidents, regional CEOs, and chief officers, as on-site leaders of business implementation elements, were given authority while being consolidated into the classification of “senior professional/senior management.” The roles of operating officers and senior professionals/senior management are to be determined where and as needed, and persons appointed as operating officers and senior professionals/senior management will change in accordance with the challenges faced and the path that should be taken, as the company exercises greater flexibility in making appointments. However, because of the rapidly changing business environment, Toyota now recognizes that there is an increasing need for such executives to fulfill management roles (related to people, goods, and money) together with President Toyoda. Therefore, in April 2022, Toyota reorganized the roles of operating officers and reestablished the position of “executive vice president,” defining it as an operating officer who is focused on the business from a management perspective. Based on its basic policy of appointing the right people to the right positions, Toyota has been swiftly and continuously innovating. Toyota will further press forward the tide of such innovations, aiming for a corporate structure capable of carrying out management from a viewpoint that is optimal for a global company.

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

Toyota believes that it is critical to appoint individuals who are capable of contributing to decision-making aimed at sustainable growth into the future in keeping with the spirit of the Toyoda Precepts, which set forth its founding philosophy. Moreover, these individuals should be able to play a significant role in transforming Toyota into a “mobility company” through responding to social transformation by using CASE external partnerships based on trust and friendship and internal two-way interactive teamwork, while working in furtherance of the SDGs, and towards solutions for other social challenges. Toyota maintains its board of directors and senior management at an adequate size, and ensures they are overall balanced and diverse,

[Table of Contents](#)

including from the perspective of gender and nationality. Three outside members of the board of directors have been appointed in order to further reflect the opinions of those from outside the company in management's decision-making process. Toyota has six audit & supervisory board members, three of whom are outside audit & supervisory board members. In order to be prepared in the event Toyota lacks the number of audit & supervisory board members required by law, one substitute audit & supervisory board member has been appointed pursuant to Article 329, Paragraph 3 of the Companies Act.

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

Name (Date of Birth)	Position	Brief Career Summary and Important Concurrent Duties	Number of Common Shares
Takeshi Uchiyamada (August 17, 1946)	Chairman of the Board of Directors	1969 Joined Toyota Motor Corporation ("TMC") 1998 Member of the Board of Directors of TMC 2001 Managing Director of TMC 2003 Senior Managing Director of TMC 2005 Executive Vice President of TMC 2012 Vice Chairman of TMC 2013 Chairman of TMC (to present) (important concurrent duties) Director of JTEKT Corporation Director of Mitsui & Co., Ltd.	450,195 shares
Shigeru Hayakawa (September 15, 1953)	Vice Chairman of the Board of Directors	1977 Joined Toyota Motor Sales Co., Ltd. 2007 Managing Officer of TMC 2007 Toyota Motor North America, Inc. President 2009 Retired from Toyota Motor North America, Inc. President 2012 Senior Managing Officer of TMC 2015 Member of the Board of Directors and Senior Managing Officer of TMC 2017 Vice Chairman of TMC (to present) (important concurrent duties) Representative Director of Institute for International Economic Studies	242,040 shares
Akio Toyoda (May 3, 1956)	President, Member of the Board of Directors	1984 Joined TMC 2000 Member of the Board of Directors of TMC 2002 Managing Director of TMC 2003 Senior Managing Director of TMC 2005 Executive Vice President of TMC 2009 President of TMC (to present) (important concurrent duties) Chairman and CEO of Toyota Motor North America, Inc. Chairman of TOYOTA FUDOSAN CO., LTD. Chairman of the Japan Automobile Manufacturers Association, Inc. Director of DENSO Corporation Representative Director of ROOKIE Racing, Inc.	24,077,945 shares

[Table of Contents](#)

<u>Name (Date of Birth)</u>	<u>Position</u>	<u>Brief Career Summary and Important Concurrent Duties</u>	<u>Number of Common Shares</u>
James Kuffner (January 18, 1971)	Member of the Board of Directors, Operating Officer	<p>1999 Postdoctoral Research Fellow at the Japan Society for the Promotion of Science</p> <p>2002 Research Scientist of the Robotics Institute at Carnegie Mellon University</p> <p>2005 Assistant Professor of the Robotics Institute at Carnegie Mellon University</p> <p>2008 Associate Professor of the Robotics Institute at Carnegie Mellon University</p> <p>2009 Research Scientist at Google Inc.</p> <p>2013 Engineering Director of Google Inc.</p> <p>2016 Chief Technology Officer of Toyota Research Institute, Inc.</p> <p>2018 Chief Executive Officer of Toyota Research Institute - Advanced Development, Inc.</p> <p>2018 Executive Advisor at Toyota Research Institute, Inc.</p> <p>2020 Senior Fellow at TMC</p> <p>2020 Member of the Board of Directors, Operating Officer of TMC (to present)</p> <p>2021 Toyota Research Institute - Advanced Development, Inc. changed its corporate name to Woven Core, Inc. and was reorganized into the Woven Planet Group.</p> <p>2021 Chief Executive Officer and Representative Director of Woven Planet Holdings, Inc. (to present)</p> <p>(important concurrent duties)</p> <p>Chief Executive Officer and Representative Director of Woven Planet Holdings, Inc.</p> <p>Representative Director of Woven Core, Inc.</p> <p>President and Representative Director of Woven Alpha, Inc.</p> <p>Director of Joby Aviation, Inc.</p>	2,970 shares
Kenta Kon (August 2, 1968)	Member of the Board of Directors, Operating Officer, Executive Vice President	<p>1991 Joined TMC</p> <p>2018 Managing Officer of TMC</p> <p>2019 Operating Officer of TMC</p> <p>2021 Member of the Board of Directors, Operating Officer of TMC</p> <p>2022 Member of the Board of Directors, Operating Officer, Executive Vice President of TMC (to present)</p>	34,944 shares

[Table of Contents](#)

Name (Date of Birth)	Position	Brief Career Summary and Important Concurrent Duties	Number of Common Shares
Masahiko Maeda (February 10, 1969)	Member of the Board of Directors, Operating Officer, Executive Vice President	1994 Joined TMC 2018 Managing Officer of TMC 2019 Operating Officer of TMC 2019 Chairman and President of Toyota Daihatsu Engineering & Manufacturing Co., Ltd. 2022 Operating Officer, Executive Vice President of TMC 2022 Member of the Board of Directors, Operating Officer, Executive Vice President of TMC (to present) (important concurrent duties) Representative Director of Woven Planet Holdings, Inc. Director of Toyota Industries Corporation	21,984 shares
Ikuro Sugawara (March 6, 1957)	Outside Member of the Board of Directors	1981 Joined Ministry of International Trade and Industry 2010 Director-General of the Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry 2012 Director-General of the Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry 2013 Director-General of the Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry 2015 Vice-Minister of Ministry of Economy, Trade and Industry 2017 Retired from the Ministry of Economy, Trade and Industry 2017 Special Advisor to the Cabinet 2018 Retired from Special Advisor to the Cabinet 2018 Outside Member of the Board of Directors of TMC (to present) (important concurrent duties) Independent Director of Hitachi, Ltd.	—
Sir Philip Craven (July 4, 1950)	Outside Member of the Board of Directors	1989 President of the International Wheelchair Basketball Federation 2001 President of the International Paralympic Committee 2002 Retired as President of the International Wheelchair Basketball Federation 2017 Retired as President of the International Paralympic Committee 2018 Outside Member of the Board of Directors of TMC (to present)	—

[Table of Contents](#)

Name (Date of Birth)	Position	Brief Career Summary and Important Concurrent Duties	Number of Common Shares
Teiko Kudo (May 22, 1964)	Outside Member of the Board of Directors	1987 Joined the Sumitomo Bank, Limited 2014 Executive Officer of Sumitomo Mitsui Banking Corporation 2017 Managing Executive Officer of Sumitomo Mitsui Banking Corporation 2018 Outside Member of the Board of Directors of TMC (to present) 2020 Senior Managing Executive Officer of Sumitomo Mitsui Banking Corporation 2020 Senior Managing Executive Officer of Sumitomo Mitsui Financial Group, Inc. 2021 Director and Senior Managing Executive Officer of Sumitomo Mitsui Banking Corporation (to present) 2021 Senior Managing Corporate Executive Officer of Sumitomo Mitsui Financial Group, Inc. 2021 Director Senior Managing Executive Officer of Sumitomo Mitsui Financial Group, Inc. (to present) (important concurrent duties) Director Senior Managing Executive Officer of Sumitomo Mitsui Financial Group, Inc. Director and Senior Managing Executive Officer of Sumitomo Mitsui Banking Corporation	9,467 shares
Haruhiko Kato (July 21, 1952)	Full-time Audit & Supervisory Board Member	1975 Joined Ministry of Finance 2007 Director-General of the Tax Bureau, Ministry of Finance 2009 Commissioner of National Tax Agency 2010 Retired from Commissioner of National Tax Agency 2011 Senior Managing Director of Japan Securities Depository Center, Inc. 2011 President of Japan Securities Depository Center, Inc. 2013 Member of the Board of Directors of TMC (to present) 2015 President and CEO of Japan Securities Depository Center, Inc. 2018 Retired as Member of the Board of Directors of TMC 2019 Retired as President and CEO of Japan Securities Depository Center, Inc. 2019 Audit & Supervisory Board Member of TMC (to present) 2019 Retired as Director of Japan Securities Depository Center, Inc.	8,808 shares

[Table of Contents](#)

Name (Date of Birth)	Position	Brief Career Summary and Important Concurrent Duties	Number of Common Shares
Masahide Yasuda (April 1, 1949)	Full-time Audit & Supervisory Board Member	1972 Joined TMC 2000 General Manager of Overseas Parts Division of TMC 2007 President of Toyota Motor Corporation Australia Ltd. 2014 Chairman of Toyota Motor Corporation Australia Ltd. 2017 Retired as Chairman of Toyota Motor Corporation Australia Ltd. 2018 Audit & Supervisory Board Member of TMC (to present)	47,703 shares
Katsuyuki Ogura (January 25, 1963)	Full-time Audit & Supervisory Board Member	1985 Joined TMC 2015 General Manager of Affiliated Companies Finance Dept. of TMC 2018 General Manager of Audit & Supervisory Board Office of TMC 2019 Audit & Supervisory Board Member of TMC (to present) (important concurrent duties) Outside Audit & Supervisory Board Member of Aichi Steel Corporation	27,146 shares
Yoko Wake (November 18, 1947)	Outside Audit & Supervisory Board Member	1970 Joined the Fuji Bank, Limited 1973 Retired from the same 1977 Assistant Lecturer of Faculty of Business and Commerce of Keio University 1982 Associate Professor of the same 1993 Professor of the same 2011 Outside Audit & Supervisory Board Member of TMC (to present) 2013 Professor Emeritus of Keio University (to present) (important concurrent duties) Professor Emeritus of Keio University	—
Hiroshi Ozu (July 21, 1949)	Outside Audit & Supervisory Board Member	2012 Prosecutor-General 2014 Retired from Prosecutor-General 2014 Registered as Attorney 2015 Outside Audit & Supervisory Board Member of TMC (to present) (important concurrent duties) Attorney Outside Corporate Auditor of Mitsui & Co., Ltd. Audit & Supervisory Board Member (External) of Shiseido Company, Limited	1,615 shares

[Table of Contents](#)

<u>Name (Date of Birth)</u>	<u>Position</u>	<u>Brief Career Summary and Important Concurrent Duties</u>	<u>Number of Common Shares</u>
George Olcott (May 7, 1955)	Outside Audit & Supervisory Board Member	1986 Joined S.G. Warburg & Co., Ltd 1999 President of UBS Asset Management (Japan) 1999 President, Japan UBS Brinson 2000 Managing Director, Equity Capital Markets, UBS Warburg Tokyo 2001 Judge Business School, University of Cambridge 2005 FME Teaching Fellow, Judge Business School, University of Cambridge 2008 Senior Fellow, Judge Business School, University of Cambridge (important concurrent duties) Outside Director of Kirin Holdings Company, Limited	—

1. Mr. Akio Toyoda, who is President and Member of the Board of Directors, concurrently serves as Operating Officer (President).
2. Dr. James Kuffner, who is a Member of the Board of Directors, concurrently serves as Operating Officer.
3. Mr. Kenta Kon and Mr. Masahiko Maeda, who are Members of the Board of Directors, concurrently serve as Operating Officer (Executive Vice President).

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

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

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

6.B COMPENSATION

Decision Making Policy and Process

Toyota believes that it is critical to appoint individuals who are capable of contributing to decision-making aimed at sustainable growth into the future in keeping with the spirit of the Toyota Precepts, which set forth its founding philosophy. Moreover, these individuals should be able to play a significant role in transforming

[Table of Contents](#)

Toyota into a “mobility company” and contribute to the solutions of social issues, including by contributing to the realization of the SDGs, through responding to social transformation by using CASE external partnerships based on trust and friendship and internal two-way interactive teamwork. Toyota’s director compensation system is an important means through which to promote various initiatives and is determined based on the following policy.

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

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

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

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

The amount of remuneration for each member of the board of directors of Toyota and the remuneration system are decided by the board of directors and the “Executive Compensation Meeting,” a majority of the members of which are outside members of the board of directors, to ensure the independence of the decision. The Executive Compensation Meeting consists of chairman of the board of directors Takeshi Uchiyamada (Chairman), member of the board of directors Kenta Kon (who replaced Koji Kobayashi on June 15, 2022), and outside members of the board of directors Ikuro Sugawara, Sir Philip Craven and Teiko Kudo.

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

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

[Table of Contents](#)

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

Executive Compensation Meetings were held in May 2021 and March and April 2022 to discuss and determine the amount of remuneration for fiscal 2021 and other relevant matters.

Furthermore, preliminary examination meetings, consisting only of outside members of the board of directors, were held on a total of five occasions in July, September and October 2021 and February and March 2022 to discuss matters for the Executive Compensation Meetings. Remuneration for the members of the board of directors were determined with the unanimous consent of the Executive Compensation Meeting.

The principal topics discussed at Executive Compensation Meetings included:

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

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

Directors with Japanese Citizenship (Excluding Outside Members of the Board of Directors)

Toyota sets the total amount of remuneration ("Annual Total Remuneration") received by each member of the board of directors in a year based on consolidated operating income, the fluctuation of the market capitalization of Toyota (calculated by multiplying the closing price of Toyota's common stock on the Tokyo Stock Exchange and the total number of issued shares of Toyota common stock (less shares of treasury stock)) and individual performance evaluation. The balance after deducting fixed remuneration, or monthly remuneration, from Annual Total Remuneration constitutes performance-based remuneration.

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

Concept of Each Item

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

[Table of Contents](#)

Method and Reference Value for Evaluating Indicators and Evaluation Result for Fiscal 2022

	Evaluation Weight	Evaluation Method	Reference Value	Evaluation Result for Fiscal 2022
Consolidated operating income	70%	Evaluate the degree of attainment of consolidated operating income in fiscal 2021, using required income (set in 2011) for Toyota's sustainable growth as reference value	¥1 trillion	210%
Fluctuation of Toyota's market capitalization	30%	Comparatively evaluate the fluctuation of Toyota's market capitalization up to fiscal 2022 (average of January-March), using the market capitalization of Toyota and the TOPIX of fiscal 2021 (average of January-March) as reference values	Toyota: ¥22.3 trillion TOPIX: ¥1,903.60	

Method of Setting Annual Total Remuneration

Annual Total Remuneration is set using a theoretical formula that takes into account the benchmarking results of remuneration for members of the board of directors. Annual Total Remuneration is set based on consolidated operating income and the fluctuation of the market capitalization of Toyota, and then adjusted based on individual performance evaluation. Starting fiscal 2022, Toyota introduced the individual performance evaluation for the chairman, vice chairman and president. Individual performance evaluation takes into account various factors such as initiatives in keeping with the spirit of the Toyoda Precepts which set forth Toyota's founding philosophy, trust from his or her peers and contribution to the promotion of human resources development. The Individual performance evaluation is set within the range of 50% above or below Annual Total Remuneration in accordance with the position and job responsibilities, and the amount of the annual total remuneration for each member of the board of directors is calculated based on such evaluation results.

Directors with Foreign Citizenship (Excluding Outside Members of the Board of Directors)

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

Compensation

[The aggregate amount of remuneration, including bonuses, accrued for all members of the board of directors and audit & supervisory board members as a group by Toyota for services in all capacities was ¥2,705 million during fiscal 2022.

[Table of Contents](#)

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

Toyota's Annual Securities Report filed with the Kanto Local Bureau of Finance on June 23, 2022, contained the following information concerning compensation in fiscal 2022 on a consolidated basis for members of the board of directors and audit & supervisory board members whose total compensation exceeded ¥100 million during such period:

Name, Position	Classification of Company	Compensation per Type (million yen)				Total Compensation (millions of yen)
		Fixed Compensation Monthly Compensation	Performance-based Compensation		Retirement Benefits	
			Bonus	Share Compensation		
Takeshi Uchiyamada, Member of the Board of Directors	Toyota Motor Corporation	118	79	76 (37,000 shares)	—	273
Shigeru Hayakawa, Member of the Board of Directors	Toyota Motor Corporation	74	1	81 (39,000 shares)	—	156
Akio Toyoda, Member of the Board of Directors	Toyota Motor Corporation	204	0	481 (230,000 shares)	—	685
Koji Kobayashi, Member of the Board of Directors	Toyota Motor Corporation	78	0	100 (48,000 shares)	—	178
James Kuffner, Member of the Board of Directors	Toyota Motor Corporation	152	100	—	—	906
	Consolidated subsidiary (Woven Planet Holdings, Inc.*)	642	13	—	—	

* Fixed compensation that Woven Planet Holdings, Inc., Toyota's consolidated subsidiary, pays to James Kuffner includes fixed compensation that is paid trimonthly and annually.

The amounts above were recorded as expenses in fiscal 2022.

6.C BOARD PRACTICES

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

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

Under the provisions of the Companies Act, if Toyota decides the terms of an agreement promising that Toyota will compensate a member of the board of directors for all or part of certain expenses incurred by the member of the board of directors, such a decision must be made by a resolution of the board of directors. Under

Table of Contents

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

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

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

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

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

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

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

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

[Table of Contents](#)

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

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

6.D EMPLOYEES

The total number of Toyota employees, on a consolidated basis, was 372,817 as of March 31, 2022, 366,283 as of March 31, 2021 and 361,907 as of March 31, 2020. The following tables set forth a breakdown of persons employed by business segment and by geographic location as of March 31, 2022.

Segment	Number of Employees	Location	Number of Employees
Automotive	330,184	Japan	203,948
Financial services	13,140	North America	55,471
All other	24,258	Europe	24,852
Unallocated	5,235	Asia	66,328
		Other*	22,218
Total	372,817	Total	372,817

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

Most regular employees of Toyota Motor Corporation and its consolidated subsidiaries in Japan, other than management, are required to become members of the labor unions that compose the Federation of All Toyota Workers' Unions. Approximately 86% of Toyota Motor Corporation's regular employees in Japan are members of this union.

In Japan, basic wages and other working conditions are negotiated annually. In addition, in accordance with Japanese national custom, each employee is also paid a semi-annual bonus. Bonuses are negotiated at the time of wage negotiations and are based on Toyota's financial results, prospects and other factors. The average wage increase for all union members, excluding bonuses, in Japan was approximately 2.62% in fiscal 2022.

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

Toyota's average number of temporary employees on a consolidated basis was 87,120 during fiscal 2022.

6.E SHARE OWNERSHIP

For information on the number of shares of Toyota's common stock held by each member of the board of directors and audit & supervisory board member as of June 2022, see "— Directors and Senior Management."

None of Toyota's shares of common stock entitles the holder to any preferential voting rights. As of March 31, 2022, Toyota does not have any stock option plan for which stock options or stock acquisition rights are exercisable or will become exercisable in the future.

[Table of Contents](#)

Toyota's board of directors resolves the share compensation within the maximum share compensation amount of 4.0 billion yen per year (also, the total number of Toyota's shares of common stock to be allotted shall not exceed a maximum of 4 million shares per year in total for eligible members of the board of directors (excluding outside members of the board of directors)) established at the 115th Ordinary General Shareholders' Meeting held on June 13, 2019 and the 118th Ordinary General Shareholders' Meeting held on June 15, 2022. The overview of the share compensation is as follows.

Eligible persons	Members of the board of directors of Toyota (excluding outside members of the board of directors)
Total amount of the share compensation	Maximum of 4.0 billion yen per year
Amount of the share compensation payable to each member of the board of directors	Set each year considering factors such as corporate results, duties, and performance
Type of shares to be allotted and method of allotment	Issue or disposal of common stock (with transfer restrictions under an allotment agreement)
Total number of shares to be allotted	Maximum of 4,000,000 shares per year in total to eligible members of the board of directors (Provided, however, that if a stock split, including a gratis allotment, or a reverse stock split of Toyota's common stock is carried out after June 15, 2022, or in case of events that otherwise require an adjustment to the total number of Toyota's shares of common stock to be issued or disposed of as restricted share compensation, such total number of shares will be adjusted to a reasonable extent.)
Amount to be paid	Determined by the board of directors of Toyota based on the closing price of Toyota's common stock on the Tokyo Stock Exchange on the business day prior to each resolution of the board of directors, within a range that is not particularly advantageous to eligible members of the board of directors
Transfer restriction period	A period of three to fifty years from the allotment date, which is determined by the board of directors of Toyota in advance
Conditions for removal of transfer restrictions	Restrictions will be removed upon the expiration of the transfer restriction period. However, restrictions will also be removed in the case of expiration of the term of office, death, or other legitimate reasons.
Gratis acquisition by Toyota	Toyota will be able to acquire all allotted shares without consideration in the case of violations of laws and regulations or other reasons specified by the board of directors of Toyota during the transfer restriction period.

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

Toyota also has an employee stock ownership association in Japan for employees and full time and part time company advisors. Members of the employee stock ownership association set aside certain amounts from their monthly salary and bonuses to purchase Toyota's common stock through the employee stock ownership association. As of March 31, 2022, the employee stock ownership association held 74,096,504 shares of Toyota's common stock.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A MAJOR SHAREHOLDERS

As of March 31, 2022, 16,314,987,460 shares of Toyota's common stock (of which 2,536,685,916 shares were treasury stock and 13,778,301,544 shares were outstanding) were issued. Toyota resolved at its board of directors meeting held on December 14, 2020 to exercise Toyota's cash call option to acquire all outstanding Model AA Class Shares and, subject to such acquisition, to cancel all Model AA Class Shares pursuant to the Companies Act. Toyota completed the acquisition of all outstanding Model AA Class Shares on April 2, 2021 and cancelled them on April 3, 2021. Information concerning beneficial ownership of Toyota's common stock in the table below was prepared from information known to Toyota or that could be ascertained from public filings, including filings made by Toyota's shareholders regarding their ownership of Toyota's common stock under the Financial Instruments and Exchange Law of Japan.

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

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

Name of Beneficial Owner	Number of Shares of Common Stock (in thousands)	Percentage of Outstanding Voting Shares of Common Stock
Toyota Industries Corporation	1,192,331	8.68

According to The Bank of New York Mellon, depository for Toyota's ADSs (the "Depository"), as of March 31, 2022, 295,944,975 shares of Toyota's common stock were held in the form of ADSs and there were 1,766 ADS holders of record and 431,983 beneficial owners in the United States. According to Toyota's register of shareholders, as of March 31, 2022, there were 813,254 holders of common stock of record worldwide. As of March 31, 2022, there were 479 record holders of Toyota's common stock with addresses in the United States, whose shareholdings represented approximately 10.2% of the issued common stock on that date. Because some of these shares were held by brokers or other nominees, the number of record holders with addresses in the United States might not fully show the number of beneficial owners in the United States.

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

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

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

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

Toyota resolved at its board of directors meeting held on May 12, 2021 to split each share of common stock of Toyota as of September 30, 2021, the record date, into five shares, effective October 1, 2021. Toyota decided

to do so in order to create an environment in which Toyota shares are more accessible to a broader base of investors by reducing the price per investment unit. In conjunction with the stock split, in accordance with Article 184, Paragraph 2 of the Companies Act, Toyota amended its articles of incorporation to increase the total number of shares of common stock which Toyota is authorized to issue from 10,000,000,000 to 50,000,000,000 on October 1, 2021, the effective date of the stock split.

7.B RELATED PARTY TRANSACTIONS

Business Relationships

Toyota purchases materials, supplies and services, among others, from numerous suppliers throughout the world in the ordinary course of business, including Toyota's associates and joint ventures accounted for by the equity method and those firms with which certain members of Toyota's board of directors are affiliated. Toyota purchased materials, supplies and services, among others, from these associates and joint ventures in the amount of ¥7,947.0 billion in fiscal 2022. Toyota also sells its products and services, among others, to Toyota's associates and joint ventures accounted for by the equity method and firms with which certain members of Toyota's board of directors are affiliated. Toyota sold products and services, among others, to these associates and joint ventures entities in the amount of ¥2,362.3 billion in fiscal 2022. See note 32 of Toyota's consolidated financial statements for additional information regarding Toyota's investments in and transactions with associates and joint ventures.

Loans

Toyota regularly has trade accounts and other receivables by, and accounts payable to, Toyota's associates and joint ventures accounted for by the equity method and firms with which certain members of Toyota's board of directors are affiliated. Toyota had outstanding trade accounts and other receivables by these associates and joint ventures in the amount of ¥366.4 billion as of March 31, 2022. Toyota had outstanding trade accounts and other payables to these associates and joint ventures in the amount of ¥1,091.5 billion as of March 31, 2022.

Toyota, from time to time, provides short- to medium-term loans to its associates and joint ventures, as well as loans under a loan program established by certain subsidiaries to assist their executives and members of the board of directors with the purchase of homes. As of March 31, 2022, an aggregate amount of ¥185.5 billion in loans was outstanding to its associates and joint ventures accounted for by the equity method. Toyota believes that each of these loans was entered into in the ordinary course of business.

7.C INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

8.A CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

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

[Table of Contents](#)

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

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

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

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

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

Period Ended	Cash Dividends per Common Share	
	Yen	U.S. dollars
September 30, 2019	100.0	0.92
March 31, 2020	120.0	1.11
September 30, 2020	105.0	0.99
March 31, 2021	135.0	1.22
September 30, 2021	120.0	1.07
March 31, 2022	28.0	1.15
	<140.0>*	<0.23>*

* The numbers in angle brackets are calculated based on a "pre-stock split" basis, that is, on the assumption that the five-for-one stock split that Toyota effected on October 1, 2021 had not taken place.

[Table of Contents](#)

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

With a view to surviving tough competition and transitioning to a mobility company, Toyota will aim to utilize its internal funds mainly for investment in growth for the next generation, such as environmental technologies to achieve a carbon-neutral society and safety technologies for the safety and security of its customers, and also for the stakeholders such as employees, business partners and local communities.

Considering these factors, with respect to the dividends for fiscal 2022, Toyota has determined to pay a year-end dividend of 28 yen (140 yen on a pre-stock split basis) per share of common stock by a resolution of the board of directors pursuant to Toyota's articles of incorporation. As a result, combined with the interim dividend of 24 yen (120 yen on a pre-stock split basis) per share of common stock, the annual dividend will be 52 yen (260 yen on a pre-stock split basis) per share of common stock, and the total amount of the dividends on common stock for the year will be 718.2 billion yen.

Furthermore, Toyota resolved, at its board of directors meeting held on May 11, 2022, to repurchase up to 140 million shares of its common stock between June 17, 2022 and September 30, 2022 at a total maximum purchase price of 200 billion yen.

Toyota intends to repurchase shares more flexibly than before with the aim of promoting capital efficiency by comprehensively taking into consideration its investment in growth, level of its dividends, its cash reserves and the price level of its common stock.

Specifically, of the total maximum purchase price of 200 billion yen, a maximum of 100 billion yen will be used for share repurchases that are to be conducted more flexibly than before based on factors such as the price level of its common stock.

8.B SIGNIFICANT CHANGES

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

ITEM 9. THE OFFER AND LISTING

9.A LISTING DETAILS

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

9.B PLAN OF DISTRIBUTION

Not applicable.

9.C MARKETS

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

[Table of Contents](#)

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

9.D SELLING SHAREHOLDERS

Not applicable.

9.E DILUTION

Not applicable.

9.F EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A SHARE CAPITAL

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

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

10.B MEMORANDUM AND ARTICLES OF ASSOCIATION

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

General

Toyota's authorized number of shares as of March 31, 2022 was 50,000,000,000 shares, of which 16,314,987,460 shares of common stock have been issued. In conjunction with the cancellation of all of the Model AA Class Shares on April 3, 2021, Toyota's articles of incorporation were amended at the 117th Ordinary General Shareholders' Meeting held in June 2021.

Toyota does not issue share certificates for its shares. In accordance with the Companies Act, the Book-Entry Transfer Act and Toyota's articles of incorporation, Toyota's common stock are recorded or registered on (i) Toyota's register of shareholders and (ii) transfer account books of the Japan Securities Depository Center, Inc. ("JASDEC") which is a book-entry transfer institution, and securities firms, banks or other account management institutions. The transfer of common stock will generally become effective once the transfer is recorded in the transferee's account. There are no restrictions imposed by Toyota's articles of incorporation or share handling regulations on the transfer of common stock. In order to assert shareholders' rights against

[Table of Contents](#)

Toyota, a shareholder must generally have his or her name and address recorded or registered on Toyota's register of shareholders. A holder of common stock can assert minority shareholders' rights (shareholders' rights for which Toyota has not set a record date) against Toyota if JASDEC provides an individual shareholder notice to Toyota upon the shareholder's request. The shareholder of deposited shares underlying the ADSs is the Depositary for the ADSs. Accordingly, holders of ADSs will not be able directly to assert shareholders' rights.

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

Corporate Purpose

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

- the manufacture, sale, leasing and repair of:
 - motor vehicles, industrial vehicles, ships, aircraft, other transportation machinery and apparatus, spacecraft and space machinery and apparatus, and parts thereof;
 - industrial machinery and apparatus, other general machinery and apparatus, and parts thereof;
 - electrical machinery and apparatus, and parts thereof; and
 - measuring machinery and apparatus, medical machinery and apparatus, and parts thereof;
- the manufacture and sale of ceramics and products of synthetic resins, and materials thereof;
- the manufacture, sale and repair of construction materials and equipment, furnishings and fixtures for residential buildings;
- the planning, designing, supervision, execution and undertaking of construction works, civil engineering works, land development, urban development and regional development;
- the sale, purchase, leasing, brokerage and management of real estate;
- the service of information processing, information communications and information supply and the development, sale and leasing of software;
- the design and development of product sales systems that utilize networks such as the Internet, sale, leasing and maintenance of computers included within such systems, and sale of products by utilizing such systems;
- the inland transportation, marine transportation, air transportation, stevedoring, warehousing and tourism businesses;

[Table of Contents](#)

- the printing, publishing, advertising and publicity, general leasing, security and workers dispatch businesses;
- the credit card operations, purchase and sale of securities, investment consulting, investment trust operation, and other financial services;
- the operation and management of such facilities as parking lots, showrooms, educational facilities, medical care facilities, sports facilities, marinas, airfields, food and drink stands and restaurants, lodging facilities, retail stores and others;
- the non-life insurance agency business and the life insurance agency business;
- the production and processing by using biotechnology of agricultural products including trees, and the sale of such products;
- the power generation and the supply and sale of electric power;
- the sale of goods related to each of the preceding items and mineral oil;
- the conducting of engineering, consulting, invention and research relating to each of the preceding items and the utilization of such invention and research; and
- any businesses incidental to or related to any of the preceding items.

Dividends

Dividends — General

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

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

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

Dividends — Distributable Amount

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

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

[Table of Contents](#)

Dividends — Prescription

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

Capital Accounts

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

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

Stock Splits

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

Consolidation of Shares

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

Japanese Unit Share System

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

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

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

Voting Rights

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

Table of Contents

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

Pursuant to the amendments to the Companies Act with effect on September 1, 2022 which applies to all Japanese listed companies, including Toyota, and the amendments to its articles of incorporation approved at the 118th General Shareholders' Meeting held on June 15, 2022, Toyota will implement the electronic provision measures ("Electronic Provision") for the information contained in the reference materials, etc. for general shareholders' meetings to be held on or after March 1, 2023.

After the Electronic Provision goes into effect, the convocation notice of shareholders' meeting must set forth the information contained in the reference materials, etc. for general shareholders' meetings being provided through the Electronic Provision and the URL of the website used for the Electronic Provision, in addition to the place, the time and the purpose of the meeting. The information contained in the reference materials, etc. for general shareholders' meetings must be posted on a website from the earlier of the date three weeks prior to the date set for the meeting or the date on which the convocation notice of shareholders' meeting is dispatched until the date on which three months have elapsed from the meeting. In general, any shareholder is entitled to request printed paper copies of the information contained in the reference materials, etc. for general shareholders' meetings by the record date for voting rights at the relevant general shareholders' meeting.

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

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

- (1) any amendment of the articles of incorporation with certain exceptions in which a shareholders' resolution is not required;
- (2) acquisition of its own shares from a specific party;
- (3) consolidation of shares;
- (4) any issue or transfer of its shares at a "specially favorable" price (or any issue of stock acquisition rights or bonds with stock acquisition rights at "specially favorable" conditions by Toyota) to any persons other than shareholders;

[Table of Contents](#)

- (5) the removal of an audit & supervisory board member;
- (6) the exemption of liability of a director or audit & supervisory board member with certain exceptions;
- (7) a reduction of stated capital which meets certain requirements with certain exceptions;
- (8) a distribution of in-kind dividends which meets certain requirements;
- (9) dissolution, merger, or consolidation with certain exceptions in which a shareholders' resolution is not required;
- (10) the transfer of the whole or a material part of the business;
- (11) the transfer in entirety or in part of shares or equity interest of a subsidiary under certain conditions;
- (12) the taking over of the entire business of any other corporation with certain exceptions in which a shareholders' resolution is not required;
- (13) share exchange or share transfer for the purpose of establishing 100% parent-subsidiary relationships with certain exceptions in which a shareholders' resolution is not required;
- (14) company split with certain exceptions in which a shareholders' resolution is not required; or
- (15) share delivery with certain exceptions in which a shareholders' resolution is not required.

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

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

Rights to be Allotted Shares

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

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

Liquidation Rights

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

Liability to Further Calls or Assessments

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

Transfer Agent

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

Record Date

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

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

Acquisition by Toyota of Shares

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

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

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

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

Report of Substantial Shareholdings

The Financial Instruments and Exchange Law of Japan and regulations under the Law require any person who has become a holder (together with its related persons) of more than 5% of the total issued shares of a company listed on any Japanese stock exchange (including ADSs representing such shares) to file with the Director of a competent Local Finance Bureau, within five business days, a report concerning those shareholdings. A similar report must also be filed to reflect any change of 1% or more in any shareholding or any change in material matters set out in reports previously filed. Any such report shall be filed with the Director of a competent Local Finance Bureau through the Electronic Disclosure for Investor's Network ("EDINET") system. For this purpose, shares issuable to a shareholder upon exercise of stock acquisition rights are taken into account in determining both the number of shares held by that stock acquisition rights holder and the company's total issued shares.

10.C MATERIAL CONTRACTS

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

10.D EXCHANGE CONTROLS

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

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

Exchange non-residents are:

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

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

Foreign investors are:

- (i) individuals who are exchange non-residents;
- (ii) corporations or other organizations that are organized under the laws of foreign countries or whose principal offices are located outside of Japan;
- (iii) Japanese corporations of which 50% or more of their total voting rights are held directly or indirectly by individuals who are exchange non-residents and/or corporations or other organizations falling within (i) and/or (ii) above;
- (iv) partnerships under the Civil Code of Japan (Act No. 89 of 1896, as amended) established to invest in corporations, limited partnerships for investment under the Limited Partnership Act for Investment of Japan (Act No. 90 of 1998, as amended), or any other similar partnerships under foreign law, of which (a) 50% or more of the total contributions are made by individuals and/or corporations falling within (i), (ii), (iii) above and/or (v) below or any other persons prescribed under the Foreign Exchange Regulations or (b) a majority of the general partners are individuals and/or corporations falling within (i), (ii), (iii) above and/or (v) below or any other persons prescribed under the Foreign Exchange Regulations; and

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

Acquisition of Shares

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

Inward Direct Investment in Shares of Listed Companies

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

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

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

Definition of Inward Direct Investment

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

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

Prior Notification Requirements

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

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

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

- (i) the foreign investor or its closely-related persons (as defined in the Foreign Exchange Regulations) will not become directors or audit & supervisory board members of the relevant company;
- (ii) the foreign investor will not make certain proposals (as prescribed in the Foreign Exchange Regulations) at a general meeting of shareholders, including transfer or discontinuation of the Designated Businesses of the relevant company;
- (iii) the foreign investor will not access non-public technical information in relation to the Designated Businesses of the relevant company, or take certain other actions that may lead to the leak of such non-public technical information (as prescribed in the Foreign Exchange Regulations);
- (iv) the foreign investor will not attend, and will not cause any persons designated by it to attend, meetings of the relevant company’s board of directors, or meetings of committees having authority to make important decisions, in respect of the Core Sector Designated Businesses of the relevant company; and
- (v) the foreign investor will not make, and will not cause any persons designated by it to make, proposals to such board or committees or their members in writing or electronic form requesting any response or actions by certain deadlines in respect of the Core Sector Designated Businesses of the relevant company.

[Table of Contents](#)

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

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

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

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

Procedures for Prior Notification

If such prior notification is filed, the proposed inward direct investment may not be consummated until after 30 days have passed from the date of filing, although this screening period may be shortened to two weeks unless such Ministers deem it necessary to review the proposed inward direct investment. The Ministers may extend the screening period up to five months if they deem it necessary to review the proposed inward direct investment and may recommend any modification or abandonment of the proposed inward direct investment and, if the foreign investor does not accept such recommendation, the Ministers may order the modification or abandonment of such inward direct investment. In addition, if the Ministers consider the proposed inward direct investment to be an inward direct investment that is likely to cause damage to the national security of Japan and, if a foreign investor (i) consummates such inward direct investment without filing the prior notification described above; (ii) consummates such inward direct investment before the expiration of the screening period described above; (iii) in connection with such inward direct investment, makes false statements in the prior notification described above; or (iv) does not follow the recommendation or order issued by the Ministers to modify or abandon such inward direct investment, the Ministers may order such foreign investor to dispose of all or part of the shares acquired or take other measures.

Post Facto Reporting Requirements

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

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

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

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

Dividends and Proceeds of Sale

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

10.E TAXATION

The following discussion is a general summary of the principal U.S. federal income and Japanese national tax consequences of the acquisition, ownership and disposition of shares of common stock or ADSs. This summary does not purport to address all material tax consequences that may be relevant to holders of shares of common stock or ADSs, and does not take into account the specific circumstances of any particular investors, some of which (such as tax-exempt entities, banks, insurance companies, broker-dealers, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, regulated investment companies, real estate investment trusts, partnerships and other pass-through entities, investors liable for the U.S. alternative minimum tax, investors that own or are treated as owning 10% or more of Toyota's stock (by vote or value), investors that hold shares of common stock or ADSs as part of a straddle, hedge, conversion transaction

[Table of Contents](#)

or other integrated transaction and U.S. Holders (as defined below) whose functional currency is not the U.S. dollar) may be subject to special tax rules. This summary is based on the tax laws and regulations of the United States and Japan, judicial decisions, published rulings and administrative pronouncements all as in effect on the date hereof, as well as on the current income tax convention between the United States and Japan (the “Treaty”), as described below, all of which are subject to change (possibly with retroactive effect), and to differing interpretations.

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

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

An “Eligible U.S. Holder” is a U.S. Holder that:

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

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

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

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

Japanese Taxation

The following is a summary of the principal Japanese tax consequences (limited to national taxes) to non-residents of Japan or non-Japanese corporations without permanent establishments in Japan (“non-resident

[Table of Contents](#)

Holders”) who are holders of shares of common stock or of ADSs of Toyota. The following information regarding taxation in Japan is based on the tax treaties and tax laws in force and their interpretation by Japan’s tax authorities as of the date of this annual report. Tax laws and treaties and their interpretations may change (including with retroactive effect). Toyota will not revise this summary on the basis of any such change occurring after the date of this annual report.

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

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

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

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

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

[Table of Contents](#)

file proof of taxpayer status, residence and beneficial ownership (as applicable) and to provide other information or documents as may be required by the Depositary. A non-resident Holder who is entitled, under an applicable income tax treaty, to a reduced treaty rate lower than the withholding tax rate otherwise applicable under Japanese tax law or an exemption from the withholding tax, but fails to submit the required application in advance, will be entitled to claim the refund of Japanese taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident Holder is entitled to a reduced treaty rate under the applicable income tax treaty) or the entire amount of Japanese tax withheld (if such non-resident Holder is entitled to an exemption under the applicable income tax treaty) by complying with a certain subsequent filing procedure. Toyota does not assume any responsibility to ensure withholding at the reduced rate, or exemption therefrom, for non-resident Holders who would be so eligible under an applicable tax treaty, but where the required procedures as stated above are not followed.

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

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

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

U.S. Federal Income Taxation

U.S. Holders

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

Taxation of Dividends

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

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

The U.S. dollar amount of a dividend paid in Japanese yen will be determined based on the Japanese yen/ U.S. dollar exchange rate in effect on the date that the dividend is included in the gross income of the U.S. Holder, regardless of whether the payment is converted into U.S. dollars on that date. Generally, any gain or loss

[Table of Contents](#)

resulting from currency exchange fluctuations during the period from the date the dividend payment is included in the gross income of a U.S. Holder through the date that payment is converted into U.S. dollars (or otherwise disposed of) will be treated as U.S.-source ordinary income or loss. U.S. Holders should consult their own tax advisors regarding the calculation and U.S. federal income tax treatment of foreign currency gain or loss.

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

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

For U.S. foreign tax credit purposes, dividends included in gross income by a U.S. Holder in respect of shares of common stock or ADSs will constitute income from sources outside the United States, and will generally be "passive category income" or, in the case of certain U.S. Holders, "general category income." Any Japanese withholding tax imposed in respect of a Toyota dividend may be claimed as a credit against the U.S. federal income tax liability of a U.S. Holder, subject to a number of complex limitations and conditions, including those introduced by recently issued U.S. Treasury regulations that apply to foreign income taxes paid or accrued in taxable years beginning on or after December 28, 2021. A U.S. Holder's use of a foreign tax credit with respect to any such Japanese income or withholding taxes would generally not be allowed unless such U.S. Holder elects benefits under an applicable income tax treaty with respect to such tax. A U.S. Holder who does not elect to claim a credit for any creditable foreign income taxes paid during the taxable year may instead claim a deduction in the computation of such U.S. Holder's taxable income. Special rules generally will apply to the calculation of foreign tax credits in respect of dividend income that qualifies for preferential U.S. federal income tax rates. Additionally, special rules apply to individuals whose foreign source income during the taxable year consists entirely of "qualified passive income" and whose creditable foreign taxes paid or accrued during the taxable year do not exceed \$300 (\$600 in the case of a joint return). Further, under some circumstances, a U.S. Holder that:

- (i) has held shares of common stock or ADSs for less than a specified minimum period; or
 - (ii) is obligated to make payments related to Toyota dividends,
- will not be allowed a foreign tax credit for Japanese taxes imposed on Toyota dividends.

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

Taxation of Capital Gains and Losses

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

[Table of Contents](#)

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

Passive Foreign Investment Companies

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

Toyota does not believe that it was a PFIC for U.S. federal income tax purposes for its taxable year ended March 31, 2022, and currently intends to continue its operations in such a manner that it will not become a PFIC in the future. Because the PFIC determination is made annually and the application of the PFIC rules to a corporation such as Toyota (which among other things is engaged in leasing and financing through several subsidiaries) is not entirely clear, no assurances can be made regarding determination of its PFIC status in the current or any future taxable year. If Toyota is determined to be a PFIC, U.S. Holders could be subject to additional U.S. federal income taxes on gain recognized with respect to the shares of common stock or ADSs and on certain distributions. In addition, an interest charge may apply to the portion of the U.S. federal income tax liability on such gains or distributions treated under the PFIC rules as having been deferred by the U.S. Holder. Moreover, dividends that a non-corporate U.S. Holder receives from Toyota will not be eligible for the reduced U.S. federal income tax rates on dividends described above if Toyota is a PFIC either in the taxable year of the dividend or the preceding taxable year. If a U.S. Holder owns shares of common stock or ADSs in any taxable year in which Toyota is a PFIC, such U.S. Holder generally would be required to file Internal Revenue Service ("IRS") Form 8621 (or other form specified by the U.S. Department of the Treasury) on an annual basis, subject to certain exceptions based on the value of PFIC stock held. Toyota will inform U.S. Holders if it believes that it will be classified as a PFIC in any taxable year.

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

Non-U.S. Holders

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

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

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

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

[Table of Contents](#)

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

Backup Withholding and Information Reporting

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

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

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

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

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

10.F DIVIDENDS AND PAYING AGENTS

Not applicable.

10.G STATEMENT BY EXPERTS

Not applicable.

10.H DOCUMENTS ON DISPLAY

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

[Table of Contents](#)

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

10.I SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and Qualitative Disclosures about Market Risk

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

A description of Toyota's accounting policies for derivative instruments is included in note 3 to the consolidated financial statements and further disclosure is provided in notes 20 and 21 to the consolidated financial statements.

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

Market risk analyses of risks such as foreign exchange risk, interest rate risk, commodity price fluctuation risk and stock price fluctuation risk are provided in note 19 to the consolidated financial statements.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

12.A DEBT SECURITIES

Not applicable.

12.B WARRANTS AND RIGHTS

Not applicable.

12.C OTHER SECURITIES

Not applicable.

12.D AMERICAN DEPOSITARY SHARES

Fees and Charges for Holders of American Depositary Shares

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

[Table of Contents](#)

Persons depositing or withdrawing shares must pay:

\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

\$0.05 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for delivery of ADSs

\$0.05 (or less) per ADS per year

Registration fees

Fees and expenses of the Depositary

Taxes and other governmental charges the Depositary or the custodian have to pay on any ADS or share underlying an ADS

Any other charges payable by the Depositary, the custodian or their respective agents in connection with the servicing of the deposited securities

For:

- Delivery of ADSs, including those resulting from a distribution, sale or exercise of shares or rights or other property
- Surrender of ADSs for the purpose of withdrawal including if the deposit agreement terminates
- Any cash distribution to ADS registered holders
- Distribution of securities or rights distributed to holders of deposited securities that are distributed by the Depositary to ADS registered holders
- General depositary services
- Registration of transfer of shares on Toyota's share register to or from the name of the Depositary or its nominee or the custodian or its nominee when shares are deposited or withdrawn
- Cable (including SWIFT) and facsimile transmissions (when expressly provided in the deposit agreement)
- Converting foreign currency to U.S. dollars
- As necessary
- As necessary

Fees Incurred in Fiscal 2022

For fiscal 2022, the Depositary paid to Toyota, or paid to a third party at Toyota's instruction, an aggregate of \$854,666 for standard out-of-pocket maintenance costs for the ADSs (consisting of the expenses of postage and envelopes for mailing annual reports, printing and distributing dividend checks, stationery, postage, facsimile, and telephone calls), Toyota's continuing annual stock exchange listing fees with respect to the ADSs, expenses relating to Toyota's annual general shareholders' meeting that are incurred with respect to Toyota's ADS holders and 50% of the net dividend fees collected by the Depositary.

Fees to be Paid in the Future

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

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

None.

ITEM 15. CONTROLS AND PROCEDURES

(a) DISCLOSURE CONTROLS AND PROCEDURES

Toyota performed an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures as of the end of fiscal 2022. Disclosure controls and procedures are designed to ensure that information required to be disclosed in the Form 20-F that Toyota files under the Exchange Act is accumulated and communicated to its management, including the chief executive officer and the principal accounting and financial officer, to allow timely decisions regarding required disclosure. The disclosure controls and procedures also ensure that the Form 20-F that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. The evaluation was performed under the supervision of Toyota's President and Representative Director, who concurrently serves as CEO, and the member of the board of directors who concurrently serves as CFO. Toyota's disclosure controls and procedures are designed to provide reasonable assurance of achieving its objectives. Managerial judgment was necessary to evaluate the cost-benefit relationship of possible controls and procedures. The President and Representative Director as well as the member of the board of directors have concluded that Toyota's disclosure controls and procedures are effective at the reasonable assurance level.

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

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

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

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

[Table of Contents](#)

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

Based on this evaluation, management concluded that Toyota's internal control over financial reporting was effective as of March 31, 2022.

PricewaterhouseCoopers Aarata LLC, an independent registered public accounting firm that audited the consolidated financial statements included in this report, has also audited the effectiveness of Toyota's internal control over financial reporting as of March 31, 2022, as stated in its report included herein.

(c) ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

Toyota's independent registered public accounting firm, PricewaterhouseCoopers Aarata LLC, has issued an audit report on the effectiveness of Toyota's internal control over financial reporting. This report appears in Item 18.

(d) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in Toyota's internal control over financial reporting during fiscal 2022 that have materially affected, or are reasonably likely to materially affect, Toyota's internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Toyota maintains an audit & supervisory board system, in accordance with the Companies Act. Toyota's audit & supervisory board is comprised of six audit & supervisory board members, three of whom are outside audit & supervisory board members. Each audit & supervisory board member has been appointed at Toyota's meetings of shareholders and has certain statutory powers independently, including auditing the business affairs and accounts of Toyota.

Toyota's audit & supervisory board has determined that it does not have an "audit committee financial expert" serving on the audit & supervisory board. The qualifications for, and powers of, the audit & supervisory board member delineated in the Companies Act are different from those anticipated for any audit committee financial expert. Audit & supervisory board members have the authority to be given reports from a certified public accountant or an accounting firm concerning audits, including technical accounting matters. At the same time, each audit & supervisory board member has the authority to consult internal and external experts on accounting matters. Each audit & supervisory board member must fulfill the requirements under Japanese laws and regulations and otherwise follow Japanese corporate governance practices and, accordingly, Toyota's audit & supervisory board has confirmed that it is not necessarily in Toyota's best interest to nominate as audit & supervisory board member a person who meets the definition of audit committee financial expert. Although Toyota does not have an audit committee financial expert on its audit & supervisory board, Toyota believes that Toyota's current corporate governance system, taken as a whole, including the audit & supervisory board members' ability to consult internal and external experts, is fully equivalent to a system having an audit committee financial expert on its audit & supervisory board.

ITEM 16B. CODE OF ETHICS

Toyota has adopted a code of ethics that applies to its members of the board of directors and operating officers, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of Toyota's code of ethics is included as an exhibit to this annual report on Form 20-F.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

PricewaterhouseCoopers Aarata LLC has audited the financial statements of Toyota included in this annual report on Form 20-F.

The following table presents the aggregate fees for professional services and other services rendered by PricewaterhouseCoopers Aarata LLC and the various network and member firms of PricewaterhouseCoopers to Toyota in fiscal 2021 and fiscal 2022.

	Yen in millions	
	2021	2022
Audit Fees ⁽¹⁾	4,602	5,460
Audit-related Fees ⁽²⁾	70	52
Tax Fees ⁽³⁾	373	351
All Other Fees ⁽⁴⁾	185	181
Total	5,230	6,045

- (1) Audit Fees consist of fees billed for the annual audit services engagement and other audit services, which are those services that only the external auditor reasonably can provide, and include the services of annual audit, quarterly reviews and assessment and reviews of the effectiveness of internal controls over financial reporting of Toyota and its subsidiaries and affiliated companies; the services associated with SEC registration statements or other documents issued in connection with securities offerings such as comfort letters and consents; and consultations as to the accounting or disclosure treatment of transactions or events.
- (2) Audit-related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of its financial statements or that are traditionally performed by the external auditor, and mainly include services such as agreed-upon or expanded audit procedures; and financial statement audits of employee benefit plans.
- (3) Tax Fees include fees billed for tax compliance services, including services such as tax planning, advice and compliance of federal, state, local and international tax; the review of tax returns; assistance with tax audits and appeals; tax-only valuation services including transfer pricing; expatriate tax assistance and compliance.
- (4) All Other Fees primarily include fees billed for risk management advisory services; services providing information related to automotive market conditions; and other advisory services.

Policies and Procedures of the Audit & Supervisory Board

Below is a summary of the current policies and procedures of the audit & supervisory board for the pre-approval of audit and permissible non-audit services performed by Toyota's independent public accountants.

Under the policy, specified operating officers or managers submit a request for general pre-approval of audit and permissible non-audit services for the following fiscal year, which shall include details of the specific services and estimated fees for the services, to the audit & supervisory board, which reviews and determines whether or not to grant the request in advance. Upon the general pre-approval of the audit & supervisory board, the specified operating officers or managers are not required to obtain any specific pre-approval for audit and permissible non-audit services so long as those services fall within the scope of the general pre-approval provided.

The audit & supervisory board makes a further determination of whether or not to grant a request to revise the general pre-approval for the applicable fiscal year if such request is submitted by specified operating officers or managers. Such request may include (i) adding any audit or permissible non-audit services other than the ones listed in the general pre-approval and (ii) obtaining services that are listed in the general pre-approval but of

[Table of Contents](#)

which the total fee amount exceeds the amount affirmed by the general pre-approval. The determination of whether or not to grant a request to revise the general pre-approval noted in the foregoing may alternatively be made by an audit & supervisory board member (full time), who is designated in advance by a resolution of the audit & supervisory board, in which case such audit & supervisory board member (full time) shall report such decision at the next meeting of the audit & supervisory board. The performance of audit and permissible non-audit services and the payment of fees are subject to review by the audit & supervisory board at least once every fiscal half year.

None of the audit related fees, tax fees or all other fees described in the table above were approved by the audit & supervisory board pursuant to the de minimis exception provided by paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Toyota does not have an audit committee. Toyota is relying on the general exemption contained in Rule 10A-3(c)(3) under the Exchange Act, which provides an exemption from the NYSE's listing standards relating to audit committees for foreign companies like Toyota that have an audit & supervisory board. Toyota's reliance on Rule 10A-3(c)(3) does not, in its opinion, materially adversely affect the ability of its audit & supervisory board to act independently and to satisfy the other requirements of Rule 10A-3.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

The following table sets forth purchases of Toyota's common stock by Toyota and its affiliated purchasers during fiscal 2022:

Period	(a) Total Number of Shares Purchased ⁽¹⁾⁽²⁾	(b) Average Price Paid per Share (Yen) ⁽¹⁾⁽²⁾	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾⁽³⁾	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾⁽³⁾
April 1, 2021 – April 30, 2021	6,480	8,442.05	—	—
May 1, 2021 – May 31, 2021	6,285	8,482.47	—	—
June 1, 2021 – June 30, 2021	11,025,155	9,785.95	11,008,000	—
July 1, 2021 – July 31, 2021	36,347,425	9,721.70	36,342,000	—
August 1, 2021 – August 31, 2021	64,503,960	9,620.58	64,498,500	—
September 1, 2021 – September 30, 2021	17,367,305	9,704.57	17,358,500	—
October 1, 2021 – October 31, 2021	2,470	1,965.89	—	—
November 1, 2021 – November 30, 2021	11,911,575	2,096.99	11,910,000	—
December 1, 2021 – December 31, 2021	20,121,741	2,063.71	20,120,000	—
January 1, 2022 – January 31, 2022	12,157,620	2,304.53	12,156,400	—
February 1, 2022 – February 28, 2022	15,174,545	2,213.82	15,173,600	—
March 1, 2022 – March 31, 2022	13,107,195	2,022.19	13,106,500	—
Total	201,731,756	—	201,673,500	—

- (1) Toyota effected a five-for-one stock split of shares of its common stock with a record date of September 30, 2021 and an effective date of October 1, 2021. The above numbers for the period from April 1, 2021 through September 30, 2021 are calculated based on the assumption that the stock split was implemented on April 1, 2021.

[Table of Contents](#)

- (2) A portion of the above purchases were made as a result of holders of shares constituting less than one unit, which is 100 shares of common stock, requesting Toyota to purchase shares that are a fraction of a unit, in accordance with Toyota's share handling regulations. Toyota is required to comply with such requests pursuant to the Companies Act. See "Additional Information — Memorandum and Articles of Association — Japanese Unit Share System." The number of shares purchased not pursuant to publicly announced plans or programs conducted in fiscal 2022 is 57,561 (calculated based on the assumption that the stock split was implemented on April 1, 2021).
- (3) Toyota announced on May 12, 2021 that it would repurchase up to 41 million shares (205 million shares after considering stock split) of its common stock between June 18, 2021 to September 30, 2021 at a total maximum purchase price of 250 billion yen, in order to return to shareholders the profits derived in fiscal 2021. Toyota also announced on November 4, 2021 that it would repurchase up to 120 million shares of its common stock between November 5, 2021 to March 31, 2022 at a total maximum purchase price of 150 billion yen in order to return to shareholders the profits derived in the first half of fiscal 2022. Toyota further announced on March 23, 2022 that it would repurchase up to 80 million shares of its common stock between March 24, 2022 to May 10, 2022 at a total maximum purchase price of 100 billion yen to provide more flexibility with respect to repurchases than in the past.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Significant Differences in Corporate Governance Practices between Toyota and U.S. Companies Listed on the NYSE

Pursuant to home country practices exemptions granted by the NYSE, Toyota is permitted to follow certain corporate governance practices complying with Japanese laws, regulations and stock exchange rules in lieu of the NYSE's listing standards. The SEC approved changes to the NYSE's listing standards related to corporate governance practices of listed companies (the "NYSE Corporate Governance Rules") in November 2003, as further amended in November 2004. Toyota is exempt from the approved changes, except for requirements that (a) Toyota's audit & supervisory board satisfies the requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (b) Toyota must disclose significant differences in its corporate governance practices as compared to those followed by domestic companies under the NYSE listing standards, (c) Toyota's principal executive officer must notify the NYSE in writing after any executive officer of Toyota becomes aware of any non-compliance with (a) and (b), and (d) Toyota must submit annual and interim written affirmations to the NYSE. Toyota's corporate governance practices and those followed by domestic companies under the NYSE Corporate Governance Rules have the following significant differences:

1. Members of the Board of Directors. Toyota currently does not have any members of the board of directors who will be deemed an "independent director" as required under the NYSE Corporate Governance Rules for U.S. listed companies. Unlike the NYSE Corporate Governance Rules, the Companies Act does not require Japanese companies with an audit & supervisory board such as Toyota to have any independent directors on its board of directors. While the NYSE Corporate Governance Rules require that the non-management directors of each listed company meet at regularly scheduled executive sessions without management, Toyota currently has no non-management member on its board of directors. Unlike the NYSE Corporate Governance Rules, the Companies Act does not require, and accordingly Toyota does not have, an internal corporate organ or committee comprised solely of independent directors.

[Table of Contents](#)

The Companies Act requires Toyota to have outside members of the board of directors under the Companies Act. Toyota currently has three outside members of the board of directors. An “outside” member of the board of directors refers to:

(a) a person who is not, and has never been during the ten year period before becoming an outside member of the board of directors, an executive director (a member of the board of directors who engages in the execution of business), executive officer, manager or employee (collectively, “Executive Director, etc.”) of Toyota or its subsidiaries;

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

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

Such qualifications for an “outside” member of the board of directors are different from the director independence requirements under the NYSE Corporate Governance Rules.

In addition, pursuant to the regulations of the Japanese stock exchanges, Toyota is required to have one or more “independent director(s)/audit & supervisory board member(s),” defined under the relevant regulations of the Japanese stock exchanges as “outside directors” or “outside audit & supervisory board members” (as defined under the Companies Act), who are unlikely to have any conflicts of interests with Toyota’s general shareholders, and is also required to make efforts to have at least one “independent director(s)/audit & supervisory board member(s)” who is also a director. Each of the outside members of the board of directors of Toyota satisfies the “independent director/audit & supervisory board member” requirements under the regulations of the Japanese stock exchanges. The Japanese Corporate Governance Code provides that certain listed companies, including Toyota, should appoint at least one third of their directors as “independent outside directors” as defined based on the criteria for assessing director independence established by Toyota in line with the independence standards of the Japanese stock exchanges. The content of the criteria for assessing director independence established by Toyota is the same as that of the independence standards of the Japanese stock exchanges, and each of the outside members of the board of directors of Toyota satisfies the “independent outside director” requirements under such independence standards. The definition of “independent director/audit & supervisory board member” and “independent outside director” is different from that of the definition of independent director under the NYSE Corporate Governance Rules.

2. Committees. Under the Companies Act, Toyota has elected to structure its corporate governance system as a company with audit & supervisory board members who are under a statutory duty to monitor, review and report on the management of the affairs of Toyota. Toyota, as with other Japanese companies with an audit & supervisory board, does not have certain committees that are required of U.S. listed companies subject to the NYSE Corporate Governance Rules, including those that are responsible for director nomination, corporate governance and executive compensation. However, members of Toyota’s Executive Appointment Meeting, a majority of whom are outside directors, discuss recommendations to the board of directors concerning the appointment and dismissal of members of the board of directors and the Executive Appointment Meeting discuss the details of the proposals to audit & supervisory board. Members of the Executive Compensation Meeting, a majority of whom are outside directors, review the remuneration system for members of board of directors and senior management as well as determine the amount of remuneration for each member of the board of directors. The Japanese Corporate Governance Code provides that certain listed companies, including Toyota, generally should have the majority of the members of each of certain committees be independent directors, and those committees of Toyota satisfy that principle.

[Table of Contents](#)

Pursuant to the Companies Act, Toyota's board of directors nominates and submits a proposal for the appointment of members of the board of directors for shareholder approval. The shareholders vote on such nomination at the general shareholders' meeting. The Companies Act requires that the limits or calculation formula of the remuneration, bonus and any other benefits in compensation for the execution of duties ("remuneration, etc.") of directors, the kind of remuneration, etc. (in case that the remuneration, etc. are other than cash (excluding shares and stock acquisition rights)) to be received by directors, and the limits of remuneration, etc. that are shares and stock acquisition rights to be granted to directors as well as the limits of remuneration, etc. to be paid to audit & supervisory board members must be determined by a resolution of the general shareholders' meeting, unless their remuneration, etc. is provided for in the articles of incorporation. The distribution of remuneration, etc., among each member of the board of directors is broadly delegated to the board of directors and the distribution of remuneration among each audit & supervisory board member is determined by consultation among the audit & supervisory board members.

3. Audit Committee. Toyota avails itself of paragraph (c)(3) of Rule 10A-3 of the Exchange Act, which provides a general exemption from the audit committee requirements to a foreign private issuer with an audit & supervisory board, subject to certain requirements which continue to be applicable under Rule 10A-3.

Pursuant to the requirements of the Companies Act, Toyota elects its audit & supervisory board members through a resolution adopted at a general shareholders' meeting. Toyota currently has six audit & supervisory board members, which exceeds the minimum number of audit & supervisory board members required pursuant to the Companies Act.

Unlike the NYSE Corporate Governance Rules, the Companies Act, among others, does not require audit & supervisory board members to establish an expertise in accounting or financial management nor are they required to present other special knowledge and experience. Therefore, none of Toyota's audit & supervisory board members has "an expertise in accounting or financial management" as set forth in the NYSE Corporate Governance Rules. The Japanese Corporate Governance Code indicates that persons with appropriate experience and skills as well as necessary knowledge of finance, accounting, and laws should be appointed as audit & supervisory board members, and in particular, one or more audit & supervisory board members who have sufficient knowledge of finance and accounting matters should be appointed. Toyota has appointed persons who are able to provide opinions and advice regarding management based on their broader experience and discretion beyond finance and accounting. Under the Companies Act, the audit & supervisory board may determine the auditing policies and methods of investigating the conditions of Toyota's business and assets, and may resolve other matters concerning the execution of the audit & supervisory board member's duties. The audit & supervisory board also prepares auditors' reports and gives consent to proposals of the nomination of audit & supervisory board members. Further, the audit & supervisory board makes decisions concerning proposals relating to the appointment and dismissal of accounting auditors; it also has the authority to dismiss the accounting auditor when certain matters specified under the Companies Act occur.

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

- (a) the person has never been a member of the board of directors, accounting counselor (in the case that an accounting counselor is a legal entity, an employee of such entity who is in charge of its affairs), executive officer, manager or employee of Toyota or its subsidiaries during the ten year period before becoming an outside audit & supervisory board member;
- (b) if the person was an audit & supervisory board member of Toyota or any of its subsidiaries at any time during the ten year period before becoming an outside audit & supervisory board member, such person has not been a member of the board of directors, accounting counselor (in the case that an accounting counselor is a legal entity, an employee of such entity who is in charge of its affairs), executive officer, manager or employee of Toyota or any of its subsidiaries during the ten year period before becoming an audit & supervisory board member of Toyota or any of its subsidiaries; and

[Table of Contents](#)

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

Such qualifications for an “outside” audit & supervisory board member are different from the audit committee independence requirement under the NYSE Corporate Governance Rules.

Each of the outside audit & supervisory board members of Toyota satisfies the “independent director/ audit & supervisory board member” requirements under the regulations of the Japanese stock exchanges, as described above in “1. Members of the Board of Directors.”

4. Corporate Governance Guidelines. Unlike the NYSE Corporate Governance Rules, Toyota is not required to adopt the Japanese Corporate Governance Code under Japanese laws and regulations, including the Companies Act, the Financial Instruments and Exchange Law of Japan and stock exchange rules. However, if Toyota does not comply with the Japanese Corporate Governance Code, it is required to explain the reasons why it does not do so in accordance with the regulations of the Japanese stock exchanges. In addition, Toyota is required to resolve at the board of directors matters relating to a system, which is required under the ordinance of the Ministry of Justice (“internal control system” or “*naibu-tosei*”), to ensure the execution of duties of the members of the board of directors to comply with laws, regulations and articles of incorporation, and any other systems to ensure the adequacy of the business, and to disclose such matters resolved, policies and the present status of its corporate governance in its business reports, annual securities report and certain other disclosure documents in accordance with the regulations under the Financial Instruments and Exchange Law and stock exchange rules in respect of timely disclosure.

5. Code of Business Conduct and Ethics. Similar to the NYSE Corporate Governance Rules, under the Japanese Corporate Governance Code, Toyota is encouraged to adopt a code of conduct regarding ethical business activities for members of the board of directors, officers and employees. Toyota has resolved matters relating to maintenance of an “internal control system,” or “*naibu-tosei*,” in order to ensure its employees comply with laws, regulations and the articles of incorporation, etc., pursuant to the Companies Act, and Toyota maintains guidelines and internal regulations such as “Guiding Principles at Toyota,” “Toyota Code of Conduct” and a code of ethics pursuant to Section 406 of the Sarbanes-Oxley Act. Please see “Code of Ethics” for additional information.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

The following financial statements are filed as part of this annual report on Form 20-F.

TOYOTA MOTOR CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Report of Independent Registered Public Accounting Firm (PCAOB ID: 2743)	F - 2
Consolidated statement of financial position at March 31, 2021 and 2022	F - 4
Consolidated statement of income for the years ended March 31, 2020, 2021 and 2022	F - 6
Consolidated statement of comprehensive income for the years ended March 31, 2020, 2021 and 2022	F - 7
Consolidated statement of changes in equity for the years ended March 31, 2020, 2021 and 2022	F - 8
Consolidated statement of cash flows for the years ended March 31, 2020, 2021 and 2022	F - 10
Notes to consolidated financial statements	F - 11

All financial statements schedules are omitted because they are not applicable or the required information is shown in the financial statements or the notes thereto.

Financial statements of 50% or less owned persons accounted for by the equity method have been omitted because none of them meets the significance tests specified in Rule 3-09 of Regulation S-X.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
Toyota Jidosha Kabushiki Kaisha
("Toyota Motor Corporation")

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statement of financial position of Toyota Motor Corporation and its subsidiaries (collectively referred to as the "Company") as of March 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended March 31, 2022, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of March 31, 2022, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2022 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2022, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 15(b). Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of

Table of Contents

critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Liabilities for the costs of recalls and other safety measures

As described in Notes 3 and 24 to the consolidated financial statements, the Company accrues for costs of recalls and other safety measures. As of March 31, 2022, estimated liabilities for the costs of recalls and other safety measures totaled ¥1,171,213 million and were included in liabilities for quality assurance in the consolidated statement of financial position. The Company measures the majority of liabilities for the costs of recalls and other safety measures at the time of vehicle sales comprehensively by aggregate sales of various models in a certain period by geographical regions. However, when circumstances warrant, the Company measures liabilities for costs of a particular recall or other safety measures using an individual model when they are probable and reasonably estimable. Management calculates the liabilities for the costs of recalls and other safety measures that are determined comprehensively based on the accumulated amount of repair cost paid and pattern of actual payment occurrence.

The principal considerations for our determination that performing procedures relating to liabilities for the costs of recalls and other safety measures that are determined comprehensively is a critical audit matter are 1) significant judgment and estimation was required by management when developing the liabilities which in turn led to a high degree of auditor judgment and subjectivity in performing procedures to evaluate management's assumptions; and 2) significant audit effort was necessary relating to testing the accumulated amount of repair cost paid and pattern of actual payment occurrence utilized in developing the estimate. In addition, the audit effort included the involvement of professionals with specialized skills and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to liabilities for the costs of recalls and other safety measures, including controls related to the determination of the significant assumptions and data used to calculate the liabilities that are determined comprehensively. These procedures also included, among others: 1) testing management's process for estimating the liabilities, including evaluating the reasonableness of the significant assumptions; and 2) testing of the completeness and accuracy of the data used in the estimate. We also utilized professionals with specialized skills and knowledge to assist us in testing the liabilities by developing an independent range of reasonable estimated loss based on the Company's data and independently developed assumptions.

Allowance for Credit Losses—Retail finance receivables

As described in Notes 3, 8 and 19 to the consolidated financial statements, the Company measures an allowance for credit losses on its retail finance receivables by estimating the expected credit losses at the reporting date. As of March 31, 2022, ¥230,104 million of the allowance for credit losses corresponding to ¥17,647,440 million of retail finance receivables was recorded in the consolidated statement of financial position. The allowance for credit losses on retail finance receivables is measured based on a systematic, ongoing review and evaluation performed as part of the credit risk evaluation process, historical loss experience, the size and composition of the portfolios, current economic events and conditions, the estimated fair value and adequacy of collateral, forward-looking information including movements of the world economy and other pertinent factors. In calculating the expected credit losses, the Company uses the probability of a default and the loss rate in the event of a default based on past experience and then reflects adjustments based on its forecasts of current and future economic conditions. Retail finance receivables within the United States represent approximately a half of the consolidated retail finance receivables as of March 31, 2022.

The principal considerations for our determination that performing procedures relating to the allowance for credit losses on retail finance receivables is a critical audit matter are 1) there was a significant amount of judgment by management when determining assumptions of the probability of a default, the loss rate in the event of a default, and adjustments based on the forecasts of current and future economic conditions used in the estimating of the allowance for credit losses, which in turn led to a high degree of auditor judgment and subjectivity in performing procedures to evaluate those management's assumptions and adjustments; 2) there was a high level of complexity in assessing audit evidence related to management's estimate. In addition, the audit effort included the involvement of professionals with specialized skills and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's allowance for credit losses on retail finance receivables, including controls over data supporting the assumptions, such as the probability of a default and the loss rate in the event of a default based on past experience, and adjustments used to determine the allowance. These procedures also included, among others, testing management's process for estimating the allowance, including evaluating the reasonableness of the assumptions and adjustments. We also used professionals with specialized skills and knowledge to assist us in evaluating the reasonableness of the assumptions and adjustments determined by management.

/s/ PricewaterhouseCoopers Aarata LLC
Nagoya, Japan
June 23, 2022

We have served as the Company's auditor since 2006.

TOYOTA MOTOR CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Yen in millions	
	Notes	March 31, 2021	March 31, 2022
Assets			
Current assets			
Cash and cash equivalents	6	5,100,857	6,113,655
Trade accounts and other receivables	7	2,958,742	3,142,832
Receivables related to financial services	8	6,756,189	7,181,327
Other financial assets	9	4,215,457	2,507,248
Inventories	10	2,888,028	3,821,356
Income tax receivable		112,458	163,925
Other current assets		745,070	791,947
Total current assets		22,776,800	23,722,290
Non-current assets			
Investments accounted for using the equity method	11	4,160,803	4,837,895
Receivables related to financial services	8	12,449,525	14,583,130
Other financial assets	9	9,083,914	9,517,267
Property, plant and equipment			
Land	12	1,345,037	1,361,791
Buildings	12	4,999,206	5,284,620
Machinery and equipment	12	12,753,951	13,982,362
Vehicles and equipment on operating leases	12	6,203,721	6,781,229
Construction in progress	12	675,875	565,528
Total property, plant and equipment, at cost	12	25,977,791	27,975,530
Less - Accumulated depreciation and impairment losses	12	(14,566,638)	(15,648,890)
Total property, plant and equipment, net	12	11,411,153	12,326,640
Right of use assets	13	390,144	448,412
Intangible assets	14	1,108,634	1,191,966
Deferred tax assets	15	336,224	342,202
Other non-current assets	23	549,942	718,968
Total non-current assets		39,490,339	43,966,482
Total assets		62,267,140	67,688,771

The accompanying notes are an integral part of these consolidated financial statements.

TOYOTA MOTOR CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION—(Continued)

		Yen in millions	
	Notes	March 31, 2021	March 31, 2022
Liabilities			
Current liabilities			
Trade accounts and other payables	16	4,045,939	4,292,092
Short-term and current portion of long-term debt	17	12,212,060	11,187,839
Accrued expenses		1,397,140	1,520,446
Other financial liabilities	18	763,875	1,046,050
Income taxes payable		350,880	826,815
Liabilities for quality assurance	24	1,482,872	1,555,711
Other current liabilities		1,207,700	1,413,208
Total current liabilities		21,460,466	21,842,161
Non-current liabilities			
Long-term debt	17	13,447,575	15,308,519
Other financial liabilities	18	323,432	461,583
Retirement benefit liabilities	23	1,035,096	1,022,749
Deferred tax liabilities	15	1,247,220	1,354,794
Other non-current liabilities		465,021	544,145
Total non-current liabilities		16,518,344	18,691,790
Total liabilities		37,978,811	40,533,951
Shareholders' equity			
Common stock	25	397,050	397,050
Additional paid-in capital	25	497,275	498,575
Retained earnings	25	24,104,176	26,453,126
Other components of equity	25	1,307,726	2,203,254
Treasury stock	25	(2,901,680)	(3,306,037)
Total Toyota Motor Corporation shareholders' equity	25	23,404,547	26,245,969
Non-controlling interests		883,782	908,851
Total shareholders' equity		24,288,329	27,154,820
Total liabilities and shareholders' equity		62,267,140	67,688,771

The accompanying notes are an integral part of these consolidated financial statements.

TOYOTA MOTOR CORPORATION
CONSOLIDATED STATEMENT OF INCOME

	Notes	Yen in millions		
		For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2022
Sales revenues				
Sales of products	26	27,693,693	25,077,398	29,073,428
Financial services	26	2,172,854	2,137,195	2,306,079
Total sales revenues	26	29,866,547	27,214,594	31,379,507
Costs and expenses				
Cost of products sold		23,103,596	21,199,890	24,250,784
Cost of financial services		1,381,755	1,182,330	1,157,050
Selling, general and administrative		2,981,965	2,634,625	2,975,977
Total costs and expenses		27,467,315	25,016,845	28,383,811
Operating income		2,399,232	2,197,748	2,995,697
Share of profit (loss) of investments accounted for using the equity method	11	310,247	351,029	560,346
Other finance income	28	305,846	435,229	334,760
Other finance costs	28	(47,155)	(47,537)	(43,997)
Foreign exchange gain (loss), net		(94,619)	15,142	216,187
Other income (loss), net		(80,607)	(19,257)	(72,461)
Income before income taxes		2,792,942	2,932,354	3,990,532
Income tax expense	15	681,817	649,976	1,115,918
Net income		2,111,125	2,282,378	2,874,614
Net income attributable to				
Toyota Motor Corporation		2,036,140	2,245,261	2,850,110
Non-controlling interests		74,985	37,118	24,504
Net income		2,111,125	2,282,378	2,874,614
Yen				
Earnings per share attributable to Toyota Motor Corporation				
Basic	29	145.49	160.65	205.23
Diluted	29	144.02	158.93	205.23

The accompanying notes are an integral part of these consolidated financial statements.

TOYOTA MOTOR CORPORATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Yen in millions		
	Notes	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2022
Net income		2,111,125	2,282,378	2,874,614
Other comprehensive income, net of tax				
Items that will not be reclassified to profit (loss)				
Net changes in revaluation of financial assets measured at fair value through other comprehensive income	25	(243,853)	387,427	(49,242)
Remeasurements of defined benefit plans	25	(43,399)	216,272	136,250
Share of other comprehensive income of equity method investees	11,25	62,568	80,472	113,641
Total of items that will not be reclassified to profit (loss)		(224,684)	684,172	200,648
Items that may be reclassified subsequently to profit (loss)				
Exchange differences on translating foreign operations	25	(362,098)	403,636	902,844
Net changes in revaluation of financial assets measured at fair value through other comprehensive income	25	113,390	(83,503)	(154,174)
Share of other comprehensive income of equity method investees	11,25	(35,253)	8,172	193,811
Total of items that may be reclassified subsequently to profit (loss)		(283,961)	328,305	942,480
Total other comprehensive income, net of tax	25	(508,645)	1,012,476	1,143,129
Comprehensive income		1,602,480	3,294,854	4,017,742
Comprehensive income for the period attributable to				
Toyota Motor Corporation		1,555,009	3,217,806	3,954,350
Non-controlling interests		47,472	77,048	63,392
Comprehensive income		1,602,480	3,294,854	4,017,742

The accompanying notes are an integral part of these consolidated financial statements.

TOYOTA MOTOR CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2020

		Yen in millions							
	Notes	Common stock	Additional paid-in capital	Retained earnings	Other components of equity	Treasury stock	Toyota Motor Corporation shareholders' equity	Non-controlling interests	Total shareholders' equity
Balances at April 1, 2019		397,050	487,162	20,613,776	1,016,035	(2,606,925)	19,907,100	748,110	20,655,210
Comprehensive income									
		—	—	2,036,140	—	—	2,036,140	74,985	2,111,125
	25	—	—	—	(481,131)	—	(481,131)	(27,514)	(508,645)
		—	—	2,036,140	(481,131)	—	1,555,009	47,472	1,602,480
Transactions with owners and other									
	25	—	—	(618,801)	—	—	(618,801)	(54,956)	(673,756)
	25	—	—	—	—	(500,309)	(500,309)	—	(500,309)
	25	—	4,053	—	—	20,128	24,181	—	24,181
		—	—	253,590	—	—	253,590	—	253,590
		—	(1,882)	—	—	—	(1,882)	(20,503)	(22,384)
		—	2,171	(365,211)	—	(480,181)	(843,221)	(75,458)	(918,679)
	25	—	—	(50,644)	50,644	—	—	—	—
Balances at March 31, 2020		397,050	489,334	22,234,061	585,549	(3,087,106)	20,618,888	720,124	21,339,012

For the year ended March 31, 2021

		Yen in millions							
	Notes	Common stock	Additional paid-in capital	Retained earnings	Other components of equity	Treasury stock	Toyota Motor Corporation shareholders' equity	Non-controlling interests	Total shareholders' equity
Balances at April 1, 2020		397,050	489,334	22,234,061	585,549	(3,087,106)	20,618,888	720,124	21,339,012
Comprehensive income									
		—	—	2,245,261	—	—	2,245,261	37,118	2,282,378
	25	—	—	—	972,546	—	972,546	39,930	1,012,476
		—	—	2,245,261	972,546	—	3,217,806	77,048	3,294,854
Transactions with owners and other									
	25	—	—	(625,514)	—	—	(625,514)	(36,598)	(662,112)
	25	—	—	—	—	(118)	(118)	—	(118)
	25	—	15,041	—	—	185,544	200,585	—	200,585
		—	—	—	—	—	—	102,588	102,588
		—	(7,099)	—	—	—	(7,099)	20,620	13,521
		—	7,942	(625,514)	—	185,426	(432,147)	86,610	(345,537)
	25	—	—	250,369	(250,369)	—	—	—	—
Balances at March 31, 2021		397,050	497,275	24,104,176	1,307,726	(2,901,680)	23,404,547	883,782	24,288,329

The accompanying notes are an integral part of these consolidated financial statements.

TOYOTA MOTOR CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY—(Continued)

For the year ended March 31, 2022

		Yen in millions							
	Notes	Common stock	Additional paid-in capital	Retained earnings	Other components of equity	Treasury stock	Toyota Motor Corporation shareholders' equity	Non-controlling interests	Total shareholders' equity
Balances at April 1, 2021		397,050	497,275	24,104,176	1,307,726	(2,901,680)	23,404,547	883,782	24,288,329
Comprehensive income									
Net income		—	—	2,850,110	—	—	2,850,110	24,504	2,874,614
Other comprehensive income, net of tax	25	—	—	—	1,104,240	—	1,104,240	38,889	1,143,129
Total comprehensive income		—	—	2,850,110	1,104,240	—	3,954,350	63,392	4,017,742
Transactions with owners and other									
Dividends paid	25	—	—	(709,872)	—	—	(709,872)	(51,723)	(761,595)
Repurchase of treasury stock	25	—	—	—	—	(404,718)	(404,718)	—	(404,718)
Reissuance of treasury stock	25	—	227	—	—	362	588	—	588
Equity transactions and other		—	1,074	—	—	—	1,074	13,400	14,473
Total transactions with owners and other		—	1,300	(709,872)	—	(404,357)	(1,112,928)	(38,323)	(1,151,252)
Reclassification to retained earnings	25	—	—	208,712	(208,712)	—	—	—	—
Balances at March 31, 2022		397,050	498,575	26,453,126	2,203,254	(3,306,037)	26,245,969	908,851	27,154,820

The accompanying notes are an integral part of these consolidated financial statements.

TOYOTA MOTOR CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Yen in millions		
		For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2022
Cash flows from operating activities				
Net income		2,111,125	2,282,378	2,874,614
Depreciation and amortization		1,595,347	1,644,290	1,821,880
Interest income and interest costs related to financial services, net		(193,046)	(236,862)	(354,102)
Share of profit (loss) of investments accounted for using the equity method		(310,247)	(351,029)	(560,346)
Income tax expense		681,817	649,976	1,115,918
Changes in operating assets and liabilities, and other		(1,319,537)	(1,063,562)	(1,130,667)
(Increase) decrease in trade accounts and other receivables		257,588	5,027	118,652
(Increase) decrease in receivables related to financial services		(1,214,742)	(1,243,648)	(1,213,234)
(Increase) decrease in inventories		(163,109)	(242,769)	(725,285)
(Increase) decrease in other current assets		(308,342)	(163,473)	71,314
Increase (decrease) in trade accounts and other payables		(129,053)	384,142	152,399
Increase (decrease) in other current liabilities		258,904	282,197	410,546
Increase (decrease) in retirement benefit liabilities		43,270	55,281	60,419
Other, net		(64,053)	(140,319)	(5,478)
Interest received		798,458	776,748	835,739
Dividends received		318,408	294,520	347,387
Interest paid		(506,307)	(459,181)	(418,043)
Income taxes paid, net of refunds		(777,522)	(810,117)	(809,763)
Net cash provided by (used in) operating activities		2,398,496	2,727,162	3,722,615
Cash flows from investing activities				
Additions to fixed assets excluding equipment leased to others		(1,246,293)	(1,213,903)	(1,197,266)
Additions to equipment leased to others		(2,195,291)	(2,275,595)	(2,286,893)
Proceeds from sales of fixed assets excluding equipment leased to others		47,949	40,542	37,749
Proceeds from sales of equipment leased to others		1,391,193	1,371,699	1,542,132
Additions to intangible assets		(304,992)	(278,447)	(346,085)
Additions to public and corporate bonds and stocks		(2,405,337)	(2,729,171)	(2,427,911)
Proceeds from sales of public and corporate bonds and stocks		1,151,463	1,020,533	282,521
Proceeds upon maturity of public and corporate bonds		1,224,185	1,041,385	1,920,116
Other, net	33	212,473	(1,661,218)	1,898,143
Net cash provided by (used in) investing activities		(2,124,650)	(4,684,175)	(577,496)
Cash flows from financing activities				
Increase (decrease) in short-term debt	17	279,033	(1,038,438)	(579,216)
Proceeds from long-term debt	17	5,690,569	9,656,216	8,122,678
Payments of long-term debt	17	(4,456,913)	(5,416,376)	(8,843,665)
Dividends paid to Toyota Motor Corporation common shareholders	25	(618,801)	(625,514)	(709,872)
Dividends paid to non-controlling interests		(54,956)	(36,598)	(51,723)
Reissuance (repurchase) of treasury stock		(476,128)	199,884	(404,718)
Net cash provided by (used in) financing activities		362,805	2,739,174	(2,466,516)
Effect of exchange rate changes on cash and cash equivalents		(141,007)	220,245	334,195
Net increase (decrease) in cash and cash equivalents		495,645	1,002,406	1,012,798
Cash and cash equivalents at beginning of year	6	3,602,805	4,098,450	5,100,857
Cash and cash equivalents at end of year	6	4,098,450	5,100,857	6,113,655

The accompanying notes are an integral part of these consolidated financial statements.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

TMC is a limited liability, joint-stock company located in Japan, and TMC's principal executive offices are registered in Toyota City, Aichi Prefecture. The consolidated financial statements of the group consist of TMC, its consolidated subsidiaries (collectively, "Toyota") and their interests in associates and joint ventures.

Toyota and its associates are primarily engaged in the design, manufacture, and sale of sedans, minivans, compact cars, SUVs, trucks and related parts and accessories throughout the world. In addition, Toyota and its associates provide financing, vehicle leasing and certain other financial services primarily to its dealers and their customers to support the sales of vehicles and other products manufactured by Toyota and its associates.

2. Basis of preparation

(1) Compliance with international financial reporting standards

Toyota's consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

The consolidated financial statements were approved on June 23, 2022 by President, member of the Board of Directors Akio Toyoda and CFO, member of the Board of Directors Kenta Kon.

(2) Basis of measurement

Toyota's consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value and assets and liabilities associated with defined benefit plans indicated in "3. Significant accounting policies".

(3) Functional currency and presentation currency

The consolidated financial statements are presented in Japanese yen, which is the functional currency of TMC. All financial information presented in Japanese yen has been rounded to the nearest million Japanese yen, except when otherwise indicated. Amounts may not sum to totals due to rounding.

3. Significant accounting policies

Basis of consolidation -

(1) Subsidiaries

The consolidated financial statements include the accounts of TMC, its subsidiaries that are controlled by TMC, and those structured entities that are controlled by Toyota. Toyota controls an entity when Toyota is exposed or has rights to variable returns from involvement with the entity, and has the ability to affect those returns by using its power over the entity.

The financial statements of subsidiaries have been adjusted in order to ensure consistency with the accounting policies adopted by Toyota as necessary. All significant intercompany balances and transactions as well as the unrealized profit have been eliminated in consolidation.

Changes in a subsidiary's ownership interests that do not result in a loss of control are accounted for as equity transactions. When control over a subsidiary is lost, any gain or loss on the disposal of the interest sold is recognized in profit or loss.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(2) Associates and joint ventures

Associates are entities over which Toyota has a significant influence over the decisions on financial and operating policies, but does not have control or joint control.

Joint ventures are entities over which two or more parties including Toyota have joint control, based on a contractual arrangement, and financial and business decisions about the relevant activities of which require unanimous consent of the parties that have joint control.

Investments in associates and joint ventures are accounted for using the equity method. The financial statements of associates and joint ventures have been adjusted in order to ensure consistency with the accounting policies adopted by Toyota as necessary.

When the use of the equity method is discontinued from the date when the investees are determined to be no longer associates or joint ventures, any gain or loss on such disposal of the investment is recognized in profit or loss.

Foreign currency translation -

(1) Foreign currency transactions

Foreign currency transactions are translated into the respective functional currencies of Toyota at the exchange rates prevailing when such transactions occur. All foreign currency receivables and payables are translated into the respective functional currencies at the applicable exchange rates at the end of the reporting period. Non-monetary assets and liabilities in foreign currencies that are measured at fair value are translated into the functional currency using the exchange rate on the date when the fair value was measured. Gains or losses on exchange differences arising from settlement of foreign currency receivables and payables or on their translations at the end of the reporting date are recognized in profit or loss. Furthermore, exchange differences arising from equity financial assets measured at fair value through other comprehensive income is recognized as other comprehensive income.

(2) Foreign operations

All assets and liabilities of foreign subsidiaries, associates and joint ventures (collectively, “foreign operations”) that use a functional currency other than Japanese yen are translated into Japanese yen at the exchange rates at the end of the reporting period. All revenues and expenses of foreign operations are translated into Japanese yen at the average exchange rate for the period unless the exchange rate fluctuates widely. Exchange differences arising from such translations are recognized in other comprehensive income and accumulated in other components of equity in the consolidated statement of financial position. When a foreign operation is disposed of, and control, significant influence or joint control over the foreign operation is lost, the cumulative amount of exchange differences relating to the foreign operation is reclassified from equity to profit or loss.

Cash and cash equivalents -

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible to cash and are subject to insignificant risk of changes in value with three months or less maturities from the acquisition date.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Financial instruments -

(1) Financial assets

(i) Initial recognition and measurement

Toyota initially recognizes financial assets when it becomes a party to a contract and except for derivatives, classifies financial assets into “financial assets measured at amortized cost”, “debt and equity financial assets measured at fair value through other comprehensive income” or “financial assets measured at fair value through profit or loss”. The sale or purchase of financial assets that occurred in the normal course of business are recognized and derecognized at the trade date.

Financial assets classified as being measured at fair value through profit or loss are measured at fair value, but other financial assets are initially recognized and measured at fair value adding transaction costs directly attributable to acquisition. Trade receivables that do not contain significant financial elements are measured at the transaction price.

(a) Financial assets measured at amortized cost

Toyota classifies a financial asset as measured at amortized cost if both of the following conditions are met:

The asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Debt financial assets measured at fair value through other comprehensive income

Debt financial assets are measured at fair value through other comprehensive income only if it meets both of the following conditions:

The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Equity financial assets measured at fair value through other comprehensive income

For equity financial assets such as shares held mainly for the purpose of maintaining or enhancing business relationships with investees are irrevocably designated at initial recognition, as financial assets measured at fair value through other comprehensive income.

(d) Financial assets measured at fair value through profit or loss

Financial assets other than (a) to (c) are classified as financial assets measured at fair value through profit or loss.

(ii) Subsequent measurement

After initial recognition, financial assets are measured based on the following classification.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

(b) Debt financial assets measured at fair value through other comprehensive income

Subsequent changes in fair value of the financial assets are recognized as other comprehensive income. Impairment gains or losses, interest income and foreign exchange gains and losses are recognized in profit or loss. When the financial assets are derecognized, the cumulative gain or loss recognized in other comprehensive income is reclassified from other components of equity to profit or loss.

(c) Equity financial assets measured at fair value through other comprehensive income

Subsequent changes in fair value of the financial assets are recognized as other comprehensive income. When the financial assets are derecognized, the cumulative gain or loss recognized through other comprehensive income is reclassified from other components of equity to retained earnings. Dividends from equity financial assets are recognized in profit or loss.

(d) Financial assets measured at fair value through profit or loss

Subsequent changes in the fair value of the financial assets are recognized in profit or loss.

(iii) Impairment of financial assets

An allowance for credit losses is provided for expected credit losses on financial assets that are measured at amortized cost as well as debt financial assets measured at fair value through other comprehensive income. An allowance for credit losses is also provided for expected credit losses on loan commitments or financial guarantee agreements that are off-balance sheet credit exposures.

At the end of the reporting period, Toyota assesses whether the credit risk on financial assets have significantly increased since initial recognition. At the end of the reporting period, if Toyota identifies a significant increase in credit risk, allowances for credit losses are measured as being equal to the amount of expected credit losses that would result from default events that are possible over the expected life of a financial asset. At the end of the reporting period, if the credit risk for a financial instrument has not increased significantly since its initial recognition, allowances for credit losses are measured as being equal to the amount of the expected credit losses caused by default events that may occur within 12 months from the end of the reporting period.

For accounts receivable that are included in “Trade accounts and other receivables” and finance lease receivables, the allowance is continuously measured at amounts equal to expected credit losses over the expected life of financial assets.

The amount of expected credit losses is measured as the present value of all cash short falls resulting from the difference between the cash flows due to Toyota in accordance with the contract and cash flows that Toyota expects to receive, and such amount is recognized in profit or loss. A reversal of the allowance for credit losses resulting from a reduction in the amount of expected credit losses is recognized in profit or loss.

If there is objective evidence of impairment such as significant financial difficulty of a borrower, or a default or delinquency by a borrower, interest income is measured applying the effective interest method to the

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

net carrying amount of the financial asset (after deducting the allowance for credit loss). Financial assets are written off either partially or fully when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

(iv) Derecognition of financial assets

Toyota derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when Toyota transfers the contractual right to receive cash flows from financial assets in transactions in which substantially all the risks and rewards of ownership of the asset are transferred to another entity. Even if Toyota transfers a financial asset, it neither transfers nor holds substantially all the risks and rewards of ownership of such transferred financial asset. Further, in cases where Toyota continues to control such a transferred financial asset, Toyota recognizes the retained interest on such financial asset and the relevant liabilities that might possibly be paid in association therewith.

(2) Financial liabilities

(i) Initial recognition and measurement

Toyota initially measures financial liabilities other than derivatives at fair value less transaction costs directly attributable to the issuance of financial liabilities.

(ii) Subsequent measurement

Toyota subsequently measures financial liabilities at amortized cost using the effective interest method. Amortization under the effective interest method and gain or losses on derecognition are recognized as finance income or costs and recognized in profit or loss.

(iii) Derecognition of financial liabilities

Toyota derecognizes financial liabilities when the financial liabilities expire, that is, when the liability identified in the contract expires due to performance, discharges, cancels, or expires.

(3) Derivative financial instruments

Toyota employs derivative financial instruments, including forward foreign exchange contracts, foreign currency options, interest rate swaps, interest rate currency swap agreements and interest rate options, to manage its exposure to fluctuations in interest rates and foreign currency exchange rates. All derivative transactions are measured at fair value as assets or liabilities.

Toyota does not use derivative financial instruments for speculative or trading purposes.

Finance receivables -

Finance receivables recorded on Toyota's consolidated statement of financial position are net of any unearned financial income and deferred origination costs and the allowance for credit losses. Deferred origination costs are amortized so as to approximate a level rate of return over the term of the related contracts.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The determination of finance receivable portfolios is based primarily on the qualitative consideration of the nature of Toyota's business operations and finance receivables. The three portfolios within finance receivables are as follows:

(1) Retail receivables portfolio

The retail receivables portfolio consists of retail installment sales contracts acquired mainly from dealers ("auto loans") including credit card loans. These contracts acquired must first meet specified credit standards. Thereafter, Toyota retains responsibility for contract collection and administration.

The contract periods of auto loans primarily range from 2 to 7 years. Toyota acquires security interests in the vehicles financed and has the right to repossess vehicles if customers fail to meet their contractual obligations. Almost all auto loans are non-recourse, which relieves the dealers from financial responsibility in the event of repossession.

Toyota manages the retail receivables portfolio as one portfolio based on common risk characteristics associated with the underlying finance receivables, the similarity of the credit risks, and the quantitative materiality.

(2) Finance lease receivables portfolio

Toyota acquires new vehicle lease contracts originated primarily through dealers. The contract periods of these primarily range from 2 to 5 years. Lease contracts acquired must first meet specified credit standards after which Toyota assumes ownership of the leased vehicle. Toyota is responsible for contract collection and administration during the lease period.

Toyota is generally permitted to take possession of the vehicle upon a default by the lessee. The residual value is estimated at the time the vehicle is first leased. Vehicles returned to Toyota at the end of their leases are sold by auction.

Toyota manages the finance lease receivables portfolio as one portfolio based on common risk characteristics associated with the underlying finance receivables and the similarity of the credit risks.

(3) Wholesale and other dealer loan receivables portfolio

Toyota provides wholesale financing to qualified dealers to finance inventories. Toyota acquires security interests in vehicles financed at wholesale. In cases where additional security interests would be required, Toyota takes dealership assets or personal assets, or both, as additional security. If a dealer defaults, Toyota has the right to liquidate any assets acquired.

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

Toyota manages the wholesale and other dealer loan receivables portfolio as one portfolio based on the risk characteristics associated with the underlying finance receivables.

Allowance for credit losses on finance receivables -

The allowance for credit losses on finance receivables is measured at the portfolio level, based on a systematic, ongoing review and evaluation performed as part of the credit risk evaluation process, historical loss

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

experience, the size and composition of the portfolios, current economic events and conditions, the estimated fair value and adequacy of collateral, forward-looking information including movements of the world economy and other pertinent factors. Furthermore, portfolios are grouped based on similarities of risk characteristics, such as product and collateral classes, when calculating expected credit losses in the aggregate.

(1) Retail receivables portfolio

With respect to retail receivables, Toyota reviews whether the credit risk on finance receivables has increased significantly. To evaluate the risk, Toyota uses the changes for the possibility of a credit loss occurring or days in arrears as an index. Toyota assesses the significant increases in credit risk when contractual payments are more than 30 days past due. When the credit risk on finance receivables has not increased significantly since initial recognition, Toyota measures the loss allowance for that finance receivables at an amount equal to 12-month expected credit losses at the reporting date.

Meanwhile, Toyota measures the loss allowance for finance receivables at an amount equal to the lifetime expected credit losses if the credit risk on that finance receivables has increased significantly since initial recognition at the reporting date. Toyota calculates the loss allowance for finance receivables at an amount equal to the lifetime expected credit losses by considering historical credit loss experience and future collectability, when there is evidence that finance receivables is credit-impaired such as a breach of contract due to default or delayed contractual payments.

In calculating expected credit losses, Toyota uses the probability of a default and the loss rate in the event of a default based on past experience and then reflects its forecasts of current and future economic conditions.

Suspension of payment over a certain period of time and or situations which contractual obligations are not being met are considered as being in default in accordance with internal management rules.

(2) Finance lease receivables portfolio

With respect to the finance lease receivables portfolio, Toyota always measures loss allowance at an amount equal to lifetime expected credit losses. Suspension of payment over a certain period of time and/or situations which contractual obligations are not being met are considered as being in default in accordance with internal management rules.

(3) Wholesale and other dealer loan receivables portfolio

With respect to the wholesale and other dealer loan receivables portfolio, receivables are sorted primarily by credit qualities based on internal risk assessments. Toyota reviews the change of the segment as an index whether the credit risk on finance receivables has increased significantly since initial recognition to assess these receivables for credit risk. Toyota assesses the significant increases in credit risk when contractual payments are more than 30 days past due. If the credit risk on finance receivables has not increased significantly since initial recognition, Toyota measures the loss allowance for that finance receivables at an amount equal to 12-month expected credit losses at the reporting date.

Meanwhile, Toyota measures the loss allowance for finance receivables at an amount equal to the lifetime expected credit losses if the credit risk on that finance receivables has increased significantly since initial recognition at the reporting date. Toyota calculates the loss allowance for finance receivables at an amount equal to the lifetime expected credit losses by considering historical credit loss experience and future collectability, when there is evidence that finance receivables are credit-impaired such as a debtor's worsened financial conditions, breach of contract due to default or delayed contractual payments.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In calculating expected credit losses, Toyota uses the probability of a default and the loss rate in the event of a default based on past experience and then reflects its forecasts of current and future economic conditions.

Suspension of payment over a certain period of time and/or situations where contractual obligations are not being met are considered as defaults in accordance with internal management rules.

Although Toyota considers the allowance for credit losses on finance receivables to be adequate based on information currently available, additional provisions may be necessary due to (i) changes in management estimates and assumptions about asset impairments, (ii) information that indicates changes in expected future cash flows, or (iii) changes in economic and other events and conditions. Future changes in the economy that impact the consumer confidence such as increasing interest rates and a rise in the unemployment rate as well as higher debt balances, coupled with deterioration in actual and expected used vehicle values, could negatively affect future operating results of the financial services operations.

Inventories -

Inventories are valued at cost, not in excess of net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated original cost and estimated selling expense to product completion. The cost of inventories includes purchase costs, conversion costs and other costs incurred in bringing the inventories to their present location and condition. The cost is determined principally by using the weighted-average method.

Property, plant and equipment -

Property, plant and equipment is measured based on the cost model and carried at its cost less accumulated depreciation and impairment losses. Expenditures relating to major renewals and improvements are capitalized; minor replacements, maintenance and repairs are charged to current operations as incurred. Depreciation of property, plant and equipment, except for land that is not subject to depreciation, is calculated on the straight-line method over the estimated useful life of the respective assets according to general class, type of structure and use. The estimated useful lives range from 2 to 65 years for buildings and from 2 to 20 years for machinery and equipment.

The depreciation method, useful lives and residual values of property, plant and equipment are reviewed annually at each fiscal year end, and adopted prospectively, if applicable.

Vehicles and equipment on operating leases to third parties are originated by dealers and acquired by certain consolidated subsidiaries. Such subsidiaries are also the lessors of certain property that they acquire directly. Vehicles and equipment on operating leases are depreciated on a straight-line method over the lease term, generally from 2 to 5 years, to the estimated residual value. Incremental direct costs incurred in connection with the acquisition of lease contracts are capitalized and amortized on a straight-line method over the lease term.

Toyota is exposed to risk of loss on the disposition of off-lease vehicles to the extent that sales proceeds are not sufficient to cover the carrying value of the leased asset at lease termination. Toyota evaluates at the end of each reporting period the estimated residual value to cover probable estimated losses related to unguaranteed residual values on its owned portfolio. The estimate is calculated considering projected vehicle return rates and projected loss severity. Factors considered in the determination of projected return rates and loss severity include historical and market information on used vehicle sales, trends in lease returns and new car markets, and general economic conditions. Toyota evaluates the foregoing factors, develops several potential loss scenarios, and evaluates the estimated residual value to determine whether it is considered adequate to cover the probable range of losses.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

By evaluating estimated residual value, Toyota reflects in depreciation the amount it considers to be appropriate in relation to the estimated losses on its owned portfolio.

Intangible assets -

Intangible assets are measured based on the cost model and carried at their cost less accumulated amortization and impairment losses.

The estimated useful lives and the amortization method of intangible assets are reviewed annually at each fiscal year end, and adopted prospectively, if appropriate.

(1) Capitalized development cost

Development expenditure for a product is capitalized only when there is a technical and commercial feasibility of completing the development, Toyota has the intention, ability and sufficient resources to use the outcome of the development, it is probable that the outcome will generate a future economic benefit, and the cost can be measured reliably.

Capitalized development cost is amortized using the straight-line method over the expected product life cycle of the developed product ranging mainly from 5 to 10 years.

(2) Other intangible assets

Other intangible assets mainly consist of software for internal use and amortized using the straight-line method over their estimated useful lives, mainly 5 years. Goodwill is not material to Toyota's consolidated statement of financial position.

Impairment of non-financial assets -

At the end of the reporting period, the carrying amount of non-financial assets other than inventories and deferred tax assets are assessed to determine whether or not there is any indication of impairment. If there is such an indication, the recoverable amount of such an asset or a cash-generating unit is estimated. An impairment loss would be recognized when the carrying amount of an asset or a cash-generating unit exceeds the estimated discounted cash flows expected to result from the use of the assets and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the carrying amount of the assets over its recoverable amount.

Leases -

At the inception of a contract, Toyota assesses whether the contract is, or contains, a lease.

(1) Lessee

Toyota recognizes a right of use asset and a lease liability at the lease commencement date. The cost of the right of use asset is measured at the amount of the initial measurement of the lease liability by adjusting any lease payments made or before the commencement date. Lease liability is initially measured at the present value of the lease payments that are not paid as of the commencement date.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

After the commencement date, Toyota applies a cost model and subsequently depreciates the right of use asset using a straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. Lease liability is measured at amortized cost using the effective interest method. In the consolidated statement of financial position, lease liability is included in short-term and long-term debt. Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability and recognized in profit or loss over the lease term.

Many lease contracts relating to land and buildings entered into by Toyota include extension options that can be exercisable by Toyota as lessee for various purposes, such as to ensure business flexibility. Toyota assesses whether it is reasonably certain to exercise an extension option, and if it assesses it to be reasonably certain, the extension option is included in the lease term.

Toyota recognizes the lease payments associated with lease terms of 12 months or less as an expense on a straight-line basis over the lease term.

(2) Lessor

With respect to lessor lease transactions, Toyota determines at the commencement of the lease whether each lease is a finance lease or operating lease.

A lease is classified as a finance lease if it transfers substantially all of the risks and rewards incidental to the ownership of an underlying asset. Otherwise leases are classified as operating leases.

Toyota recognizes the operating lease payments in profit or loss on a straight-line basis over the lease term.

Employee benefit obligations -

Toyota has both defined benefit and defined contribution plans for employees' retirement benefits.

(1) Defined benefit plan

The present value of defined benefit obligations and service cost are principally determined for each plan using the projected unit credit method. The net defined benefit liability (asset) is the present value of the defined benefit obligations less the fair value of plan assets. Current service cost and net interest on the net defined benefit liability (asset) are recognized as net income (loss) on the statement of net income.

Past service cost is recognized in profit or loss upon occurrence.

Toyota recognizes the difference arising from remeasurement of the net defined benefit liability (asset) including actuarial gains and losses in other comprehensive income when it is incurred and reclassifies it immediately to retained earnings.

(2) Defined contribution plan

For defined contribution plans, when the employees render services, the contribution payables are recognized in profit or loss.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Liabilities for quality assurance -

Toyota generally warrants its products against certain manufacturing and other defects. Provisions for product warranties are provided for specific periods of time and/or usage of the product and vary depending upon the nature of the product, the geographic location of the sale and other factors. The accrued warranty costs represent management's best estimate at the time of sale of the total costs that Toyota will incur to repair or replace product parts that fail while still under warranty. The amount of accrued estimated warranty costs is primarily based on historical experience of product failures as well as current information on repair costs. An estimate of warranty claim accrued for each fiscal year is calculated based on the estimate of warranty claim per unit. The estimate of warranty claim per unit is calculated comprehensively by dividing the actual amounts of warranty claim by the number of sales units for the fiscal year.

Toyota accrues for costs of recalls and other safety measures, as well as product warranty cost described above. Toyota generally measures such "liabilities for recalls and other safety measures" at the time of vehicle sales comprehensively by aggregate sales of various models in a certain period by geographical regions. However, when circumstances warrant, Toyota measures "liabilities for a particular recall or other safety measure" using an individual model when they are probable and reasonably estimable.

The portion of "liabilities for recalls and other safety measures" recorded in the consolidated statement of financial position is calculated comprehensively based on the "expected liability for the cost of recalls and other safety measures" in consideration of the "accumulated amount of repair cost paid". As such, this liability is evaluated every period based on new data and are adjusted as appropriate. Toyota calculates these liabilities for units sold in the current period and each of the past 10 fiscal years, and aggregates such liabilities in determining the final liability amount.

The "expected liability for the cost of recalls and other safety measures" are calculated by multiplying the "sales unit" by the "expected average repair cost per unit". The "expected average repair cost per unit" is calculated based on dividing the "accumulated amount of repair cost paid per unit" by the "pattern of payment occurrences". The "pattern of payment occurrence" represents a ratio that shows the measure of payment occurrence over 10 years based on actual payments with regard to units sold within 10 years.

Factors that may cause a difference between the amount accrued comprehensively at the time of vehicle sale and actual payment on individual recalls and other safety measures mainly include actual cost of recalls and safety measures during the period being significantly different from the accumulated amount of repair cost paid per unit (generally comprised of parts and labor) and the actual pattern of payment occurrence during the period being significantly different from the pattern of the payment occurrence in the past. Such differences are considered as part of our estimation process for future recalls and other safety measures.

Liabilities for product warranties and liabilities for recalls and other safety measures have been combined into "Liabilities for quality assurance" in the consolidated statement of financial position. Product warranty costs and costs of recalls and other safety measures are included in cost of products sold in the consolidated statement of income.

The foregoing evaluations are inherently uncertain, as they require material estimates as described above. Consequently, actual warranty costs may differ from the estimated amounts and could require additional warranty provisions. If these factors require a significant increase in Toyota's accrued estimated warranty costs, it would negatively affect future operating results of the automotive operations.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Revenue recognition -

In the automotive operations, performance obligations are considered to be satisfied when completed vehicles and parts are delivered to the agreed locations with dealers. For parts for production, it is when they are loaded on a ship or delivered to manufacturing companies. We do not have any material significant payment terms as payment is received at or shortly after the point of sale.

Toyota's sales incentive programs principally consist of cash payments to dealers calculated based on total vehicle volume or vehicle unit sales of certain models sold by a dealer during a certain period of time. Toyota accrues these incentives as revenue reductions upon the sale of a vehicle corresponding to the program by the amount determined in the related incentive program utilizing the most likely outcome method.

The sale of certain vehicles includes a contractual right, which entitles customers to free vehicle maintenance. We use an observable price to determine the stand-alone selling price for separate performance obligations or a cost plus margin approach when one is not available. Such revenues from free maintenance contracts are deferred and recognized as revenue over the period of the contract in proportion to the costs expected to be incurred in satisfying the obligations under the contract.

Revenues from the sales of vehicles under which Toyota conditionally guarantees the minimum resale value are recognized on a pro rata basis from the date of sale to the first exercise date of the guarantee in accordance with lease accounting. The underlying vehicles of these transactions are recorded as assets and are depreciated in accordance with Toyota's depreciation policy.

Interest income from financial services is recognized using the effective interest method. Revenues from operating leases are recognized on a straight-line basis over the lease term.

If the period between satisfaction of the performance obligation and receipt of consideration is expected to be within one year or less, as a practical expedient, we do not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue is recognized net of any taxes collected from customers and subsequently remitted to governmental authorities.

Income taxes -

Income tax expenses are presented as the aggregate amount of current taxes and deferred taxes.

Deferred tax assets and deferred tax liabilities are recognized for future tax consequences attributable to temporary differences between the carrying amount of assets or liabilities in the consolidated statement of financial position and the tax base of the assets or liabilities and carryforwards of unused tax losses and tax credits.

Deferred tax assets are recognized for all future deductible amounts, to the extent that it is probable that we will have sufficient profit to utilize the benefit of future deductible amounts.

Deferred tax liabilities for deductible temporary differences arising from investments in subsidiaries, associates, and interest in joint ventures are recognized in principle. However, they are not recognized when Toyota is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the assets are realized or the liabilities are settled, based on the tax rates and tax laws enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which Toyota expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

Earnings per share attributable to Toyota Motor Corporation -

Basic earnings per share attributable to Toyota Motor Corporation is calculated by dividing net income attributable to Toyota Motor Corporation by the weighted-average number of common shares outstanding with adjustment for treasury stock during the reporting period. Diluted earnings per share attributable to Toyota Motor Corporation is calculated by dividing net income attributable to Toyota Motor Corporation by the weighted-average number of common shares outstanding taking into consideration the effect of dilutive securities.

New accounting standards and interpretations not yet adopted -

None of new or revised standards and interpretations that have been issued as of the date of approval of the consolidated financial statements but have not yet been adopted by Toyota have a significant effect on the consolidated financial statements.

4. Significant accounting judgments and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates. These estimates and underlying assumptions are reviewed on a continuous basis. Changes in these accounting estimates are recognized in the period in which the estimates were revised and in any future periods affected.

Information about important estimation and judgments that have significant effects on the amounts recognized in the consolidated financial statements is as follows:

Scope of subsidiaries, associates, and joint ventures (Note 3 “Basis of consolidation”)

Intangible assets incurred by research and development (Note 3 “Intangible assets”)

Information about accounting estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, and financial statements based on IFRS is as follows:

Liabilities for quality assurance (Note 3 “Liabilities for quality assurance” and Note 24)

Allowance for credit losses on finance receivables (Note 3 “Allowance for credit losses on finance receivables” and Note 19 (2))

Impairment of non-financial assets (Note 3 “Impairment of non-financial assets” and Note 12)

Employee benefit obligations (Note 3 “Employee benefit obligations” and Note 23)

Fair value measurements (Note 21)

Recoverability of deferred tax assets (Note 3 “Income taxes” and Note 15)

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

5. Segment information

(1) Outline of reporting segments

The operating segments reported below are the segments of Toyota for which separate financial information is available and for which operating income/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance.

The major portions of Toyota's operations on a worldwide basis are derived from the Automotive and Financial services business segments. The Automotive segment designs, manufactures and distributes sedans, minivans, compact cars, SUVs, trucks and related parts and accessories. The Financial services segment consists primarily of financing and vehicle leasing operations to assist in the merchandising of Toyota's products as well as other products. The All other segment includes telecommunications and other businesses.

(2) Segment information

As of and for the year ended March 31, 2020

	Yen in millions				
	Automotive	Financial services	All other	Inter-segment Elimination/Unallocated Amount	Consolidated
Sales revenues					
Revenues from external customers	26,770,379	2,172,854	923,314	—	29,866,547
Inter-segment revenues and transfers	29,364	20,316	581,606	(631,286)	—
Total	26,799,743	2,193,170	1,504,920	(631,286)	29,866,547
Operating expenses	24,786,609	1,909,429	1,401,564	(630,287)	27,467,315
Operating income	2,013,134	283,742	103,356	(999)	2,399,232
Total assets	19,450,102	25,390,541	2,119,951	7,011,769	53,972,363
Investments accounted for using the equity method	3,810,310	65,471	283,355	138,428	4,297,564
Depreciation and amortization	821,958	739,484	33,905	—	1,595,347
Capital expenditures	1,437,932	2,061,334	68,363	14,818	3,582,448

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of and for the year ended March 31, 2021

	Yen in millions				
	Automotive	Financial services	All other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Sales revenues					
Revenues from external customers	24,597,846	2,137,195	479,553	—	27,214,594
Inter-segment revenues and transfers	53,706	25,042	572,812	(651,560)	—
Total	24,651,552	2,162,237	1,052,365	(651,560)	27,214,594
Operating expenses	23,044,391	1,666,645	967,015	(661,205)	25,016,845
Operating income	1,607,161	495,593	85,350	9,645	2,197,748
Total assets	21,412,034	28,275,239	2,720,720	9,859,147	62,267,140
Investments accounted for using the equity method	3,698,990	71,336	248,814	141,664	4,160,803
Depreciation and amortization	893,704	715,757	34,829	—	1,644,290
Capital expenditures	1,341,032	2,151,455	76,370	40,843	3,609,699

As of and for the year ended March 31, 2022

	Yen in millions				
	Automotive	Financial services	All other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Sales revenues					
Revenues from external customers	28,531,993	2,306,079	541,436	—	31,379,507
Inter-segment revenues and transfers	73,745	17,947	588,441	(680,133)	—
Total	28,605,738	2,324,026	1,129,876	(680,133)	31,379,507
Operating expenses	26,321,448	1,667,025	1,087,575	(692,237)	28,383,811
Operating income	2,284,290	657,001	42,302	12,104	2,995,697
Total assets	24,341,737	31,681,472	3,091,011	8,574,551	67,688,771
Investments accounted for using the equity method	4,354,085	79,414	258,750	145,646	4,837,895
Depreciation and amortization	1,026,834	761,801	33,245	—	1,821,880
Capital expenditures	1,422,429	2,156,339	51,200	(18,381)	3,611,587

Accounting policies applied by each segment is in conformity with those of Toyota's consolidated financial statements. Transfers between industry segments are made in accordance with terms and conditions in the ordinary course of business.

Unallocated amounts included in assets represent assets held for corporate purpose, which mainly consist of cash and cash equivalents and financial assets measured at fair value through other comprehensive income, and the balances as of March 31, 2020, 2021 and 2022 are ¥8,584,459 million, ¥11,344,879 million and ¥10,020,460 million, respectively.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(3) Consolidated Financial Statements on Non-Financial Services Businesses and Financial Services Business

The financial data below presents separately Toyota's non-financial services and financial services businesses.

(i) Consolidated Statement of Financial Position on Non-Financial Services Businesses and Financial Services Business

	Yen in millions	
	March 31, 2021	March 31, 2022
Assets		
(Non-Financial Services Businesses)		
Current assets		
Cash and cash equivalents	3,274,149	4,299,522
Trade accounts and other receivable	3,063,314	3,184,782
Other financial assets	3,778,119	2,028,649
Inventories	2,888,028	3,821,356
Other current assets	664,097	746,134
Total current assets	<u>13,667,707</u>	<u>14,080,444</u>
Non-current assets		
Property, plant and equipment	6,805,166	7,302,017
Other	14,721,626	15,769,015
Total non-current assets	<u>21,526,792</u>	<u>23,071,032</u>
Total assets	<u>35,194,499</u>	<u>37,151,476</u>
(Financial Services Business)		
Current assets		
Cash and cash equivalents	1,826,707	1,814,133
Trade accounts and other receivable	216,767	206,588
Receivables related to financial services	6,756,189	7,181,327
Other financial assets	1,021,738	1,058,620
Other current assets	198,068	221,738
Total current assets	<u>10,019,469</u>	<u>10,482,407</u>
Non-current assets		
Receivables related to financial services	12,449,525	14,583,130
Property, plant and equipment	4,605,988	5,024,625
Other	1,200,256	1,591,311
Total non-current assets	<u>18,255,770</u>	<u>21,199,065</u>
Total assets	<u>28,275,239</u>	<u>31,681,472</u>
(Elimination)		
Elimination of assets	(1,202,599)	(1,144,177)
(Consolidated)		
Total assets	<u>62,267,140</u>	<u>67,688,771</u>

Note: Assets in non-financial services include unallocated corporate assets.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions	
	March 31, 2021	March 31, 2022
Liabilities		
(Non-Financial Services Businesses)		
Current liabilities		
Trade accounts and other payables	3,801,753	4,023,857
Short-term and current portion of long-term debt	2,348,514	1,041,557
Accrued expenses	1,322,353	1,421,194
Income taxes payable	262,727	695,888
Other current liabilities	2,650,433	2,778,172
Total current liabilities	<u>10,385,779</u>	<u>9,960,668</u>
Non-current liabilities		
Long-term debt	1,523,134	1,538,884
Retirement benefit liabilities	1,015,156	1,004,558
Other non-current liabilities	1,509,535	1,830,146
Total non-current liabilities	<u>4,047,825</u>	<u>4,373,588</u>
Total liabilities	<u>14,433,605</u>	<u>14,334,256</u>
(Financial Services Business)		
Current liabilities		
Trade accounts and other payables	510,670	477,550
Short-term and current portion of long-term debt	10,286,251	10,576,910
Accrued expenses	102,200	124,088
Income taxes payable	88,153	130,927
Other current liabilities	1,002,615	1,414,606
Total current liabilities	<u>11,989,889</u>	<u>12,724,080</u>
Non-current liabilities		
Long-term debt	12,044,994	13,882,650
Retirement benefit liabilities	19,940	18,190
Other non-current liabilities	696,294	722,257
Total non-current liabilities	<u>12,761,228</u>	<u>14,623,097</u>
Total liabilities	<u>24,751,117</u>	<u>27,347,177</u>
(Elimination)		
Elimination of liabilities	(1,205,911)	(1,147,482)
(Consolidated)		
Total liabilities	<u>37,978,811</u>	<u>40,533,951</u>
Shareholders' equity		
(Consolidated) Total Toyota Motor Corporation shareholders' equity	<u>23,404,547</u>	<u>26,245,969</u>
(Consolidated) Non-controlling interests	883,782	908,851
(Consolidated) Total shareholders' equity	<u>24,288,329</u>	<u>27,154,820</u>
(Consolidated) Total liabilities and shareholders' equity	<u>62,267,140</u>	<u>67,688,771</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(ii) Consolidated Statement of Income on Non-Financial Services Businesses and Financial Services Business

	Yen in millions		
	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2022
(Non-Financial Services Businesses)			
Sales revenues	27,710,128	25,103,190	29,104,564
Cost of revenues	23,104,047	21,199,915	24,250,860
Selling, general and administrative	2,492,039	2,206,205	2,518,182
Operating income	2,114,042	1,697,070	2,335,522
Other income (loss), net	394,278	742,785	998,001
Income before income taxes	2,508,319	2,439,855	3,333,522
Income tax expense	615,546	528,413	944,594
Net income	1,892,774	1,911,442	2,388,928
Net income attributable to			
Toyota Motor Corporation	1,818,022	1,875,467	2,369,399
Non-controlling interests	74,752	35,975	19,529
(Financial Services Business)			
Sales revenues	2,193,170	2,162,237	2,324,026
Cost of revenues	1,397,344	1,202,277	1,178,509
Selling, general and administrative	512,085	464,368	488,517
Operating income	283,742	495,593	657,001
Other income (loss), net	835	(3,090)	16
Income before income taxes	284,577	492,503	657,017
Income tax expense	66,284	121,536	171,327
Net income	218,293	370,967	485,690
Net income attributable to			
Toyota Motor Corporation	218,060	369,824	480,716
Non-controlling interests	233	1,143	4,974
(Elimination)			
Elimination of net income	59	(30)	(4)
(Consolidated)			
Net income	2,111,125	2,282,378	2,874,614
Net income attributable to			
Toyota Motor Corporation	2,036,140	2,245,261	2,850,110
Non-controlling interests	74,985	37,118	24,504

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(iii) Consolidated Statement of Cash Flows on Non-Financial Services Businesses and Financial Services Business

	Yen in millions		
	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2022
(Non-Financial Services Businesses)			
Cash flows from operating activities			
Net income	1,892,774	1,911,442	2,388,928
Depreciation and amortization	855,863	928,533	1,060,079
Share of profit (loss) of investments accounted for using the equity method	(298,494)	(345,374)	(552,515)
Income tax expense	615,546	528,413	944,594
Changes in operating assets and liabilities, and other	(154,164)	(262,407)	(572,082)
Interest received	141,975	123,606	100,118
Dividends received	316,610	290,618	342,646
Interest paid	(46,217)	(35,371)	(40,780)
Income taxes paid, net of refunds	(700,528)	(505,260)	(544,887)
Net cash provided by (used in) operating activities	<u>2,623,364</u>	<u>2,634,200</u>	<u>3,126,101</u>
Cash flows from investing activities			
Additions to fixed assets excluding equipment leased to others	(1,222,821)	(1,203,662)	(1,186,900)
Additions to equipment leased to others	(163,592)	(142,217)	(151,456)
Proceeds from sales of fixed assets excluding equipment leased to others	46,765	38,575	36,219
Proceeds from sales of equipment leased to others	49,892	46,461	45,183
Additions to intangible assets	(299,253)	(271,274)	(335,436)
Additions to public and corporate bonds and stocks	(2,220,217)	(2,511,346)	(1,904,588)
Proceeds from sales of public and corporate bonds and stocks and upon maturity of public and corporate bonds	2,249,367	1,982,302	1,989,345
Other, net	(95,852)	(1,339,372)	1,856,069
Net cash provided by (used in) investing activities	<u>(1,655,711)</u>	<u>(3,400,534)</u>	<u>348,436</u>
Cash flows from financing activities			
Increase (decrease) in short-term debt	45,288	213,716	(164,899)
Proceeds from long-term debt	247,048	1,662,593	513,371
Payments of long-term debt	(163,486)	(170,373)	(1,818,653)
Dividends paid to Toyota Motor Corporation common shareholders	(618,801)	(625,514)	(709,872)
Dividends paid to non-controlling interests	(50,903)	(34,840)	(49,629)
Reissuance (repurchase) of treasury stock	(476,128)	199,884	(404,718)
Net cash provided by (used in) financing activities	<u>(1,016,982)</u>	<u>1,245,465</u>	<u>(2,634,401)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(86,553)</u>	<u>112,588</u>	<u>185,237</u>
Net increase (decrease) in cash and cash equivalents	<u>(135,882)</u>	<u>591,719</u>	<u>1,025,373</u>
Cash and cash equivalents at beginning of year	<u>2,818,313</u>	<u>2,682,431</u>	<u>3,274,149</u>
Cash and cash equivalents at end of year	<u><u>2,682,431</u></u>	<u><u>3,274,149</u></u>	<u><u>4,299,522</u></u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions		
	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2022
(Financial Services Business)			
Cash flows from operating activities			
Net income	218,293	370,967	485,690
Depreciation and amortization	739,484	715,757	761,801
Interest income and interest costs related to financial services, net	(200,727)	(241,016)	(360,837)
Share of profit (loss) of investments accounted for using the equity method	(11,753)	(5,655)	(7,831)
Income tax expense	66,284	121,536	171,327
Changes in operating assets and liabilities, and other	(1,081,707)	(780,798)	(623,051)
Interest received	664,167	661,272	742,364
Dividends received	1,799	3,901	4,740
Interest paid	(467,774)	(431,939)	(384,006)
Income taxes paid, net of refunds	(76,994)	(304,856)	(264,876)
Net cash provided by (used in) operating activities	(148,928)	109,168	525,321
Cash flows from investing activities			
Additions to fixed assets excluding equipment leased to others	(23,472)	(10,240)	(10,366)
Additions to equipment leased to others	(2,031,699)	(2,133,378)	(2,135,437)
Proceeds from sales of fixed assets excluding equipment leased to others	1,184	1,967	1,530
Proceeds from sales of equipment leased to others	1,341,301	1,325,238	1,496,949
Additions to intangible assets	(5,739)	(7,173)	(10,650)
Additions to public and corporate bonds and stocks	(185,120)	(217,825)	(523,323)
Proceeds from sales of public and corporate bonds and stocks and upon maturity of public and corporate bonds	126,281	79,616	213,291
Other, net	(22,213)	(35,893)	113,635
Net cash provided by (used in) investing activities	(799,477)	(997,688)	(854,370)
Cash flows from financing activities			
Increase (decrease) in short-term debt	514,196	(1,517,259)	(488,495)
Proceeds from long-term debt	5,458,616	8,043,141	7,800,854
Payments of long-term debt	(4,334,374)	(5,332,573)	(7,142,750)
Dividends paid to non-controlling interests	(4,052)	(1,757)	(2,094)
Net cash provided by (used in) financing activities	1,634,387	1,191,551	167,516
Effect of exchange rate changes on cash and cash equivalents	(54,454)	107,657	148,958
Net increase (decrease) in cash and cash equivalents	631,527	410,688	(12,575)
Cash and cash equivalents at beginning of year	784,492	1,416,020	1,826,707
Cash and cash equivalents at end of year	1,416,020	1,826,707	1,814,133
(Consolidated)			
Effect of exchange rate changes on cash and cash equivalents	(141,007)	220,245	334,195
Net increase (decrease) in cash and cash equivalents	495,645	1,002,406	1,012,798
Cash and cash equivalents at beginning of year	3,602,805	4,098,450	5,100,857
Cash and cash equivalents at end of year	4,098,450	5,100,857	6,113,655

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(4) Geographic information

As of and for the year ended March 31, 2020

	Yen in millions						
	Japan	North America	Europe	Asia	Other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Sales revenues							
Revenues from external customers	9,503,238	10,419,869	3,133,227	4,785,489	2,024,724	—	29,866,547
Inter-segment revenues and transfers	6,938,614	222,165	222,130	507,741	89,387	(7,980,038)	—
Total	16,441,852	10,642,034	3,355,357	5,293,231	2,114,111	(7,980,038)	29,866,547
Operating expenses	14,856,576	10,388,830	3,211,540	4,929,684	2,030,110	(7,949,425)	27,467,315
Operating income	1,585,276	253,205	143,817	363,547	84,001	(30,613)	2,399,232
Total assets	18,221,453	18,579,078	4,264,022	5,307,513	2,881,536	4,718,761	53,972,363
Non-current assets	4,697,388	5,517,466	570,563	708,066	428,707	—	11,922,190

As of and for the year ended March 31, 2021

	Yen in millions						
	Japan	North America	Europe	Asia	Other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Sales revenues							
Revenues from external customers	8,587,193	9,325,950	2,968,289	4,555,897	1,777,266	—	27,214,594
Inter-segment revenues and transfers	6,361,739	165,853	166,200	489,398	95,630	(7,278,820)	—
Total	14,948,931	9,491,803	3,134,489	5,045,295	1,872,895	(7,278,820)	27,214,594
Operating expenses	13,799,715	9,090,442	3,026,518	4,609,354	1,813,048	(7,322,232)	25,016,845
Operating income	1,149,217	401,361	107,971	435,940	59,847	43,413	2,197,748
Total assets	19,674,666	20,138,715	5,074,409	6,548,343	3,469,635	7,361,372	62,267,140
Non-current assets	5,232,862	5,705,770	751,245	896,542	461,723	—	13,048,143

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of and for the year ended March 31, 2022

	Yen in millions					Inter-segment Elimination/ Unallocated Amount	Consolidated
	Japan	North America	Europe	Asia	Other		
Sales revenues							
Revenues from external customers	8,214,740	10,897,946	3,692,214	5,778,115	2,796,493	—	31,379,507
Inter-segment revenues and transfers	7,776,696	268,534	175,633	752,452	131,690	(9,105,004)	—
Total	15,991,436	11,166,479	3,867,847	6,530,566	2,928,183	(9,105,004)	31,379,507
Operating expenses	14,567,991	10,600,695	3,704,874	5,858,216	2,690,014	(9,037,980)	28,383,811
Operating income	1,423,445	565,784	162,973	672,350	238,169	(67,024)	2,995,697
Total assets	21,502,155	23,353,812	5,711,271	7,461,812	4,309,248	5,350,474	67,688,771
Non-current assets	5,501,046	6,251,499	891,146	977,235	537,631	—	14,158,559

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

Non-current assets do not include financial instruments, deferred tax assets, net defined benefit assets and rights arising under insurance contracts.

The above amounts are aggregated by region based on the location of the country where TMC or consolidated subsidiaries are located. Transfers between geographic areas are made in accordance with terms and conditions in the ordinary course of business.

Unallocated amounts included in assets represent assets held for corporate purpose, which mainly consist of cash and cash equivalents and financial assets measured at fair value through other comprehensive income, and the balances as March 31, 2020, 2021 and 2022 are ¥8,584,459 million, ¥11,344,879 million and ¥10,020,460 million, respectively.

(5) Sales revenues by location of external customers

In addition to the disclosure requirements under IFRS, Toyota discloses this information in order to provide financial statements users with valuable information.

	Yen in millions		
	For the years ended March 31,		
	2020	2021	2022
Japan	7,229,849	6,820,590	6,425,184
North America	10,546,655	9,437,314	10,953,472
Europe	2,932,324	2,734,152	3,495,785
Asia	5,217,857	5,057,397	6,017,646
Other	3,939,863	3,165,141	4,487,420
Total	29,866,547	27,214,594	31,379,507

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

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

6. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	Yen in millions	
	March 31,	
	2021	2022
Cash and deposits	3,346,401	4,630,882
Negotiable certificate of deposit and other	1,754,456	1,482,773
Total	<u>5,100,857</u>	<u>6,113,655</u>

7. Trade accounts and other receivables

Trade accounts and other receivables consist of the following:

	Yen in millions	
	March 31,	
	2021	2022
Accounts and notes receivables	2,301,976	2,466,398
Other receivables	688,352	716,558
Allowance for doubtful accounts	(31,586)	(40,124)
Total	<u>2,958,742</u>	<u>3,142,832</u>

Trade accounts and other receivables which are unconditional rights to considerations are classified as financial assets measured at amortized cost.

The changes in the allowance for doubtful accounts consist of the following:

	Yen in millions	
	For the years ended March 31,	
	2021	2022
Allowance for doubtful accounts at beginning of year	90,266	97,378
Provision for doubtful accounts, net of reversal	7,780	10,649
Write-offs	(3,112)	(1,239)
Other	2,444	4,005
Allowance for doubtful accounts at end of year	<u>97,378</u>	<u>110,793</u>

“Other” includes currency translation adjustments.

A portion of the allowance for doubtful accounts is attributed to certain non-current receivable balances which are reported as other financial assets under non-current assets.

[Table of Contents](#)

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

8. Finance receivables

Finance receivables consist of the following:

	Yen in millions	
	March 31,	
	2021	2022
Retail	15,048,433	17,647,440
Finance leases	2,031,280	2,347,941
Wholesale and other dealer loans	3,185,484	2,904,216
Total	20,265,197	22,899,597
Deferred origination costs	270,406	328,792
Less - Unearned income	(1,068,587)	(1,172,007)
Less - Allowance for credit losses		
Retail	(198,204)	(230,104)
Finance leases	(33,455)	(36,985)
Wholesale and other dealer loans	(29,642)	(24,836)
Total finance receivables, net	19,205,715	21,764,457
Current assets	6,756,189	7,181,327
Non-current assets	12,449,525	14,583,130
Total finance receivables, net	19,205,715	21,764,457

Finance receivables were geographically distributed as follows: in North America 54.6%, in Europe 13.2%, in Asia 13.5%, in Japan 8.3% and in Other 10.4% as of March 31, 2021, and in North America 55.0%, in Europe 13.3%, in Asia 12.9%, in Japan 7.3% and in Other 11.5% as of March 31, 2022.

Finance receivables are classified as financial assets measured at amortized cost.

The contractual maturity of retail receivables, future lease payments for finance leases receivables, wholesale receivables and other dealer loans are as follows:

	Yen in millions		
	March 31, 2021		
	Retail	Finance leases	Wholesale and other dealer loans
Within 1 year	4,196,724	540,759	1,995,544
Between 1 and 2 years	3,482,932	415,673	348,787
Between 2 and 3 years	2,906,322	303,166	231,969
Between 3 and 4 years	2,235,116	171,142	137,331
Between 4 and 5 years	1,404,273	69,241	145,817
Later than 5 years	823,066	11,597	326,037
Total	15,048,433	1,511,577	3,185,484

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions		
	March 31, 2022		
	Retail	Finance leases	Wholesale and other dealer loans
Within 1 year	5,276,853	639,493	1,640,995
Between 1 and 2 years	3,988,650	482,368	319,847
Between 2 and 3 years	3,338,910	367,680	240,727
Between 3 and 4 years	2,546,568	198,789	161,717
Between 4 and 5 years	1,487,397	68,092	133,286
Later than 5 years	1,009,062	14,680	407,643
Total	17,647,440	1,771,102	2,904,216

Finance leases receivables consist of the following:

	Yen in millions	
	March 31,	
	2021	2022
Lease payments	1,511,577	1,771,102
Estimated unguaranteed residual values	519,703	576,839
Total	2,031,280	2,347,941
Deferred origination costs	13,701	15,807
Less - Unearned income	(169,098)	(190,954)
Less - Allowance for credit losses	(33,455)	(36,985)
Finance leases receivables, net	1,842,429	2,135,809

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

9. Other financial assets

Other financial assets consist of the following:

	Yen in millions	
	March 31,	
	2021	2022
Financial assets measured at amortized cost		
Time deposits	2,566,221	505,695
Other	554,997	680,199
Financial assets measured at fair value through profit or loss		
Public and corporate bonds	59,600	159,186
Stocks	317,101	149,890
Derivatives	282,364	419,173
Other	489,824	465,801
Financial assets measured at fair value through other comprehensive income		
Public and corporate bonds	6,075,498	6,302,719
Stocks	2,945,780	3,332,209
Other	7,986	9,644
Total	<u>13,299,371</u>	<u>12,024,515</u>
Current assets	4,215,457	2,507,248
Non-current assets	<u>9,083,914</u>	<u>9,517,267</u>
Total	<u>13,299,371</u>	<u>12,024,515</u>

Toyota has certain financial instruments, including financial assets and liabilities which arose in the normal course of business. These financial instruments are executed with creditworthy financial institutions, and virtually all foreign currency contracts are denominated in U.S. dollars, euros and other currencies of major developed countries. Financial instruments involve, to varying degrees, market risk as instruments are subject to price fluctuations, and elements of credit risk in the event a counterparty should default. In the unlikely event the counterparties fail to meet the contractual terms of a foreign currency or an interest rate instrument, Toyota's risk is limited to the fair value of the instrument. Although Toyota may be exposed to losses in the event of non-performance by counterparties on financial instruments, it does not anticipate significant losses due to the nature of its counterparties. Counterparties to Toyota's financial instruments represent, in general, international financial institutions. Additionally, Toyota does not have a significant exposure to any individual counterparty. Toyota believes that the overall credit risk related to its financial instruments is not significant.

Public and corporate bonds included in financial assets measured at fair value through other comprehensive income include securities loaned of ¥1,757,903 million and ¥2,198,396 million as of March 31, 2021 and 2022, respectively.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Major securities included in stocks measured at fair value through other comprehensive income as of March 31, 2021 and 2022 are as follows:

Issue	Yen in millions	
	March 31,	
	2021	2022
KDDI CORPORATION	1,075,517	1,268,762
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	229,564	286,385
MS&AD Insurance Group Holdings, Inc.	173,171	209,318
HO TAI MOTOR CO., LTD.	126,049	142,002
Mitsubishi UFJ Financial Group, Inc.	105,256	134,248

To facilitate the efficient and effective utilization of assets, Toyota derecognizes stocks measured at fair value through other comprehensive income by way of sale. Fair value and total accumulated other comprehensive income at derecognition are as follows:

	Yen in millions	
	For the years ended March 31,	
	2021	2022
Total fair value	40,903	66,906
Accumulated other comprehensive income, net	17,323	27,861

10. Inventories

Inventories consist of the following:

	Yen in millions	
	March 31,	
	2021	2022
Products	1,749,415	2,012,243
Work in process	350,308	547,810
Raw materials	644,779	1,107,558
Supplies and other	143,526	153,745
Total	2,888,028	3,821,356

11. Investments accounted for using the equity method

Equity in associates and joint ventures is as follows:

	Yen in millions	
	March 31,	
	2021	2022
Associates	3,467,503	3,926,267
Joint ventures	693,300	911,628
Total	4,160,803	4,837,895

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The combined information of investments accounted for using the equity method (total value of TMC's interests) is as follows:

	Yen in millions		
	For the years ended March 31,		
	2020	2021	2022
Net income			
Associates	195,569	190,998	324,480
Joint ventures	114,678	160,031	235,866
Total	310,247	351,029	560,346
Other comprehensive income, net of tax			
Associates	42,904	50,143	241,264
Joint ventures	(15,589)	38,501	66,187
Total	27,315	88,644	307,451
Comprehensive income			
Associates	238,473	241,141	565,744
Joint ventures	99,089	198,532	302,053
Total	337,562	439,673	867,798

12. Property, plant and equipment

The changes in cost and accumulated depreciation and impairment losses are as follows:

(Cost)

	Yen in millions					
	Land	Buildings	Machinery and equipment	Vehicles and equipment on operating leases	Construction in progress	Total
Balance as of April 1, 2020	1,318,964	4,741,451	11,979,449	5,928,833	517,460	24,486,156
Additions	22,720	90,363	414,934	2,281,434	639,205	3,448,655
Sales or disposal	(13,005)	(36,586)	(472,197)	(2,163,259)	(4,846)	(2,689,893)
Reclassification from construction in progress	6,890	101,216	485,705	537	(594,347)	—
Foreign currency translation adjustments	13,448	57,952	262,808	180,976	20,493	535,677
Other	(3,979)	44,811	83,252	(24,799)	97,910	197,195
Balance as of March 31, 2021	1,345,037	4,999,206	12,753,951	6,203,721	675,875	25,977,791
Additions	9,106	88,543	481,916	2,293,189	629,786	3,502,541
Sales or disposal	(8,901)	(57,743)	(540,775)	(2,334,129)	(3,639)	(2,945,187)
Reclassification from construction in progress	2,310	105,581	630,896	449	(739,235)	—
Foreign currency translation adjustments	15,008	138,047	642,984	594,933	30,756	1,421,728
Other	(769)	10,985	13,390	23,065	(28,014)	18,657
Balance as of March 31, 2022	1,361,791	5,284,620	13,982,362	6,781,229	565,528	27,975,530

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Accumulated depreciation and impairment losses)

	Yen in millions					Total
	Land	Buildings	Machinery and equipment	Vehicles and equipment on operating leases	Construction in progress	
Balance as of April 1, 2020	(4,058)	(3,054,551)	(9,505,895)	(1,386,459)	(1,178)	(13,952,141)
Depreciation	—	(118,975)	(673,612)	(770,354)	—	(1,562,940)
Impairment losses	—	—	—	—	(70)	(70)
Sales or disposal	12	24,717	443,307	748,189	—	1,216,226
Foreign currency translation adjustments	(240)	(34,630)	(204,607)	(39,880)	(50)	(279,408)
Other	(211)	(6,299)	(64,468)	81,587	1,085	11,695
Balance as of March 31, 2021	(4,497)	(3,189,737)	(10,005,275)	(1,366,916)	(213)	(14,566,638)
Depreciation	—	(121,431)	(788,685)	(817,171)	—	(1,727,287)
Impairment losses	—	(2,527)	(5,177)	—	—	(7,705)
Sales or disposal	30	48,646	507,396	799,186	—	1,355,259
Foreign currency translation adjustments	(351)	(79,026)	(461,159)	(115,693)	(24)	(656,252)
Other	(1,562)	(31,522)	(10,054)	(3,073)	(55)	(46,266)
Balance as of March 31, 2022	(6,379)	(3,375,598)	(10,762,953)	(1,503,668)	(292)	(15,648,890)

Depreciation on “Property, plant and equipment” is included in “Cost of products sold” and “Selling, general and administrative” in the consolidated statement of income.

Vehicles and equipment on operating leases consist of the following:

	Yen in millions	
	March 31,	
	2021	2022
Vehicles	6,190,558	6,766,590
Equipment	13,164	14,639
	6,203,721	6,781,229
Less - Accumulated depreciation	(1,366,916)	(1,503,668)
Vehicles and equipment on operating leases, net	4,836,805	5,277,561

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Future expenses from vehicles and equipment on operating leases are due in installments and rental income separated is as follows:

	Yen in millions	
	March 31,	
	2021	2022
Within 1 year	857,997	932,882
Between 1 and 2 years	583,059	641,683
Between 2 and 3 years	282,477	280,646
Between 3 and 4 years	55,838	75,915
Between 4 and 5 years	18,873	21,772
Later than 5 years	5,706	9,801
Total future rentals	1,803,950	1,962,699

The future rental income as shown above should not be considered indicative of future cash collections.

13. Right of use assets and lease liabilities

The breakdown of right of use assets is as follows:

	Yen in millions	
	March 31,	
	2021	2022
Types of original assets		
Land	46,868	67,927
Buildings	285,602	305,533
Other	57,674	74,952
Total	390,144	448,412

The increase in the right of use assets for the years ended on March 31, 2021 and 2022 were ¥114,394 million and ¥110,996 million, respectively.

The breakdown of main gains and losses on lessee's leases is as follows:

	Yen in millions	
	March 31,	
	2021	2022
Depreciation of right of use assets		
Land	7,277	8,660
Buildings	45,852	56,262
Other	22,307	26,293
Total	75,436	91,214
Interest expense on lease liabilities	4,118	4,074
Short-term leases	84,821	90,568
	164,375	185,856

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the years ended March 31, 2021 and 2022, the total cash outflows for lessee leases were ¥133,698 million and ¥149,521 million, respectively.

The following is the maturity analysis of the total future lease payments and the adjustment to the present value:

	Yen in millions	
	March 31,	
	2021	2022
Within 1 year	52,983	61,735
Between 1 and 5 years	130,917	146,452
Later than 5 years	219,857	258,474
Future lease payment, total	403,757	466,661
Less - Interest expense	(42,866)	(45,733)
Present value of lease payment, total	360,891	420,928
Current liabilities	47,120	56,136
Non-current liabilities	313,771	364,792
Present value of lease payment, total	360,891	420,928

14. Intangible assets

The carrying value of intangible assets is as follows:

	Yen in millions	
	March 31,	
	2021	2022
Capitalized development costs	631,176	663,762
Software and other	477,458	528,204
Total	1,108,634	1,191,966

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The changes in cost, accumulated amortization and impairment losses of intangible assets are as follows:

(Cost)

	Yen in millions		
	Capitalized development costs	Software and other	Total
Balance as of April 1, 2020	991,675	600,716	1,592,391
Additions	—	62,423	62,423
Internally developed	158,246	59,061	217,307
Sales or disposal	(45,779)	(57,047)	(102,825)
Foreign currency translation adjustments	—	6,305	6,305
Other	—	56,416	56,416
Balance as of March 31, 2021	1,104,142	727,874	1,832,016
Additions	—	41,616	41,616
Internally developed	200,512	86,342	286,853
Sales or disposal	(163,419)	(60,981)	(224,400)
Foreign currency translation adjustments	—	25,333	25,333
Other	—	7,048	7,048
Balance as of March 31, 2022	1,141,234	827,232	1,968,466

(Accumulated amortization and impairment losses)

	Yen in millions		
	Capitalized development costs	Software and other	Total
Balance as of April 1, 2020	(366,202)	(225,932)	(592,134)
Amortization	(152,542)	(81,350)	(233,892)
Impairment losses	—	—	—
Sales or disposal	45,779	55,354	101,132
Foreign currency translation adjustments	—	(2,818)	(2,818)
Other	—	4,330	4,330
Balance as of March 31, 2021	(472,966)	(250,417)	(723,382)
Amortization	(167,926)	(94,593)	(262,518)
Impairment losses	—	—	—
Sales or disposal	163,419	60,375	223,794
Foreign currency translation adjustments	—	(13,570)	(13,570)
Other	—	(823)	(823)
Balance as of March 31, 2022	(477,472)	(299,028)	(776,500)

Amortization of intangible assets is included in “Cost of products sold” and “Selling, general and administrative” in the consolidated statement of income. There is no material internally generated intangible assets except for capitalized development costs.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

15. Income taxes

(1) Deferred tax assets and liabilities

Significant components of deferred tax assets and liabilities are as follows:

	Yen in millions March 31,	
	2021	2022
Deferred tax assets		
Defined benefit plan liabilities	172,237	141,186
Accrued expenses and liabilities for quality assurance	623,247	613,101
Other accrued employees' compensation	127,339	128,461
Operating loss carryforwards for tax purposes	14,263	64,740
Allowance for doubtful accounts and credit losses	82,467	85,289
Property, plant and equipment and other assets	224,933	210,238
Other	400,000	491,167
Total deferred tax assets	1,644,486	1,734,181
Deferred tax liabilities		
Changes in fair value of financial instruments measured in other comprehensive income	(661,221)	(725,242)
Undistributed earnings of foreign subsidiaries	(18,539)	(51,888)
Undistributed earnings of associates and joint ventures	(902,680)	(1,026,027)
Basis difference of acquired assets	(48,371)	(63,189)
Capitalized development costs	(195,033)	(204,741)
Lease transactions	(533,167)	(468,894)
Other	(196,470)	(206,791)
Total deferred tax liabilities	(2,555,481)	(2,746,773)
Net deferred tax assets and liabilities	(910,996)	(1,012,592)

Of the changes in deferred tax assets and deferred tax liabilities for the years ended March 31, 2020, 2021 and 2022, the amount recognized as income tax expense in the consolidated statement of income is as follows:

	Yen in millions For the years ended March 31,		
	2020	2021	2022
Defined benefit plan liabilities	16,927	12,473	4,203
Accrued expenses and liabilities for quality assurance	(18,676)	(18,256)	(40,761)
Other accrued employees' compensation	4,557	3,125	(968)
Operating loss carryforwards for tax purposes	(295,656)	1,265	38,119
Allowance for doubtful accounts and credit losses	19,293	6,042	(4,902)
Property, plant and equipment and other assets	(76,680)	4,468	(9,795)
Undistributed earnings of foreign subsidiaries	1,290	6,144	(33,349)
Undistributed earnings of associates and joint ventures	(33,008)	47,840	(71,405)
Basis difference of acquired assets	(10,033)	(18,302)	(11,270)
Capitalized development costs	(4,434)	(1,762)	(9,708)
Lease transactions	286,869	209,972	103,098
Other	(83,216)	23,104	111,603
Total	(192,767)	276,113	74,864

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset is recognized in the statement of financial position:

	Yen in millions	
	March 31,	
	2021	2022
Deductible temporary difference	250,670	709,204
Carryforwards of tax losses	379,566	518,385
Carryforwards of tax credit	34,800	46,306
Total	<u>665,037</u>	<u>1,273,894</u>

The expected expiration date of the carryforwards of tax losses for which deferred tax assets are not recognized are as follows:

	Yen in millions	
	March 31,	
	2021	2022
Within 5 years	13,597	4,049
Between 5 and 10 years	20,475	136,666
Later than 10 years	345,493	377,670
Total	<u>379,566</u>	<u>518,385</u>

The expected expiration date of the carryforwards of tax credit for which deferred tax assets are not recognized are as follows:

	Yen in millions	
	March 31,	
	2021	2022
Within 5 years	5,097	8,654
Between 5 and 10 years	2,340	9,865
Later than 10 years	27,363	27,787
Total	<u>34,800</u>	<u>46,306</u>

Of the temporary differences in investments in foreign subsidiaries, because management intends to reinvest undistributed earnings of foreign subsidiaries to the extent not expected to be remitted in the foreseeable future, no deferred tax liability is recognized. As of March 31, 2021 and 2022, the temporary differences totaled ¥4,362,133 million and ¥4,799,506 million, respectively, and Toyota estimates an additional deferred tax liability of ¥202,533 million and ¥203,229 million would be required, respectively, if the full amount of those undistributed earnings were remitted.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(2) Income tax expenses

The income tax expense for the years ended March 31, 2020, 2021 and 2022 consists of the following:

	Yen in millions		
	For the years ended March 31,		
	2020	2021	2022
Current income tax expense:			
TMC and domestic subsidiaries	484,667	403,230	672,077
Foreign subsidiaries	4,383	522,859	518,705
Total current	489,050	926,089	1,190,782
Deferred income tax expense (benefit):			
TMC and domestic subsidiaries	95,270	(23,792)	42,131
Foreign subsidiaries	97,498	(252,321)	(116,995)
Total deferred	192,767	(276,113)	(74,864)
Total income tax expense	681,817	649,976	1,115,918

Toyota is subject to a number of different income taxes which, in the aggregate, indicate a statutory rate in Japan of approximately 30.9% for the years ended March 31, 2020, 2021 and 2022. The statutory tax rates in effect for the year in which the temporary differences are expected to reverse are used to calculate the tax effects of temporary differences which are expected to reverse in future years. Reconciliation of the differences between the statutory tax rate and the average effective tax rate is as follows:

	For the years ended March 31,		
	2020	2021	2022
Statutory tax rate	30.9%	30.9%	30.9%
Increase (reduction) in taxes resulting from:			
Non-deductible expenses	0.4	0.5	0.6
Tax-exempt income	(0.5)	(0.4)	(0.3)
Deferred tax liabilities on undistributed earnings of foreign subsidiaries	0.9	0.6	1.3
Effects of investments accounted for using the equity method	(3.4)	(3.7)	(4.3)
Deferred tax liabilities on undistributed earnings of associates and joint ventures	2.1	(0.2)	2.6
Change in unrecognized deferred tax assets	0.9	0.7	3.7
Tax credits	(4.5)	(3.2)	(2.7)
The difference between the statutory tax rate in Japan and that of foreign subsidiaries	(2.4)	(3.5)	(3.1)
Unrecognized tax benefits adjustments	(0.4)	(0.2)	(0.3)
Other	0.3	0.6	(0.3)
Average effective tax rate	24.4%	22.2%	28.0%

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

16. Trade accounts and other payables

Trade accounts and other payables consists of the following:

	Yen in millions	
	March 31,	
	2021	2022
Accounts and notes payables	2,953,716	3,168,084
Other payables	1,092,223	1,124,008
Total	4,045,939	4,292,092

Trade accounts and other payables are classified as financial liabilities measured at amortized cost.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

17. Financial liabilities

(1) Financial liabilities

Financial liabilities consist of the following:

	Yen in millions							As of March 31, 2021
	As of April 1, 2020	Cash flow	Acquisitions	Reclassification	Non-cash changes Changes in foreign currency exchange rates	Changes in fair value	Other	
Current liabilities								
Short-term debt	5,295,448	(1,038,438)	—	—	220,056	—	(137,175)	4,339,890
Current portion of long-term debt	4,568,140	(5,371,616)	—	8,421,718	—	—	(33,905)	7,584,337
Current portion of long-term lease liabilities	43,166	(44,760)	—	30,299	991	—	17,424	47,120
Class share	—	—	—	240,712	—	—	—	240,712
Current liabilities	9,906,755	(6,454,814)	—	8,692,730	221,047	—	(153,657)	12,212,060
Non-current liabilities								
Long-term debt	10,669,599	9,914,667	—	(8,421,718)	963,179	—	8,076	13,133,804
Long-term lease liabilities	265,879	—	114,394	(30,299)	4,266	—	(40,468)	313,771
Class share	498,740	(258,451)	—	(240,712)	—	—	424	—
Non-current liabilities	11,434,219	9,656,216	114,394	(8,692,730)	967,445	—	(31,968)	13,447,575
Total	21,340,973	3,201,402	114,394	—	1,188,491	—	(185,625)	25,659,635
Derivatives	182,726	(44,563)	—	—	55	(135,007)	—	3,211

	Yen in millions							As of March 31, 2022
	As of April 1, 2021	Cash flow	Acquisitions	Reclassification	Non-cash changes Changes in foreign currency exchange rates	Changes in fair value	Other	
Current liabilities								
Short-term debt	4,339,890	(579,216)	—	—	334,639	—	9,544	4,104,858
Current portion of long-term debt	7,584,337	(8,548,156)	—	7,410,991	572,070	—	7,604	7,026,845
Current portion of long-term lease liabilities	47,120	(54,879)	—	34,071	2,192	—	27,632	56,136
Class share	240,712	(240,630)	—	—	—	—	(83)	—
Current liabilities	12,212,060	(9,422,881)	—	7,445,062	908,902	—	44,697	11,187,839
Non-current liabilities								
Long-term debt	13,133,804	8,122,678	—	(7,410,991)	1,095,463	—	2,773	14,943,727
Long-term lease liabilities	313,771	—	110,996	(34,071)	14,203	—	(40,107)	364,792
Class share	—	—	—	—	—	—	—	—
Non-current liabilities	13,447,575	8,122,678	110,996	(7,445,062)	1,109,666	—	(37,334)	15,308,519
Total	25,659,635	(1,300,203)	110,996	—	2,018,568	—	7,363	26,496,358
Derivatives	3,211	(12,026)	—	—	689	15,348	—	7,221

Short-term and long-term debt is classified as financial liabilities measured at amortized cost.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(2) Short-term debt

The breakdown of “Short-term debt” is as follows:

		Yen in millions	
		March 31,	
		2021	2022
Short-term debt			
(Principally from bank)			
[Weighted average interest rate			
2021	1.37%		
2022	1.64%]	1,109,904	852,301
Commercial paper			
[Weighted average interest rate			
2021	0.16%		
2022	0.38%]	3,229,986	3,252,556
		4,339,890	4,104,858

(3) Long-term debt

The breakdown of “Long-term debt” is as follows:

		Yen in millions	
		March 31,	
		2021	2022
Unsecured loans			
(Principally from bank)			
2021			
Weighted average interest 1.40%			
Due 2021 to 2042			
2022			
Weighted average interest 1.83%			
Due 2022 to 2042]		5,582,426	4,990,165
Secured loans			
(Principally financial receivables securitization)			
2021			
Weighted average interest 1.25%			
Due 2021 to 2034			
2022			
Weighted average interest 1.02%			
Due 2022 to 2034]		3,233,353	3,902,766
Medium-term notes of consolidated subsidiaries			
2021			
Weighted average interest 1.56%			
Due 2021 to 2048			
2022			
Weighted average interest 1.45%			
Due 2022 to 2048]		9,209,453	10,257,689

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

		Yen in millions	
		March 31,	
		2021	2022
Unsecured bonds of the parent			
2021			
Weighted average interest 1.40%			
Due 2021 to 2037			
2022			
Weighted average interest 1.32%			
Due 2022 to 2037]		1,161,938	1,123,145
Unsecured bonds of consolidated subsidiaries			
2021			
Weighted average interest 1.57%			
Due 2021 to 2028			
2022			
Weighted average interest 1.99%			
Due 2022 to 2028]		1,495,976	1,664,634
Secured bonds of consolidated subsidiaries			
2021			
Weighted average interest 6.34%			
Due 2022 to 2024			
2022			
Weighted average interest 5.81%			
Due 2022 to 2024]		34,996	32,174
		20,718,142	21,970,573
Less - Current portion due within one year		(7,584,337)	(7,026,845)
		<u>13,133,804</u>	<u>14,943,727</u>

As of March 31, 2021 and 2022, the currencies of long-term debt are 49% and 52% in US dollars, 16% and 11% in Japanese yen, 12% and 13% in Euros, 6% and 6% in Australian dollars, 3% and 4% in Canadian dollars, 14% and 14% in other currencies.

(4) Assets pledged as collateral

The breakdown of assets pledged as collateral mainly for loans of consolidated subsidiaries is as follows:

		Yen in millions	
		March 31,	
		2021	2022
Property, plant and equipment		754,132	1,474,647
Other assets		3,278,448	3,582,826
Total		<u>4,032,580</u>	<u>5,057,473</u>

Other assets principally consist of securitized finance receivables.

Standard agreements with certain banks include provisions that collateral (including sums on deposit with such banks) or guarantees will be furnished upon the banks' request and that any collateral furnished, pursuant to such agreements or otherwise, will be applicable to all present or future indebtedness to such banks.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(5) Interest expenses

The interest expenses for the fiscal year ended March 31, 2021 and 2022 are ¥471,505 million and ¥410,197 million, respectively. Interest expenses related to the financial business is included in “cost of financial services” in the consolidated statement of income.

(6) Class shares

TMC issued First Series Model AA Class Shares (the “Model AA Class Shares”) on July 24, 2015. Presented below is additional information regarding the Model AA Class Shares:

Total number of shares issued	: 47,100,000 shares
Issue price	: 10,598 yen per share
Purchase price	: 10,121.09 yen per share
Voting rights	: Model AA Class Shares shall have voting rights. The number of shares constituting one unit with respect to Model AA Class Shares shall be 100.
Restrictions on transfer	: Model AA Class Shares shall have restrictions on transfer.
Dividends	: (1) If the record date falls in the fiscal year ending on March 31, 2016 : 0.5% of the issue price (2) If the record date falls in the fiscal year ending on March 31, 2017 through March 31, 2020 : the annual dividend rate for the previous fiscal year plus 0.5% of the issue price (3) If the record date falls in the fiscal year ending on March 31, 2021 or later : 2.5% of the issue price
Shareholder’s right	: (1) Shareholder’s conversion right into Common Shares Shareholders of the Model AA Class Shares may demand TMC to acquire all or a part of their Model AA Class Shares in exchange for Common Shares on the first business day of April and October of every year, starting October 1, 2020. (2) Shareholder’s cash put option Shareholders of the Model AA Class Shares may demand TMC to acquire all or a part of their Model AA Class Shares in exchange for cash on the last business day of March, June, September and December of each year, starting on September 1, 2020.
TMC’s right	: TMC may acquire, on or after April 2, 2021, all of the outstanding Model AA Class Shares in exchange for cash. At the Directors’ Meeting held on December 14, 2020, TMC has resolved to exercise its cash call option to acquire all outstanding Model AA Class Shares and, subject to such acquisition, to cancel all Model AA Class Shares pursuant to Article 178 of the Companies Act of Japan. The acquisition took place on April 2, 2021, and the cancellation was completed on April 3, 2021.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

18. Other financial liabilities

Other financial liabilities consist of the following:

	Yen in millions March 31,	
	2021	2022
Financial liabilities measured at amortized cost		
Deposits received	440,275	723,363
Other	221,052	287,072
Financial liabilities measured at fair value through profit or loss		
Derivatives	425,980	497,198
Total	1,087,307	1,507,633
Current liabilities	763,875	1,046,050
Non-current liabilities	323,432	461,583
Total	1,087,307	1,507,633

19. Financial risks

(1) Financial risk management policy

Toyota is exposed to various risks such as credit risk, liquidity risk, market risk (foreign currency risk, interest rate risk, commodity price fluctuation risk and stock price fluctuation risk). To hedge the market risk, Toyota also uses derivative financial instruments such as forward exchange contracts, interest rate swaps, commodity forwards transactions. With respect to the execution and management of derivative transactions, it follows the company regulations that set out transaction authority, and it is a policy not to conduct speculative transactions using derivative financial instruments.

In addition, Toyota procures necessary funds (mainly bank borrowings and issuing corporate bonds) based on the capital expenditure plans, and temporary surplus funds are managed with highly safe financial assets and short-term working capital is procured through bank borrowings and commercial paper. As for liquidity risk concerning fund procurement, each company manages it by preparing a monthly cash flow plan, etc.

(2) Credit risk

Receivables related to financial services are exposed to the credit risk. The risk is arisen from the failure of customers or dealers to meet the terms of their contracts with Toyota or otherwise fail to perform as agreed. Toyota manages its credit risk by defining risk management methods and management systems for specific risks in accordance with the regulations on risk management. Based on such regulations, Toyota mitigates the credit risk through periodical monitoring of the customer's credit status and undertaking the maturity control and account balance control, while detecting promptly any doubtful accounts caused by deterioration in the financial conditions.

Please see Note 3 "Allowance for credit losses on finance receivables" about measuring method of the expected credit losses on receivables related to financial services.

The carrying amount after impairment of the financial assets presented in the consolidated financial statements, as well as guarantee obligations and loan commitments that are set forth in the notes to the

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

consolidated financial statements, are the maximum exposure to the credit risk of Toyota's financial assets that do not take into account the value of the acquired collateral. The allowance for credit exposures of loan commitments and financial agreements is measured in the same way that the allowance for retail receivables is measured.

Retail receivables and financial lease receivables are being secured by vehicles as collateral. Wholesale receivables and other dealer loans are secured by placing appropriate property as collateral. Also, during the reporting period, there is no change in the policy regarding collateral.

The net changes in the allowance for credit losses relating to the retail receivables are as follows:

	Yen in millions			
	For the year ended March 31, 2021			
	Lifetime expected credit loss			
	Expected credit loss for 12 months	Financial receivable not credit-impaired	Credit-impaired financial receivable	Total
Allowance for credit loss at beginning of year	60,078	66,813	32,879	159,770
Provision for credit loss, net of reversal	28,378	34,992	46,232	109,602
Charge-offs	—	—	(50,485)	(50,485)
Other	(9,053)	(23,380)	11,750	(20,683)
Allowance for credit loss at end of year	79,402	78,426	40,376	198,204

	Yen in millions			
	For the year ended March 31, 2022			
	Lifetime expected credit loss			
	Expected credit loss for 12 months	Financial receivable not credit-impaired	Credit-impaired financial receivable	Total
Allowance for credit loss at beginning of year	79,402	78,426	40,376	198,204
Provision for credit loss, net of reversal	22,685	39,420	38,687	100,792
Charge-offs	—	—	(41,331)	(41,331)
Other	(13,961)	(18,381)	4,781	(27,561)
Allowance for credit loss at end of year	88,125	99,465	42,514	230,104

“Other” primarily includes reversal of allowance for credit loss due to the collection of retail receivables.

The table below shows the retail receivables segregated into aging categories based on the numbers of the days outstanding:

	Yen in millions			
	March 31, 2021			
	Lifetime expected credit loss			
	Expected credit loss for 12 months	Financial receivable not credit-impaired	Credit-impaired financial receivable	Total
Current	13,638,143	824,508	—	14,462,651
Past due less than 90 days	213,860	273,282	17,527	504,670
Past due 90 days or more	—	1,381	79,731	81,112
Total	13,852,004	1,099,171	97,258	15,048,433

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions			
	March 31, 2022			
	Lifetime expected credit loss			Total
	Expected credit loss for 12 months	Financial receivable not credit-impaired	Credit-impaired financial receivable	
Current	15,753,211	1,083,642	—	16,836,854
Past due less than 90 days	283,753	405,941	17,655	707,350
Past due 90 days or more	—	779	102,457	103,236
Total	16,036,965	1,490,363	120,112	17,647,440

The net changes in the allowance for credit losses relating to the finance lease receivables are as follows:

	Yen in millions	
	For the years ended March 31, 2021	2022
Allowance for credit loss at beginning of year	30,899	33,455
Provision for credit loss, net of reversal	8,663	11,107
Charge-offs	(3,310)	(3,712)
Other	(2,798)	(3,865)
Allowance for credit loss at end of year	33,455	36,985

“Other” primarily includes reversal of allowance for credit loss due to the collection of finance lease receivables.

The table below shows the finance lease receivables segregated into aging categories based on the numbers of the days outstanding:

	Yen in millions	
	March 31, 2021	2022
Current	1,945,198	2,279,978
Past due less than 90 days	50,992	47,034
Past due 90 days or more	35,089	20,928
Total	2,031,280	2,347,941

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The table below shows the net movement of the allowance for credit losses on wholesale receivables and other dealer loans.

	Yen in millions			
	For the year ended March 31, 2021			
	Lifetime expected credit loss			
	Expected credit loss for 12 months	Financial receivable not credit-impaired	Credit-impaired financial receivable	Total
Allowance for credit loss at beginning of year	27,556	13,634	3,989	45,179
Provision for credit loss, net of reversal	2,293	1,975	1,593	5,861
Charge-offs	—	—	(209)	(209)
Other	(12,382)	(8,368)	(437)	(21,188)
Allowance for credit loss at end of year	17,467	7,241	4,935	29,642

	Yen in millions			
	For the year ended March 31, 2022			
	Expected credit loss for the entire period			
	Expected credit loss for 12 months	Financial receivable not credit-impaired	Credit-impaired financial receivable	Total
Allowance for credit loss at beginning of year	17,467	7,241	4,935	29,642
Provision for credit loss, net of reversal	5,198	1,566	1,177	7,941
Charge-offs	—	—	(11)	(11)
Other	(8,317)	(3,715)	(705)	(12,736)
Allowance for credit loss at end of year	14,349	5,092	5,396	24,836

“Other” primarily includes reversal of allowance for credit loss due to the collection of wholesale receivables and other dealer loans.

Toyota charges off the credit - impaired finance receivables when Toyota considers that all or part of it will not be collected. The amount of receivables related to financial services which has been charged off but subject to ongoing collection activity was not significant for the years ended March 31, 2021 and 2022.

The balances of the wholesale receivables and other dealer loan receivables portfolios by credit status, as well as loan commitments and financial guarantee contracts, as of March 31, 2021 and 2022 are as follows.

The wholesale and other dealer loan receivables portfolio segment is segregated into following creditqualities below based on internal risk assessments by dealers.

Performing: Account not classified as either

Credit Watch, At Risk or DefaultCredit Watch: Account designated for elevated attention

At Risk: Account where there is an increased likelihood that default may exist based on qualitative and quantitative factors

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Default: Account is not currently meeting contractual obligations, or we have temporarily waived certain contractual requirements

Yen in millions				
March 31, 2021				
	Expected credit loss for 12 months	Lifetime expected credit loss		Total
		Financial receivable not credit-impaired	Credit-impaired financial receivable	
Wholesale and other dealer loan				
Performing	2,956,452	—	—	2,956,452
Credit Watch	82,046	78,509	—	160,554
At Risk	—	48,354	2,388	50,742
Default	—	—	17,736	17,736
Loan commitments	9,917,155	96,266	412	10,013,832
Financial guarantee contracts	3,574,943	31,465	—	3,606,408
Total	<u>16,530,596</u>	<u>254,594</u>	<u>20,535</u>	<u>16,805,725</u>
Yen in millions				
March 31, 2022				
	Expected credit loss for 12 months	Lifetime expected credit loss		Total
		Financial receivable not credit-impaired	Credit-impaired financial receivable	
Wholesale and other dealer loan				
Performing	2,730,860	—	—	2,730,860
Credit Watch	20,842	97,353	—	118,196
At Risk	—	32,299	699	32,998
Default	—	—	22,162	22,162
Loan commitments	10,050,817	69,393	90	10,120,300
Financial guarantee contracts	3,574,257	39,205	—	3,613,461
Total	<u>16,376,776</u>	<u>238,251</u>	<u>22,952</u>	<u>16,637,978</u>

For the year ended March 31, 2021 and 2022, the amount of finance receivables the terms of which were modified due to deterioration in credit conditions was not significant for any portfolio of finance receivables, and the amount of payment defaults on finance receivables so modified were not significant for any portfolio of such receivables.

(3) Liquidity risk

To secure cash on hand necessary for carrying out the operation, Toyota appropriately borrows from the financial institutions and issues corporate bonds or commercial paper, and there is a risk of failing to execute the payment on due date because of deterioration of fund procurement environment etc.,.

Toyota manages liquidity risk by monitoring the fund demand of each group company as appropriate, preparing a monthly-based funding plan, and comparing it with the daily cash flow. In addition to holding sufficient cash and cash equivalents in order to secure the liquidity and stability of funds, to prepare for emergency situations such as the sudden fund demand and market liquidity deterioration, a commitment line has been set up.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The amounts of non-derivative financial liabilities and derivative financial liabilities by a remaining contract maturity period are as follows:

As of March 31, 2021

	Yen in millions					
	Book value	Contractual cash flows	Maturities			
			Within 1 year	Between 1 and 3 years	Between 3 and 5 years	Later than 5 years
Non-derivative financial liabilities						
Short-term debt	1,109,904	(1,119,748)	(1,119,748)	—	—	—
Commercial paper	3,229,986	(3,233,528)	(3,233,528)	—	—	—
Current portion of long-term debt	7,584,337	(7,781,816)	(7,781,816)	—	—	—
Long-term debt	13,133,804	(13,615,831)	—	(8,135,588)	(3,871,044)	(1,609,200)
Lease liabilities	360,891	(403,757)	(52,983)	(78,623)	(52,294)	(219,857)
Class share	240,712	(243,650)	(243,650)	—	—	—
Total	25,659,635	(26,398,330)	(12,431,725)	(8,214,211)	(3,923,338)	(1,829,057)
Derivative financial liabilities						
Interest derivative	288,853	(291,818)	(75,477)	(147,811)	(45,699)	(22,832)
Currency derivative						
In	—	453,701	228,651	151,430	49,701	23,919
Out	137,127	(593,702)	(353,986)	(163,366)	(51,643)	(24,707)
Total	425,980	(431,820)	(200,812)	(159,747)	(47,640)	(23,620)
Total	26,085,615	(26,830,150)	(12,632,537)	(8,373,958)	(3,970,978)	(1,852,677)

As of March 31, 2022

	Yen in millions					
	Book value	Contractual cash flows	Maturities			
			Within 1 year	Between 1 and 3 years	Between 3 and 5 years	Later than 5 years
Non-derivative financial liabilities						
Short-term debt	852,301	(865,873)	(865,873)	—	—	—
Commercial paper	3,252,556	(3,260,578)	(3,260,578)	—	—	—
Current portion of long-term debt	7,026,845	(7,238,356)	(7,238,356)	—	—	—
Long-term debt	14,943,727	(15,458,478)	—	(9,194,302)	(4,501,420)	(1,762,756)
Lease liabilities	420,928	(466,661)	(61,735)	(85,791)	(60,661)	(258,474)
Class share	—	—	—	—	—	—
Total	26,496,358	(27,289,948)	(11,426,543)	(9,280,094)	(4,562,081)	(2,021,230)
Derivative financial liabilities						
Interest derivative	325,912	(346,482)	(56,824)	(112,352)	(110,592)	(66,715)
Currency derivative						
In	—	958,208	358,275	83,552	379,916	136,465
Out	171,286	(1,164,801)	(475,869)	(94,949)	(420,302)	(173,682)
Total	497,198	(553,075)	(174,417)	(123,748)	(150,978)	(103,932)
Total	26,993,557	(27,843,023)	(11,600,961)	(9,403,841)	(4,713,059)	(2,125,162)

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Toyota has unused short-term lines of credit amounting to ¥1,836,532 million and ¥2,534,291 million of which ¥550,408 million and ¥1,056,931 million related to commercial paper programs as of March 31, 2021 and 2022, respectively. Under these programs, Toyota is authorized to obtain short-term financing at prevailing interest rates for periods not in excess of 360 days.

As of March 31, 2021 and 2022, Toyota has unused long-term lines of credit amounting to ¥6,446,277 million and ¥9,030,322 million, respectively.

(4) Foreign exchange risk

Toyota is subject to the foreign currency exposure through transactions in foreign currencies related to purchase, sale and finance associated with conducting business worldwide. Toyota is exposed to fluctuations risks related to future profitability or assets and liabilities regarding operating cash flow denominated in foreign currencies and various financial instruments. The most significant foreign currency exposure is primarily caused by the U.S. dollar and the euro.

Toyota uses derivative financial instruments including foreign exchange forward contracts, foreign currency options, interest rate currency swap agreements, and others, to manage the exposure to foreign currency exchange rate fluctuations.

Toyota uses Value-at-risk analysis measurement (“VaR”) to assess the risk of exchange rate fluctuation. Potential impact of pre-tax cash flows on VaR-integrated foreign currency positions (including derivatives) for the years ended March 31, 2021 and 2022 is as follows:

	Yen in millions			
	VaR			
	Year-end	Average	Maximum	Minimum
For the year ended March 31, 2021	196,900	187,725	196,900	178,400
For the year ended March 31, 2022	257,600	241,825	263,600	214,800

The Monte Carlo simulation method is used for Toyota’s VaR measurement, and measurement is based on a 95% confidence interval and a ten-day holding period.

(5) Interest rate risk

In preceding with business activities, Toyota is exposed to interest rate risk due to fluctuation in market interest rates as it procures and invests funds necessary for working capital and capital investment. To maintain a desirable level of exposure related to interest rate fluctuation risk and minimize interest expense, Toyota conducts various financial instruments transactions.

Sensitivity analysis of Toyota’s interest rate risk associated with holding financial instruments if the interest rate increases by 1% is as follows. In this analysis, all other variables are assumed to be constant.

	Yen in millions	
	For the years ended March 31,	
	2021	2022
Impact on income before income taxes	(40,536)	(64,533)
Impact on other comprehensive income, before tax effect	(238,986)	(243,630)

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(6) Market price fluctuation risk

Toyota is exposed to risks arising from increased costs due to commodity price fluctuations, such as iron and steel, precious metals and non-ferrous alloys used in the manufacture of automobiles. Toyota controls the price risk associated with the purchase of those commodities by maintaining inventory at the minimum level.

Toyota is exposed to stock price fluctuation risk because it owns shares of companies that have business relationships mainly for promoting smooth business activities. Toyota periodically reviews the fair values and financial situations of the business partner companies and, taking into consideration the relationship with them, continually reviews the holding status. The impact on other comprehensive income, before tax effect when the declared price of equity financial assets (shares) in active markets changes by 10% for the year ended March 31, 2021, and 2022 is ¥262,396 million and ¥316,281 million, respectively.

20. Derivative financial instruments

(1) Undesignated derivative financial instruments

Toyota uses foreign exchange forward contracts, foreign currency options, interest rate swaps, interest rate currency swap agreements, and interest rate options, to manage its exposure to foreign currency exchange rate fluctuations and interest rate fluctuations from an economic perspective, and Toyota is unable to or has elected not to apply hedge accounting. Toyota does not use derivatives for speculation or trading.

(2) Fair value and gain and losses of derivatives

The fair values of the derivatives as of March 31, 2021 and 2022 are as follows:

	Yen in millions	
	March 31,	
	2021	2022
Derivative assets		
Derivative financial instruments not designated as hedging instruments:		
Interest rate and currency swap		
Current assets		
- Other financial assets	37,852	69,625
Non-current assets		
- Other financial assets	236,023	333,683
Total	273,876	403,309
Foreign exchange forward and option contracts		
Current assets		
- Other financial assets	8,488	15,865
Non-current assets		
- Other financial assets	—	—
Total	8,488	15,865
Total derivative assets	282,364	419,173

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions	
	March 31,	
	2021	2022
Derivative financial liabilities		
Derivative financial instruments not designated as hedging instruments:		
Interest rate and currency swap		
Current liabilities		
- Other financial liabilities	(89,681)	(87,926)
Non-current liabilities		
- Other financial liabilities	(226,434)	(326,177)
Total	(316,115)	(414,102)
Foreign exchange forward and option contracts		
Current liabilities		
- Other financial liabilities	(109,865)	(83,096)
Non-current liabilities		
- Other financial liabilities	—	—
Total	(109,865)	(83,096)
Total derivative liabilities	(425,980)	(497,198)

The amount of underlying notional of derivatives as of March 31, 2021 and 2022 are as follows:

	Yen in millions	
	March 31,	
	2021	2022
Derivative financial instruments not designated as hedging instruments:		
Interest rate and currency swap	21,453,268	21,510,803
Foreign exchange forward and option contracts	4,884,400	2,976,488
Total	26,337,668	24,487,291

Undesignated derivative financial instruments are used to manage economic risks of fluctuations in foreign currency exchange rates and interest rates of certain receivables and payables. Those economic risks are offset by changes in the fair value of undesignated derivative financial instruments.

The gain (loss) on derivative transactions as of March 31, 2020, 2021 and 2022 were ¥13,419 million, ¥588 million and ¥773 million, respectively. The amounts are included in cost of financial services and foreign exchange gain (loss), net.

Cash flows from transactions of derivative financial instruments are included in cash flows from operating activities in the consolidated statement of cash flows.

(3) Credit risk related contingent features

Toyota enters into International Swaps and Derivatives Association Master Agreements with counterparties. These Master Agreements contain a provision requiring either Toyota or the counterparty to settle the contract or to post assets to the other party in the event of a ratings downgrade below a specified threshold.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The aggregate fair value amount of derivative financial instruments that contain credit risk related contingent features that are in a net liability position after being offset by cash collateral as of March 31, 2021 and 2022 is ¥35,148 million and ¥36,190 million, respectively. The aggregate fair value amount of assets that are already posted as cash collateral as of March 31, 2021 and 2022 is ¥75,394 million and ¥99,718 million, respectively. If the ratings of Toyota decline below specified thresholds, the maximum amount of assets to be posted or for which Toyota could be required to settle the contracts is ¥36,190 million as of March 31, 2022. See Note 22 for details.

21. Fair value measurements

(1) Definition of fair value hierarchy

In accordance with IFRS, Toyota classifies fair value measurement into the following three levels based on the observability and significance of the inputs used.

- | | |
|----------|--|
| Level 1: | Quoted prices in active markets for identical assets or liabilities |
| Level 2: | Fair value measurement based on inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly |
| Level 3: | Fair value measurement based on models using unobservable inputs for the assets or liabilities |

(2) Method of fair value measurement

The fair value of assets and liabilities is determined using relevant market information and appropriate valuation methods.

The methods and assumptions for measuring the fair value of assets and liabilities are as follows:

(i) Cash and cash equivalents -

Cash equivalents include money market funds and other investments with original maturities of three months or less. In the normal course of business, substantially all cash and cash equivalents and time deposits are highly liquid and are carried at amounts which approximate fair value due to their short duration.

(ii) Trade accounts and other receivables and Trade accounts and other payables -

These receivables and payables are carried at amounts which approximate fair value due to their short duration.

(iii) Receivables related to financial services -

The fair value of receivables related to financial services is estimated by discounting expected cash flows to present value using internal assumptions, including prepayment speeds, expected credit losses and collateral value.

As unobservable inputs are utilized, the fair value of receivables related to financial services is classified as Level 3.

(iv) Other financial assets -

(Public and corporate bonds)

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Public and corporate bonds include government bonds. Japanese bonds and foreign bonds, including U.S., European and other bonds, represent 28% and 72% (as of March 31, 2021) and 26% and 74% (as of March 31, 2022) of public and corporate bonds, respectively. Toyota primarily uses quoted market prices for identical assets to measure the fair value of these securities.

(Stocks)

Listed stocks on the Japanese stock markets represent 89% (as of March 31, 2021) and 85% (as of March 31, 2022) of stocks that Toyota holds. Toyota primarily uses quoted market prices for identical assets to measure fair value of these securities. Therefore, stocks with an active market are classified as Level 1.

Fair value of stocks with no active market is measured by using the market approach or other appropriate methods. Therefore, stocks with no active market are thus classified as Level 3.

Price book-value ratios ("PBR") of comparable companies, discount ratios of discounted cash flow valuation method and others are the significant unobservable inputs relating to the fair value measurement of stocks classified as Level 3. The fair value increases (decreases) as PBR of a comparable company rises (declines) or the discount rate declines (rises). The estimated increase or decrease in fair value of stocks if the unobservable inputs were to be replaced by other reasonable alternative assumptions are not significant.

These estimates are based on valuation methods that are considered appropriate in each case. The significant assumptions involved in the estimations include the financial condition and future prospects and trends of the investees and the outcome of the referenced transactions. Due to the uncertain nature of these assumptions or by using different assumptions and estimates, the fair value may be impacted materially.

The shares classified as Level 3 are measured by the responsible department using quarterly available information in accordance with Toyota's consolidated financial accounting policies and reported to the supervisors along with the basis of the change in fair value.

(v) Derivative financial instruments -

Toyota employs derivative financial instruments, including foreign exchange forward contracts, foreign currency options, interest rate swaps, interest rate currency swap agreements and interest rate options to manage its exposure to fluctuations in interest rates and foreign currency exchange rates. Toyota primarily estimates the fair value of derivative financial instruments using industry-standard valuation models that require observable inputs including interest rates and foreign exchange rates, and the contractual terms. The usage of these models does not require significant judgment to be applied. These derivative financial instruments are classified as Level 2. In other certain cases when market data are not available, key inputs to the fair value measurement include quotes from counterparties, and other market data. Toyota assesses the reasonableness of changes of the quotes using observable market data. These derivative financial instruments are classified as Level 3. Toyota's derivative fair value measurements consider assumptions about counterparty and Toyota's own non-performance risk, using such as credit default probabilities.

(vi) Short-term and long-term debt -

The fair values of short-term and long-term debt including the current portion, except for secured loans provided by securitization transactions using special-purpose entities ("Loans Based on Securitization"), are estimated based on the discounted amounts of future cash flows using Toyota's current borrowing rates for similar liabilities. As these inputs are observable, the fair value of these debts is classified as Level 2.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The fair values of the Loans Based on Securitization is primarily estimated based on current market rates and credit spreads for debt with similar maturities. Internal assumptions including prepayment speeds and expected credit losses are used to estimate the timing of cash flows to be paid on the underlying securitized assets. In case these valuations utilize unobservable inputs, the fair value of the Loans Based on Securitization is classified as Level 3.

(3) Financial instrument measured at fair value on recurring basis

The following table summarizes the fair values of the assets and liabilities measured at fair value on a recurring basis. Transfers between levels of the fair value are recognized at the date of the event or change in circumstances that caused the transfer:

Yen in millions				
March 31, 2021				
	Level 1	Level 2	Level 3	Total
Other financial assets:				
Financial assets measured at fair value through profit or loss				
Public and corporate bonds	22,926	28,269	8,406	59,600
Stocks	—	—	317,101	317,101
Derivative financial instruments	—	282,364	—	282,364
Other	366,570	123,255	—	489,824
Total	389,495	433,887	325,506	1,148,889
Financial assets measured at fair value through other comprehensive income				
Public and corporate bonds	3,075,042	2,981,239	19,218	6,075,498
Stocks	2,623,964	—	321,816	2,945,780
Other	7,986	—	—	7,986
Total	5,706,991	2,981,239	341,034	9,029,264
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative financial instruments	—	(425,980)	—	(425,980)
Total	—	(425,980)	—	(425,980)

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions March 31, 2022			
	Level 1	Level 2	Level 3	Total
Other financial assets:				
Financial assets measured at fair value through profit or loss				
Public and corporate bonds	61,376	96,136	1,674	159,186
Stocks	—	—	149,890	149,890
Derivative financial instruments	—	419,173	—	419,173
Other	307,446	158,355	—	465,801
Total	368,822	673,665	151,563	1,194,051
Financial assets measured at fair value through other comprehensive income				
Public and corporate bonds	3,542,949	2,739,591	20,178	6,302,719
Stocks	3,162,805	—	169,404	3,332,209
Other	9,505	139	—	9,644
Total	6,715,259	2,739,730	189,583	9,644,571
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative financial instruments	—	(497,198)	—	(497,198)
Total	—	(497,198)	—	(497,198)

(4) Changes in financial instruments classified as Level 3 and measured at fair value on recurring basis

The following table summarizes the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended March 31, 2021 and 2022:

	Yen in millions For the year ended March 31, 2021			
	Public and corporate bonds	Stocks	Derivative financial instruments	Total
Balance at beginning of year	32,931	370,452	—	403,383
Total gains (losses)				
Net income (loss)	980	162,055	—	163,035
Other comprehensive income (loss)	—	72,014	—	72,014
Purchases and issuances	316	58,578	—	58,894
Sales and settlements	(5,223)	(497)	—	(5,720)
Transfer from Level 3	(2,760)	—	—	(2,760)
Others	1,380	(23,686)	—	(22,306)
Balance at end of year	27,623	638,917	—	666,540
Unrealized gains or losses included in profit or loss on assets held at March 31	983	162,055	—	163,038
Total	983	162,055	—	163,038

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions			
	For the year ended March 31, 2022			
	Public and corporate bonds	Stocks	Derivative financial instruments	Total
Balance at beginning of year	27,623	638,917	—	666,540
Total gains (losses)				
Net income (loss)	(44)	113,053	—	113,009
Other comprehensive income (loss)	—	9,219	—	9,219
Purchases and issuances	968	2,362	—	3,330
Sales and settlements	(4,020)	(18,208)	—	(22,228)
Transfer from Level 3	(7,067)	(512,465)	—	(519,532)
Others	4,392	86,415	—	90,807
Balance at end of year	21,852	319,294	—	341,146
Unrealized gains or losses included in profit or loss on assets held at March 31	(250)	113,053	—	112,803
Total	(250)	113,053	—	112,803

Net income (loss) in public and corporate bonds, stocks and derivative financial instruments, other than transactions related to financial services, are each included in “Other finance income” and “Other finance costs” in the accompanying consolidated statement of income. Transactions related to financial services are included in each of “Sales revenues—Financial services” and “Cost of financial services” in the consolidated statement of income.

In the reconciliation table above, derivative financial instruments are presented as net of assets and liabilities. “Other” includes foreign currency translation adjustments for the year ended March 31, 2021 and 2022.

Transfer from Level 3 of stocks recognized in the year ended March 31, 2022 is due to the listing of investees.

(5) Financial assets and liabilities measured at amortized cost

The following table summarizes the carrying amount and the fair value of financial assets and liabilities measured on an amortized cost basis:

	Yen in millions				
	March 31, 2021				
	Carrying amount	Level 1	Level 2	Fair value Level 3	Total
Receivables related to financial services	19,205,715	—	—	19,939,810	19,939,810
Interest-bearing liabilities					
Long-term debt (Including current portion)	20,718,142	—	17,749,022	3,244,912	20,993,934

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions				
	March 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Receivables related to financial services	21,764,457	—	—	22,074,593	22,074,593
Interest-bearing liabilities					
Long-term debt (Including current portion)	21,970,573	—	17,899,087	3,824,531	21,723,618

Of financial assets and liabilities that are measured on an amortized cost basis, those with carrying values that approximate fair value are excluded from the table above.

22. Offsetting Financial Assets and Liabilities

The following table summarizes the amounts of financial assets and financial liabilities that are subject to an enforceable master netting agreement or similar agreement but not set off because they do not meet some or all of the offsetting criteria for financial assets and financial liabilities. With respect to financial instruments that may be offset in the future based on set-off rights associated with master netting agreements or similar agreements, as well as the associated collateral, the set-off will be enforceable only when certain circumstances, such as when the counterparty cannot perform on its obligations due to bankruptcy or other reasons, arise.

	Yen in millions			
	March 31, 2021			
	Gross amounts of recognized financial assets and financial liabilities	Amounts not offset		Net amount
		Financial instruments	Collateral of financial instruments	
Other financial assets Derivatives	282,364	(163,054)	(62,795)	56,515
Other financial liabilities Derivatives	425,980	(163,054)	(89,849)	173,078

	Yen in millions			
	March 31, 2022			
	Gross amounts of recognized financial assets and financial liabilities	Amounts not offset		Net amount
		Financial instruments	Collateral of financial instruments	
Other financial assets Derivatives	419,173	(182,288)	(105,201)	131,685
Other financial liabilities Derivatives	497,198	(182,288)	(111,283)	203,627

The amounts offset, as presented in the consolidated statement of financial position, in accordance with the criteria for offsetting financial assets and financial liabilities were immaterial.

23. Employee benefits

(1) Overview of post-employment benefit Plans

Upon terminations of employment, employees of TMC and subsidiaries in Japan are entitled, under the retirement plans of each company, to lump-sum indemnities or pension payments, based on current rates of pay and lengths of service or the number of “points” mainly determined by those. Under normal circumstances, the minimum payment prior to retirement age is an amount based on voluntary retirement. Employees receive additional benefits on involuntary retirement, including retirement at the age limit.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Effective October 1, 2004, TMC amended its retirement plan to introduce a “point” based retirement benefit plan. Under the new plan, employees are entitled to lump-sum or pension payments determined based on accumulated “points” vested in each year of service.

There are three types of “points” that vest in each year of service consisting of “service period points” which are attributed to the length of service, “job title points” which are attributed to the job title of each employee, and “performance points” which are attributed to the annual performance evaluation of each employee. Under normal circumstances, the minimum payment prior to retirement age is an amount reflecting an adjustment rate applied to represent voluntary retirement. Employees receive additional benefits upon involuntary retirement, including retirement at the age limit.

Effective October 1, 2005, TMC partly amended its retirement plan and introduced the quasi cash-balance plan under which benefits are determined based on the variable-interest crediting rate rather than the fixed-interest crediting rate as was in the pre-amended plan.

TMC and most subsidiaries in Japan have contributory funded defined benefit pension plans, which are pursuant to the Corporate Defined Benefit Pension Plan Law (CDBPPL). The contributions to the plans are funded with several financial institutions in accordance with the applicable laws and regulations. These pension plan assets consist principally of common stocks, government bonds and insurance contracts.

Most foreign subsidiaries have pension plans or severance indemnity plans covering substantially all of their employees under which the cost of benefits are currently invested or accrued. The benefits for these plans are based primarily on lengths of service and current rates of pay.

These post-employment benefit plans are exposed to general investment risk, interest rate risk and inflation risk.

Pension costs and defined benefit obligations are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, retirement rate, salary increase rate, mortality rates and other factors. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect Toyota’s pension costs and obligations.

The most critical assumption impacting the calculation of pension costs and defined benefit obligations is the discount rates. Toyota determines the discount rates mainly based on the rates of high quality fixed income bonds currently available and expected to be available during the period to maturity of the defined benefit pension plans.

Toyota uses a March 31 measurement date for its post-employment benefit plans.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(2) Defined benefit obligations and plan assets

The changes in present value of defined benefit obligations and fair value of plan assets are as follows:

	Yen in millions			
	For the years ended March 31,			
	2021		2022	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Present value of defined benefit obligations:				
Benefit obligations at beginning of year	2,058,893	1,207,815	2,089,263	1,419,910
Current service cost	91,079	52,334	89,128	52,826
Interest cost	10,970	49,914	12,487	52,062
Remeasurements:				
Changes in demographic assumptions	(7,569)	28,690	6,440	379
Changes in financial assumptions	13,888	14,490	(46,113)	(126,125)
Other	(5,835)	51,296	4,162	904
Past service cost	1,035	3,159	761	274
Plan participants' contributions	1,397	2,093	1,392	3,063
Benefits paid	(72,441)	(48,478)	(80,368)	(42,615)
Acquisition and other	(2,155)	58,597	—	126,966
Benefit obligations at end of year	<u>2,089,263</u>	<u>1,419,910</u>	<u>2,077,151</u>	<u>1,487,644</u>
Fair value of plan assets:				
Plan assets at beginning of year	1,519,254	868,903	1,806,265	1,079,543
Interest income	8,907	48,729	11,261	51,614
Remeasurement				
Actual return on plan assets, excluding interest income	286,089	120,232	34,543	(6,657)
Employer contributions	37,469	31,227	33,163	24,912
Plan participants' contributions	1,397	2,093	1,392	3,063
Benefits paid	(39,471)	(36,217)	(41,804)	(31,823)
Acquisition and other	(7,380)	44,576	—	104,004
Plan assets at end of year	<u>1,806,265</u>	<u>1,079,543</u>	<u>1,844,819</u>	<u>1,224,656</u>
Effect of the asset ceiling	—	—	—	—
Net defined benefit liability (asset)	<u>282,999</u>	<u>340,368</u>	<u>232,332</u>	<u>262,988</u>

The funded defined benefit obligations and the unfunded defined benefit obligations are as follows:

	Yen in millions			
	March 31,			
	2021		2022	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Funded defined benefit obligations	1,575,647	1,127,974	1,559,686	1,187,595
Plan assets	(1,806,265)	(1,079,543)	(1,844,819)	(1,224,656)
Subtotal	<u>(230,618)</u>	<u>48,432</u>	<u>(285,133)</u>	<u>(37,061)</u>
Unfunded defined benefit obligations	513,616	291,936	517,465	300,049
Total	<u>282,999</u>	<u>340,368</u>	<u>232,332</u>	<u>262,988</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The net defined benefit liability (asset) recognized in the consolidated statement of financial position are comprised of the following:

	Yen in millions			
	March 31,			
	2021		2022	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Retirement benefit liabilities	680,021	355,075	674,425	348,323
Other non-current assets (Retirement benefit assets)	(397,023)	(14,707)	(442,094)	(85,335)
Net amount recognized	282,999	340,368	232,332	262,988

(3) The major items of actuarial assumption

The weighted-average discount rates used to determine the present value of defined benefit obligations are as follows:

	March 31,			
	2021		2022	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Discount rate	0.6%	3.3%	0.7%	3.5%

(4) Fair value of plan assets

Toyota's policy and objective for plan asset management is to maximize returns on plan assets to meet future benefit payment requirements under risks which Toyota considers permissible. Asset allocations under the plan asset management are determined based on plan asset management policies of each plan which are established to achieve the optimized asset compositions in terms of the long-term overall plan asset management. When actual allocations are not in line with target allocations, Toyota rebalances its investments in accordance with the policies. Prior to making individual investments, Toyota performs in-depth assessments of corresponding factors including category of products, industry type, currencies and liquidity of each potential investment under consideration to mitigate concentrations of risks such as market risk and foreign currency exchange rate risk. To assess performance of the investments, Toyota establishes bench mark return rates for each individual investment, combines these individual bench mark rates based on the asset composition ratios within each asset category, and compares the combined rates with the corresponding actual return rates on each asset category.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes the fair value of classes of plan assets.

	Yen in millions					
	March 31, 2021					
	Japanese plans			Foreign plans		
	Quoted prices in active markets			Quoted prices in active markets		
	Available	Not available	Total	Available	Not available	Total
Stocks	607,727	—	607,727	194,927	—	194,927
Government bonds	110,699	—	110,699	113,476	—	113,476
Bonds (other)	—	72,496	72,496	—	203,640	203,640
Commingled funds	—	500,243	500,243	—	385,663	385,663
Insurance contracts	—	216,423	216,423	—	—	—
Other	145,801	152,876	298,677	16,182	165,655	181,837
Total	864,227	942,038	1,806,265	324,584	754,958	1,079,543

	Yen in millions					
	March 31, 2022					
	Japanese plans			Foreign plans		
	Quoted prices in active markets			Quoted prices in active markets		
	Available	Not available	Total	Available	Not available	Total
Stocks	549,385	—	549,385	195,067	—	195,067
Government bonds	112,568	—	112,568	132,172	—	132,172
Bonds (other)	—	77,048	77,048	—	218,433	218,433
Commingled funds	—	489,471	489,471	—	423,525	423,525
Insurance contracts	—	220,027	220,027	—	—	—
Other	225,980	170,340	396,320	30,442	225,016	255,459
Total	887,933	956,886	1,844,819	357,681	866,975	1,224,656

“Other” consists of cash equivalents, other private placement investment funds and other assets.

(5) The sensitivity analysis

The following table illustrates the effects on defined benefit obligations of the change in weighted-average discount rates, assuming all other assumptions are consistent.

	Yen in millions			
	March 31,			
	2021		2022	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
0.5% decrease	177,741	99,253	172,402	127,889
0.5% increase	(154,265)	(179,276)	(150,226)	(118,899)

(6) Impact on future cash flow

Contributions to plan assets by TMC and some of its consolidated subsidiaries are determined by various factors such as employee salary levels and years of service, funded status of plan assets, and actuarial

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

calculations. In addition, according to the rules of the defined benefit corporate pension law, the corporate pension fund system recalculates the amount of the balance every five years with the end date of the reporting period as the base date so that financial balance can be maintained in the future. TMC and some of its consolidated subsidiaries may make a necessary contribution if the reserve amount is below the minimum reserve amount.

In the following year (the year ending March 31, 2023), Toyota expects to contribute ¥33,069 million for Japanese plans and ¥14,876 million for Foreign plans to the post-employment benefit plans.

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years ending March 31,	Yen in millions	
	Japanese plans	Foreign plans
2023	84,168	43,910
2024	86,656	43,958
2025	83,842	45,661
2026	85,239	48,557
2027	88,955	52,725
From 2028 to 2032	421,154	301,917
Total	850,015	536,727

(7) Benefit obligations for non-retirement pension for retirees and benefit obligations for absentee

Toyota's U.S. subsidiaries provide certain health care and life insurance benefits to eligible retired employees. In addition, Toyota provides benefits to certain former or inactive employees after employment, but before retirement. These benefits are provided through various insurance companies, health care providers and others. The costs of these benefits are recognized over the period the employee provides credited service to Toyota. Toyota's obligation under these arrangements are not material.

(8) Payroll expenses

Payroll expenses included in "Cost of products sold" and "Selling, general and administrative" in the consolidated statement of income (including expenses for post-employment benefit plans) for the years ended March 31, 2020, 2021 and 2022 are ¥3,403,555 million, ¥3,281,292 million and ¥3,550,882 million, respectively.

24. Liabilities for quality assurance

Toyota provides product warranties for certain defects mainly resulting from manufacturing based on warranty contracts with its customers at the time of sale of products. Toyota accrues estimated warranty costs to be incurred in the future in accordance with the warranty contracts. In addition to product warranties, Toyota initiates recalls and other safety measures to repair or to replace parts which might be expected to fail from products safety perspectives or customer satisfaction standpoints. Toyota accrues for costs of recalls and other safety measures based on the amount estimated from historical experience.

Liabilities for product warranties and liabilities for recalls and other safety measures have been combined into "Liabilities for quality assurance" in the consolidated statement of financial position due to the fact that both are liabilities for costs to repair or replace defects of vehicles and the amounts incurred for recalls and other safety measures may affect the amounts incurred for product warranties and vice versa.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The net change in liabilities for quality assurance above for the years ended March 31, 2020, 2021 and 2022 consist of the following:

	Yen in millions		
	For the years ended March 31,		
	2020	2021	2022
Liabilities for quality assurance at beginning of year	1,769,514	1,552,970	1,482,872
Additional provisions	372,619	345,563	362,180
Utilization	(482,918)	(347,806)	(278,094)
Reversals	(99,533)	(77,479)	(32,124)
Other	(6,712)	9,624	20,877
Liabilities for quality assurance at end of year	<u>1,552,970</u>	<u>1,482,872</u>	<u>1,555,711</u>

“Other” primarily includes the impact of currency translation adjustments and the impact of consolidation and deconsolidation of certain entities due to changes in ownership interest.

The table below shows the net changes in liabilities for recalls and other safety measures which are comprised in liabilities for quality assurance above for the years ended March 31, 2020, 2021 and 2022.

	Yen in millions		
	For the years ended March 31,		
	2020	2021	2022
Liabilities for recalls and other safety measures at beginning of year	1,302,309	1,104,711	1,093,689
Additional provisions	225,373	229,763	245,542
Utilization	(354,759)	(228,044)	(165,482)
Reversals	(61,099)	(16,199)	(9,389)
Other	(7,113)	3,458	6,853
Liabilities for recalls and other safety measures at end of year	<u>1,104,711</u>	<u>1,093,689</u>	<u>1,171,213</u>

25. Equity and other equity items

(1) Equity management

Toyota will efficiently invest in maintenance and replacement of conventional manufacturing facilities and the introduction of new products, and will focus on capital investment and research and development in areas contributing to strengthening competitiveness and future growth. Through these activities, Toyota aims to improve corporate value and keep sustainable growth for realization of a new mobility society. Generally, Toyota Motor Corporation shareholder's equity cover such activities, with additional short-term and long-term debt, if necessary.

The amount of Toyota Motor Corporation shareholder's equity and short-term and long-term debt are as follows:

	Yen in millions	
	March 31,	
	2021	2022
Toyota Motor Corporation Shareholders' equity	23,404,547	26,245,969
Short-term and long-term debt	25,659,635	26,496,358

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(2) Number of shares

The total number of authorized shares of TMC's common stock was 10,000,000,000, 10,000,000,000 and 50,000,000,000 as of March 31, 2020, 2021 and 2022, respectively.

The changes in the shares of common stock issued are as follows:

	For the years ended March 31,		
	2020	2021	2022
Common stock issued:			
Balance at beginning of year	3,262,997,492	3,262,997,492	3,262,997,492
Changes during the year	—	—	13,051,989,968
Balance at end of year	3,262,997,492	3,262,997,492	16,314,987,460

The common stock issued by TMC is a no-parity stock without any limitations on the content of the rights, and the issued stock is fully paid.

On October 1, 2021, TMC effected a five-for-one stock split of its common stock to shareholders. The total number of authorized shares of TMC's common stock and common stock issued was increased by 40,000,000,000 and 13,051,989,968, respectively.

The total number of treasury stock was 496,844,960, 467,048,832 and 2,536,685,916 as of March 31, 2020, 2021 and 2022, respectively.

(3) Capital surplus and retained earnings

Capital surplus consists of capital reserves and other capital surplus. Retained earnings consist of retained earnings reserve and other retained earnings. The Companies Act of Japan provides that an amount equal to 10% of distributions from surplus paid by TMC and its Japanese subsidiaries be appropriated as a capital reserve or a retained earnings reserve. No further appropriations are required when the total amount of the capital reserve and the retained earnings reserve reaches 25% of stated capital. The Companies Act provides that the retained earnings reserve of TMC and its Japanese subsidiaries is restricted and unable to be used for dividend payments, and is excluded from the calculation of the profit available for dividend.

The amounts of statutory retained earnings of TMC available for dividend payments to shareholders were ¥11,215,850 million and ¥11,656,187 million as of March 31, 2021 and 2022, respectively. In accordance with customary practice in Japan, the distributions from surplus are not accrued in the financial statements for the corresponding period, but are recorded in the subsequent accounting period after shareholders' approval has been obtained.

Retained earnings at March 31, 2022 include ¥3,243,920 million relating to equity in undistributed earnings of associates and joint ventures.

(4) Treasury stock

The reissuance and repurchase of treasury stock are as follows:

For the year ended March 31, 2020

Repurchase of treasury stock

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Reason for repurchasing treasury stock -

The repurchase was made to return capital to shareholders in addition to promoting capital efficiency and agile capital policy in view of the business environment.

Details of matters relating to repurchase -

Number of common shares repurchased	69,532,900 shares
Total purchase price for repurchase of shares	¥500,139 million

Reissuance of treasury stock

Reason for reissuing treasury stock -

On May 9, 2019, TMC resolved to conclude contracts aimed toward the establishment of a new joint venture, Prime Life Technologies, related to a town development business with Panasonic. Pursuant to these contracts, TMC, THC and Misawa Homes conducted a share exchange in which common shares of Toyota were allotted in exchange for common shares of Misawa Homes so that THC, a consolidated subsidiary of TMC, will become the wholly owning parent company resulting from the share exchange and Misawa Homes, a consolidated subsidiary of THC, will become the wholly owned subsidiary resulting from the share exchange.

Details of matters relating to reissuance -

Number of common shares reissued	3,269,500 shares
Amount of reissuance	¥24,181 million

For the year ended March 31, 2021

Reissuance of treasury stock

Reason for reissuing treasury stock -

At its Directors' Meeting held on March 24, 2020, TMC resolved to purchase shares issued by NIPPON TELEGRAPH AND TELEPHONE CORPORATION ("NTT") and conduct a reissuance of treasury stock through third-party allotment with NTT as the allottee to form a business and capital alliance with NTT. The parties entered into a memorandum of understanding concerning the business and capital alliance on the same day. Based on the agreement, TMC has completed the purchase of NTT shares and reissuance of treasury stock with NTT as the allottee on April 9, 2020.

Details of matters relating to reissuance -

Number of common shares reissued	29,730,900 shares
Amount of reissuance	¥199,999 million

For the year ended March 31, 2022

Repurchase of treasury stock

- 1) Repurchasing of treasury stock resolved at the Board of Directors meeting held on May 12, 2021 and November 4, 2021

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Reason for repurchasing treasury stock -

The repurchase was made to promote capital efficiency by repurchasing flexibly its common stock while comprehensively considering factors such as its investment in growth, level of its dividends, its cash reserves and the price level of its common stock.

Details of matters relating to repurchase -

Number of common shares repurchased	96,196,900 shares
Total purchase price for repurchase of shares	¥400,000 million

2) Repurchasing of treasury stock resolved at the Board of Directors meeting held on March 23, 2022

Reason for repurchasing treasury stock -

The repurchase was made to promote capital efficiency by repurchasing flexibly its common stock than before while comprehensively considering factors such as the price level of its common stock.

Details of matters relating to repurchase -

Number of common shares repurchased	2,111,000 shares
Total purchase price for repurchase of shares	¥4,607 million

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(5) Other components of equity

Other components of equity are as follows:

	Yen in millions			
	Net changes in revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange differences on translating foreign operations	Total
Balance at April 1, 2019	1,016,035	—	—	1,016,035
Other comprehensive income, net of tax	(58,946)	(54,176)	(395,523)	(508,645)
Reclassification to retained earnings	(4,935)	55,580	—	50,644
Other comprehensive income for the period attributable to non-controlling interests	1,916	(1,404)	27,002	27,514
Balance at March 31, 2020	954,070	—	(368,520)	585,549
Other comprehensive income, net of tax	380,814	221,409	410,253	1,012,476
Reclassification to retained earnings	(31,321)	(219,047)	—	(250,369)
Other comprehensive income for the period attributable to non-controlling interests	(8,211)	(2,362)	(29,357)	(39,930)
Balance at March 31, 2021	1,295,351	—	12,375	1,307,726
Other comprehensive income, net of tax	(103,131)	151,243	1,095,017	1,143,129
Reclassification to retained earnings	(59,110)	(149,602)	—	(208,712)
Other comprehensive income for the period attributable to non-controlling interests	1,561	(1,640)	(38,810)	(38,889)
Balance at March 31, 2022	1,134,671	—	1,068,583	2,203,254

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(6) Other comprehensive income

The breakdown of other comprehensive income and the corresponding tax benefits (including non-controlling interests) are as follows:

	Yen in millions		
	For the year ended March 31, 2020		
	Before tax	Tax effect	After tax
Items that will not be reclassified to profit (loss)			
Net changes in revaluation of financial assets measured at fair value through other comprehensive income			
Amount incurred during the year	(353,261)	109,409	(243,853)
Net changes	(353,261)	109,409	(243,853)
Remeasurements of defined benefit plans			
Amount incurred during the year	(48,426)	5,026	(43,399)
Net changes	(48,426)	5,026	(43,399)
Shares of other comprehensive income of equity method investees			
Amount incurred during the year	62,568	—	62,568
Net changes	62,568	—	62,568
Items that may be reclassified subsequently to profit (loss)			
Exchange differences on translating foreign operations			
Amount incurred during the year	(390,427)	—	(390,427)
Reclassification to profit (loss)	28,329	—	28,329
Net changes	(362,098)	—	(362,098)
Net changes in revaluation of financial assets measured at fair value through other comprehensive income			
Amount incurred during the year	141,795	(43,367)	98,427
Reclassification to profit (loss)	20,380	(5,417)	14,963
Net changes	162,174	(48,784)	113,390
Shares of other comprehensive income of equity method investees			
Amount incurred during the year	(35,253)	—	(35,253)
Reclassification to profit (loss)	—	—	—
Net changes	(35,253)	—	(35,253)
Total other comprehensive income	(574,296)	65,651	(508,645)

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions For the year ended March 31, 2021		
	Before tax	Tax effect	After tax
Items that will not be reclassified to profit (loss)			
Net changes in revaluation of financial assets measured at fair value through other comprehensive income			
Amount incurred during the year	560,225	(172,798)	387,427
Net changes	560,225	(172,798)	387,427
Remeasurements of defined benefit plans			
Amount incurred during the year	311,360	(95,087)	216,272
Net changes	311,360	(95,087)	216,272
Shares of other comprehensive income of equity method investees			
Amount incurred during the year	80,472	—	80,472
Net changes	80,472	—	80,472
Items that may be reclassified subsequently to profit (loss)			
Exchange differences on translating foreign operations			
Amount incurred during the year	403,636	—	403,636
Reclassification to profit (loss)	—	—	—
Net changes	403,636	—	403,636
Net changes in revaluation of financial assets measured at fair value through other comprehensive income			
Amount incurred during the year	(119,441)	35,938	(83,503)
Reclassification to profit (loss)	—	—	—
Net changes	(119,441)	35,938	(83,503)
Shares of other comprehensive income of equity method investees			
Amount incurred during the year	8,172	—	8,172
Reclassification to profit (loss)	—	—	—
Net changes	8,172	—	8,172
Total other comprehensive income	1,244,424	(231,947)	1,012,476

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions		
	For the year ended March 31, 2022		
	Before tax	Tax effect	After tax
Items that will not be reclassified to profit (loss)			
Net changes in revaluation of financial assets measured at fair value through other comprehensive income			
Amount incurred during the year	(71,641)	22,399	(49,242)
Net changes	(71,641)	22,399	(49,242)
Remeasurements of defined benefit plans			
Amount incurred during the year	188,239	(51,989)	136,250
Net changes	188,239	(51,989)	136,250
Shares of other comprehensive income of equity method investees			
Amount incurred during the year	113,641	—	113,641
Net changes	113,641	—	113,641
Items that may be reclassified subsequently to profit (loss)			
Exchange differences on translating foreign operations			
Amount incurred during the year	902,844	—	902,844
Reclassification to profit (loss)	—	—	—
Net changes	902,844	—	902,844
Net changes in revaluation of financial assets measured at fair value through other comprehensive income			
Amount incurred during the year	(220,711)	66,536	(154,175)
Reclassification to profit (loss)	1	(0)	1
Net changes	(220,710)	66,536	(154,174)
Shares of other comprehensive income of equity method investees			
Amount incurred during the year	193,811	—	193,811
Reclassification to profit (loss)	—	—	—
Net changes	193,811	—	193,811
Total other comprehensive income	1,106,184	36,945	1,143,129

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(7) Dividends

The paid dividend amounts are as follows:

For the year ended March 31, 2020

Resolution	Type of shares	Total amount of dividends (yen in millions)	Dividend per share (yen)	Record date	Effective date
The Board of Directors Meeting on May 8, 2019	Common shares	339,893	120.00	March 31, 2019	May 24, 2019
The Board of Directors Meeting on November 7, 2019	Common shares	278,908	100.00	September 30, 2019	November 27, 2019

For the year ended March 31, 2021

Resolution	Type of shares	Total amount of dividends (yen in millions)	Dividend per share (yen)	Record date	Effective date
The Board of Directors Meeting on May 12, 2020	Common shares	331,938	120.00	March 31, 2020	May 28, 2020
The Board of Directors Meeting on November 6, 2020	Common shares	293,576	105.00	September 30, 2020	November 27, 2020

For the year ended March 31, 2022

Resolution	Type of shares	Total amount of dividends (yen in millions)	Dividend per share (yen)	Record date	Effective date
The Board of Directors Meeting on May 12, 2021	Common shares	377,453	135.00	March 31, 2021	May 28, 2021
The Board of Directors Meeting on November 4, 2021	Common shares	332,419	120.00	September 30, 2021	November 25, 2021

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Dividends of which record date falls within the year ended March 31, and effective date is after the year ended March 31 are as follows:

For the year ended March 31, 2022

Resolution	Type of shares	Total amount of dividends (yen in millions)	Dividend per share (yen)	Record date	Effective date
The Board of Directors Meeting on May 11, 2022	Common shares	385,792	28.00	March 31, 2022	May 27, 2022

On October 1, 2021, TMC effected a five-for-one stock split of its common stock to shareholders. The dividend per share amount based on the Board of Directors Meeting on November 4, 2021 is an amount before the stock split. The dividend per share amount based on the Board of Directors Meeting on May 11, 2022 is an amount after the stock split.

26. Sales revenues

(1) Summary by business segments and products

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

	Yen in millions		
	For the years ended March 31		
	2020	2021	2022
Sales of products			
Automotive			
Vehicles	22,647,701	20,509,606	23,739,442
Parts and components for production	1,197,089	1,287,053	1,504,215
Parts and components for after service	2,170,448	2,049,187	2,407,143
Other	755,141	752,000	881,193
Total automotive	26,770,379	24,597,846	28,531,993
All other	923,314	479,553	541,436
Total sales of products	27,693,693	25,077,398	29,073,428
Financial services	2,172,854	2,137,195	2,306,079
Total sales revenues	29,866,547	27,214,594	31,379,507

The majority of sales of products are revenues recognized from contracts with customers under IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"), and receivables related to such revenues are recognized as "Trade accounts and other receivables".

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The breakdown of income from leases included in financial service revenues is as follows:

	Yen in millions		
	For the years ended March 31,		
	2020	2021	2022
Finance leases			
Financial income related to net lease investment	98,865	106,724	134,512
Operating leases	1,051,822	1,017,707	1,093,545
Total	1,150,688	1,124,431	1,228,057

Financial service revenues other than income from leases mainly consist of interest income using the effective interest method. The amount of interest income using the effective interest method is not significant.

For the years ended March 31, 2020, 2021 and 2022 ¥127,113 million, ¥125,748 million and ¥138,718 million of financial service revenues were accounted for under IFRS 15.

(2) Contract liabilities

Contract liabilities consist of the following:

	Yen in millions	
	March 31,	
	2021	2022
Contract liabilities	854,679	989,959

Contract liabilities are primarily related to advances received from customers. Contract liabilities are included in “Other current liabilities” and “Other non-current liabilities” in the consolidated statement of financial position. For the year ended March 31, 2021 and 2022, the amounts transferred from contract liabilities at the beginning of the fiscal year to operating income were ¥370,278 million and ¥444,781 million, respectively.

(3) Performance obligations

The aggregate amounts of transaction prices allocated to unsatisfied performance obligations related to contracts that have original expected durations in excess of one year were ¥618,668 million and ¥796,769 million as of March 31, 2021 and 2022, respectively. The main contents of unsatisfied performance obligations are insurance revenues and maintenance revenues.

For insurance revenues, Toyota receives payment agreed upon in the contract at the inception of the contract, and revenue is recognized over the term of the contract, which ranges from three to 120 months. As of March 31, 2021, the unsatisfied performance obligations related to insurance revenues were ¥237,805 million, and Toyota expected to recognize as revenue ¥67,537 million in fiscal 2022, and ¥170,268 million thereafter. As of March 31, 2022, the unsatisfied performance obligations related to insurance revenues were ¥295,648 million, and Toyota expects to recognize as revenue ¥82,215 million in fiscal 2023, and ¥213,432 million thereafter.

For maintenance revenues, Toyota receives payments agreed upon in the contract at the inception of the contract, and revenue is recognized over the term of the contract, which ranges from 18 to 84 months.

Unsatisfied performance obligations for sales of products related to contracts that have an original expected duration of one year or less have been excluded from this disclosure.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

27. Research and development cost

Research and development costs consist of the following:

	Yen in millions		
	For the years ended March 31,		
	2020	2021	2022
Research and development expenditures incurred during the year	1,110,369	1,090,424	1,124,262
Amount capitalized	(164,127)	(158,246)	(200,512)
Amortization of capitalized development costs	149,776	152,542	167,926
Total	<u>1,096,019</u>	<u>1,084,721</u>	<u>1,091,675</u>

28. Other finance income and costs

Other finance income and costs consist of the following:

	Yen in millions		
	For the years ended March 31,		
	2020	2021	2022
Other finance income			
Interest income			
Financial assets measured at amortized cost	37,201	17,526	16,920
Financial assets measured at fair value through other comprehensive income	84,629	88,074	84,592
Dividend income			
Financial assets measured at fair value through other comprehensive income	110,243	88,837	94,833
Other	<u>73,772</u>	<u>240,791</u>	<u>138,416</u>
Total	<u>305,846</u>	<u>435,229</u>	<u>334,760</u>
Other finance costs			
Interest expense			
Financial liabilities measured at amortized cost	(44,114)	(42,421)	(32,458)
Other	<u>(3,041)</u>	<u>(5,116)</u>	<u>(11,539)</u>
Total	<u>(47,155)</u>	<u>(47,537)</u>	<u>(43,997)</u>

The decrease in “Other finance income—Other” was due mainly to a decrease during fiscal 2022 in profit on sales of securities.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

29. Earnings per share

Reconciliation of the difference between basic and diluted earnings per share attributable to Toyota Motor Corporation are as follows:

	<u>Yen in millions</u> <u>Net income</u> <u>attributable to Toyota</u> <u>Motor Corporation</u>	<u>Thousands</u> <u>of shares</u> <u>Weighted-average</u> <u>common shares</u>	<u>Yen</u> <u>Earnings per share</u> <u>attributable to Toyota</u> <u>Motor Corporation</u>
For the year ended March 31, 2020			
Net income attributable to Toyota Motor Corporation	2,036,140		
Basic earnings per share attributable to Toyota Motor Corporation	2,036,140	13,994,590	145.49
Effect of dilutive securities			
Model AA Class Shares	13,265	235,500	
Diluted earnings per share attributable to Toyota Motor Corporation	<u>2,049,405</u>	<u>14,230,090</u>	<u>144.02</u>
For the year ended March 31, 2021			
Net income attributable to Toyota Motor Corporation	2,245,261		
Basic earnings per share attributable to Toyota Motor Corporation	2,245,261	13,976,442	160.65
Effect of dilutive securities			
Model AA Class Shares	12,569	229,694	
Diluted earnings per share attributable to Toyota Motor Corporation	<u>2,257,830</u>	<u>14,206,137</u>	<u>158.93</u>
For the year ended March 31, 2022			
Net income attributable to Toyota Motor Corporation	2,850,110		
Basic earnings per share attributable to Toyota Motor Corporation	2,850,110	13,887,348	205.23
Effect of dilutive securities			
Model AA Class Shares	23	311	
Diluted earnings per share attributable to Toyota Motor Corporation	<u>2,850,132</u>	<u>13,887,659</u>	<u>205.23</u>

In addition to the disclosure requirements under IFRS, Toyota discloses the information below in order to provide financial statements users with valuable information.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table shows Toyota Motor Corporation shareholders' equity per share. Toyota Motor Corporation shareholders' equity per share amounts are calculated by dividing Toyota Motor Corporation shareholders' equity in the consolidated statement of financial position by common shares issued and outstanding at the end of the year (excluding treasury stock).

	<u>Yen in millions</u>	<u>Thousands of shares</u>	<u>Yen</u>
	Toyota Motor Corporation shareholders' equity	Common shares issued and outstanding at the end of the year (excluding treasury stock)	Toyota Motor Corporation shareholders' equity per share
As of March 31, 2021	23,404,547	13,979,743	1,674.18
As of March 31, 2022	26,245,969	13,778,302	1,904.88

On October 1, 2021, TMC effected a five-for-one stock split of its common stock to shareholders. "Basic earnings per share attributable to Toyota Motor Corporation", "Diluted earnings per share attributable to Toyota Motor Corporation" and "Toyota Motor Corporation shareholders' equity per share" are calculated based on the assumption that the stock split was implemented at the beginning of the earliest period presented in this note.

30. Contractual commitments and contingent liabilities

(1) Contractual commitments

Contractual commitments relating to purchase of property, plant and equipment, other assets, and services are ¥359,214 million, ¥349,143 million as of March 31, 2021 and 2022.

(2) Guarantees

Toyota enters into contracts with Toyota dealers to guarantee customers' payments of their installment payables that arise from installment contracts between customers and Toyota dealers, as and when requested by Toyota dealers. Guarantee periods are set to match maturity of installment payments, and as of March 31, 2022, range from 1 month to 8 years; however, they are generally shorter than the useful lives of products sold. Toyota is required to execute its guarantee primarily when customers are unable to make required payment.

The maximum potential amount of future payments are ¥3,710,352 million and ¥3,641,978 million as of March 31, 2021 and 2022. Liabilities for guarantees totaling ¥18,493 million, and ¥21,869 million have been provided as of March 31, 2021 and 2022. Under these guarantee contracts, Toyota is entitled to recover any amount paid by Toyota from the customers whose original obligations Toyota has guaranteed.

(3) Market treatment such as recalls, damages and lawsuits

Toyota and other automakers have been named in certain class actions filed in Mexico, Canada, Australia, Israel and Brazil relating to Takata airbag issues. The actions in Mexico, Israel and Brazil are being litigated. The action in Australia is in the process of resolution.

Toyota is named as a defendant in an economic loss class action lawsuit in Australia in which damages are claimed on the basis that diesel particulate filters in certain vehicle models are defective. On April 7, 2022, Toyota received an unfavourable judgment in the court of first instance. The judgment included a finding that there was a perceived reduction in vehicle value of certain vehicle models. Toyota disagrees with the judgment and has filed an appeal. Other claims of economic loss in this class action lawsuit continue to be litigated at the

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

court of first instance. In estimating the provision we should record in the consolidated financial statements as a result of the aforementioned judgment, Toyota has considered various factors including the legal and factual circumstances of the case, the contents of the judgement of the court of first instance, and the views of legal counsel. The currently estimated probable economic outflow related to the class action is immaterial to Toyota's consolidated financial position, results of operations and cash flows. At this stage, however, the final outcome and therefore ultimate financial liability for Toyota on account of this matter cannot be predicted with certainty.

As previously disclosed, Toyota entered into a consent decree on January 14, 2021 with the U.S. EPA, the Department of Justice ("DOJ") and the Civil Division of the U.S. Attorney's Office for the Southern District of New York ("SDNY") to resolve investigations stemming from a self-reported process gap in fulfilling certain emissions defect information reporting requirements. Under the consent decree, Toyota agreed to pay, and has paid, a \$180 million civil penalty and to comply with certain additional periodic reporting requirements. The U.S. District Court for the Southern District of New York approved the consent decree on April 2, 2021.

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

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

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

TMC has a concentration of labor supply in employees working under collective bargaining agreements and a substantial portion of these employees are working under the agreement that will expire on December 31, 2023.

31. Details of company organization

(1) Major subsidiaries

Toyota's major subsidiaries are follows;

Toyota primarily conducts business in the automotive industry. Toyota also conducts business in finance and other industries.

Automobiles are mainly manufactured by TMC, Hino Motors Ltd. and Daihatsu Motor Co., Ltd., but some of them are outsourced in Japan. Toyota Motor Manufacturing Kentucky, Inc. and others manufacture overseas.

Auto parts are manufactured by TMC and others. These products are sold through dealers such as TOYOTA Mobility Tokyo Inc. in Japan, and through dealers such as Toyota Motor Sales, U.S.A., Inc. overseas.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In the financing business, Toyota Finance Corporation and others provide sales finance services in Japan and Toyota Motor Credit Corporation and others overseas.

Other business consists of information technology business and others.

(2) Structured entities

(i) Consolidated structured entities

Toyota periodically securitizes receivables related to financial services and vehicles on leases for liquidity and funding purposes and transfers them to special purpose entities. Toyota is deemed to have the power to direct the activities of these entities that most significantly impact the entities' economic performances. Therefore, Toyota has consolidated them.

The creditors of these entities do not have recourse to Toyota's general credit with the exception of debts guaranteed by Toyota. Risks to which Toyota is exposed including credit, interest rate, and/or prepayment risks are not incremental compared with the situation before Toyota enters into securitization transactions.

Toyota has equity in investment trusts and other special purpose entities. With respect to some of the investment trusts, Toyota has both the obligation to absorb losses of or the right to receive benefits from the investment trusts that could potentially be significant to the investment trusts and the power to direct the activities of the investment trusts that most significantly impact the investment trusts' economic performance through the asset manager. Therefore, Toyota has consolidated them.

Related to securitization transactions, ¥3,132,734 million and ¥3,367,601 million receivables related to financial services, ¥3,211,211 million and ¥3,882,623 million secured debt were included in Toyota's consolidated financial statements as of March 31, 2021 and 2022, respectively.

(ii) Unconsolidated structured entities

Other investment trusts and other special purpose entities are instructed based on contractual arrangements, and are designed so that voting or similar rights are not the dominant factor in deciding who controls the entities. The trusts and the special purpose entities are defined as structured entities but are determined that Toyota lacks the power to direct the activities of these investments that most significantly impact the trust's economic performance and, therefore does not consolidate the investment trusts and the special purpose entities. Investments in the investment trusts and the special purpose entities are held at fair value and are included in "Other financial assets" in the consolidated statement of financial position. The maximum exposure to loss is limited to the carrying value of its investment. The carrying value of the trusts totaled ¥37,397 million and ¥18,829 million as of March 31, 2021 and 2022, respectively. The carrying value of the special purpose entities totaled ¥1,240,530 million and ¥1,073,137 million as of March 31, 2021 and 2022, respectively. Toyota does not provide support that is not contractually required to the investments.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

32. Related party transactions

(1) Transactions with associates and joint ventures

The balances and turnover of receivables and payables with associates and joint ventures accounted for under the equity method are as follows:

	Yen in millions	
	March 31,	
	2021	2022
Trade accounts and other receivables		
Associates	265,938	302,212
Joint ventures	44,481	64,195
Total	310,419	366,407
Trade accounts and other payables		
Associates	855,997	1,086,397
Joint ventures	656	5,112
Total	856,653	1,091,509

	Yen in millions		
	For the years ended March 31,		
	2020	2021	2022
Sales revenues			
Associates	1,928,468	1,138,144	1,948,681
Joint ventures	489,735	499,437	413,703
Total	2,418,202	1,637,582	2,362,384
Cost of products sold (purchases)			
Associates	6,694,395	5,983,797	7,946,788
Joint ventures	86,747	51,434	308
Total	6,781,142	6,035,231	7,947,095

Dividends from associates and joint ventures accounted for under the equity method are ¥205,101 million and ¥252,557 million for the years ended March 31, 2021 and 2022, respectively. In addition, Toyota does not engage in transactions with associates and joint ventures outside of the normal course of business.

(2) Compensation of key management

The compensation for the directors and audit & supervisory board members of TMC is as follows:

	Yen in millions		
	For the years ended March 31,		
	2020	2021	2022
Monthly compensation	1,023	987	1,083
Bonus	1,039	748	196
Share compensation	477	364	772
Other	—	747	—
Total	2,540	2,847	2,051

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

“Other” refers to income tax compensation that was granted to a member of the Board of Directors, Mr. Didier Leroy, with respect to his remuneration during the period in which he served as a member of the Board of Directors. Mr. Leroy retired on June 11, 2020.

33. Supplemental cash flow information

“Other, net” in cash flows from investing activities includes a net increase in time deposits of ¥1,700,254 million and a net decrease in time deposits of ¥2,070,726 million for the year ended March 31, 2021 and 2022, respectively.

34. Significant subsequent events

Not applicable.

[Table of Contents](#)

ITEM 19. EXHIBITS

Index to Exhibit

1.1	Amended and Restated Articles of Incorporation of the Registrant (English translation)
1.2	Amended and Restated Regulations of the Board of Directors of the Registrant (English translation)
1.3	Amended and Restated Regulations of the Audit & Supervisory Board of the Registrant (English translation) (incorporated by reference to Exhibit 1.3 to Toyota's Annual Report on Form 20-F for the fiscal year ended March 31, 2016, filed with the SEC on June 24, 2016 (file no. 001-14948))
2.1	Amended and Restated Share Handling Regulations of the Registrant (English translation) (incorporated by reference to Exhibit 2.1 to Toyota's Annual Report on Form 20-F for the fiscal year ended March 31, 2021, filed with the SEC on June 24, 2021 (file no. 001-14948))
2.2	Form of Amended and Restated Deposit Agreement among the Registrant, The Bank of New York Mellon, as depositary, and all owners and holders from time to time of American Depositary Shares issued thereunder, including the form of American Depositary Receipt (incorporated by reference to Exhibit 1 to Toyota's Registration Statement on Form F-6, filed with the SEC on September 21, 2021 (file no. 333-259683))
2.3	Form of American Depositary Receipt (included in Exhibit 2.2)
2.4	Description of Toyota's Common Stock (incorporated by reference to "Item 10.B. Memorandum and Articles of Incorporation" of this annual report)
2.5	Description of Toyota's American Depositary Shares
8.1	List of Principal Subsidiaries (See "Organizational Structure" in "Item 4. Information on the Company")
11.1	Code of Ethics of the Registrant applicable to its members of the board of directors and operating officers, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions (English translation) (incorporated by reference to Exhibit 11.1 to Toyota's Annual Report on Form 20-F for the fiscal year ended March 31, 2021, filed with the SEC on June 24, 2021 (file no. 001-14948))
12.1	Certifications of the Registrant's President and Member of the Board, as well as Member of the Board, pursuant to Section 302 of the Sarbanes-Oxley Act
13.1	Certifications of the Registrant's President and Member of the Board, as well as Member of the Board, pursuant to Section 906 of the Sarbanes-Oxley Act
101.INS	Inline XBRL Instance Document — the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page for the registrant's Annual Report on Form 20-F for the year ended March 31, 2022, has been formatted in Inline XBRL

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

TOYOTA MOTOR CORPORATION

By: _____ /s/ Masahiro Yamamoto
Name: **Masahiro Yamamoto**
Title: **Chief Officer, Accounting Group**

Date: June 23, 2022

ARTICLES OF INCORPORATION OF TOYOTA MOTOR CORPORATION
(As amended on June 15, 2022)

CHAPTER I. GENERAL PROVISIONS

Article 1. (Trade Name)

The name of the Corporation shall be “Toyota Jidosha Kabushiki Kaisha” to be expressed in English as “TOYOTA MOTOR CORPORATION”.

Article 2. (Purpose)

The purpose of the Corporation shall be to engage in the following businesses:

- (1) the manufacture, sale, leasing and repair of motor vehicles, industrial vehicles, ships, aircraft, other transportation machinery and apparatus, spacecraft and space machinery and apparatus, and parts thereof;
- (2) the manufacture, sale, leasing and repair of industrial machinery and apparatus and other general machinery and apparatus, and parts thereof;
- (3) the manufacture, sale, leasing and repair of electrical machinery and apparatus, and parts thereof;
- (4) the manufacture, sale, leasing and repair of measuring machinery and apparatus, and medical machinery and apparatus, and parts thereof;
- (5) the manufacture and sale of ceramics and products of synthetic resins, and materials thereof;
- (6) the manufacture, sale and repair of construction materials and equipment, furnishings and fixtures for residential buildings;
- (7) the planning, designing, supervision, execution and undertaking of construction works, civil engineering works, land development, urban development and regional development;
- (8) the sale, purchase, leasing, brokerage and management of real estate;
- (9) the service of information processing, information communications and information supply, and the development, sale and leasing of software;
- (10) the design and development of product sales systems that utilize networks such as the Internet; sale, leasing, maintenance of computers included within such systems, and sales of products by utilizing such systems;
- (11) the inland transportation, marine transportation, air transportation, stevedoring, warehousing and tourism businesses;
- (12) the printing, publishing, advertising and publicity, general leasing, security and workers dispatch businesses;
- (13) the credit card operations, purchase and sale of securities, investment consulting, investment trust operation, and other financial services;
- (14) the operation and management of such facilities as parking lots, showrooms, educational facilities, medical care facilities, sports facilities, marinas, airfields, food and drink stands and restaurants, lodging facilities, retail stores and others;
- (15) the non-life insurance agency business and life insurance agency business;
- (16) the production and processing by using biotechnology of agricultural products including trees, and the sale of such products;

-
- (17) power generation and the supply and sale of electric power
 - (18) the sale of goods related to each of the preceding items and mineral oil;
 - (19) the conducting of engineering, consulting, invention and research relating to each of the preceding items and the utilization of such invention and research; and
 - (20) any businesses incidental to or related to any of the preceding items.

Article 3. (Location of Principal Office)

The principal office of the Corporation shall be located in Toyota City, Aichi Prefecture, Japan.

Article 4. (Public Notices)

Public notices of the Corporation shall be given electronically; provided, however, that in the case that an electronic public notice is impracticable due to an accident or any other unavoidable reason, public notices of the Corporation shall be given in the newspaper “The Nihon Keizai Shimbun”.

CHAPTER II. SHARES

Article 5. (Total Number of Authorized Shares)

The total number of shares which the Corporation is authorized to issue shall be fifty billion (50,000,000,000).

Article 6. (Number of Shares Constituting One Unit (tangen) and Rights to Shares Constituting Less than One Unit (tangen))

1. The number of shares constituting one unit (tangen) of shares of the Corporation shall be one hundred (100).
2. The shareholders of the Corporation are not entitled to exercise any rights to shares constituting less than one unit (tangen) of shares held by the shareholders, other than the rights provided for in each Item of Article 189, Paragraph 2 of the Companies Act (Kaisha-hou).

Article 7. (Acquisition of Own Shares)

The Corporation may acquire its own shares by a resolution of the Board of Directors in accordance with the provisions of Article 165, Paragraph 2 of the Companies Act.

Article 8. (Transfer Agent)

1. The Corporation shall have a transfer agent (*Kabunushimeibo-Kanrinin*).
2. The transfer agent and the location of its office shall be designated by a resolution of the Board of Directors, and public notice thereof shall be given. The register of shareholders and the register of stock acquisition rights shall be kept at the office of the transfer agent. The entry or recording into the register of shareholders and the register of stock acquisition rights, the purchase of shares constituting less than one unit (tangen) and any other matters related to the shares and stock acquisition rights shall be handled by the transfer agent and not by the Corporation.

Article 9. (Share Handling Regulations)

The procedures for and fees for the entry or recording into the register of shareholders and the register of stock acquisition rights, purchasing shares constituting less than one unit (tangen) and any other matters relating to the handling of shares and stock acquisition rights shall be subject to the Share Handling Regulations established by the Board of Directors.

Article 10. (Record Date)

1. The Corporation shall deem any shareholder entered or recorded in the final register of shareholders as of March 31 in such year to be a shareholder entitled to exercise its rights at the ordinary general meeting of shareholders for that business year.

2. In addition to the case provided for in the preceding paragraph, the Corporation may, after giving prior public notice, fix a date as the record date, where it deems it necessary to do so.

CHAPTER III. GENERAL MEETINGS OF SHAREHOLDERS

Article 11. (Ordinary General Meetings and Extraordinary General Meetings of Shareholders)

1. The ordinary general meeting of shareholders of the Corporation shall be convened in June of each year. Extraordinary general meetings of shareholders may be called whenever necessary.

2. Each general meeting of shareholders may be convened at the place where the principal office of the Corporation is located, or at a place adjacent thereto, or in Nagoya City.

Article 12. (Resolutions)

1. All resolutions of a general meeting of shareholders shall be adopted by a majority of the votes of the shareholders present at the meeting who are entitled to vote, unless otherwise provided by laws and regulations or these Articles of Incorporation of the Corporation.

2. Special resolutions as specified by Article 309, Paragraph 2 of the Companies Act shall be adopted by not less than two-thirds (2/3) of the votes of the shareholders present at the meeting who hold shares representing in aggregate not less than one-third (1/3) of the voting rights of all shareholders who are entitled to vote.

Article 13. (Chairman of General Meeting)

1. The Chairman of the Board or the President of the Corporation shall preside as chairman at a general meeting of shareholders.

2. In the event that the positions of both the Chairman of the Board and the President are vacant or that both of them are prevented from so presiding as chairman, another Director of the Corporation shall preside in their place according to the order of precedence previously established by the Board of Directors.

Article 14. (Exercise of Voting Rights by Proxy)

1. A shareholder may exercise its voting rights by proxy, provided, however, that the proxy shall be a shareholder of the Corporation who is entitled to exercise its own voting rights.

2. In cases where the preceding paragraph applies, the shareholder or its proxy shall file with the Corporation a document establishing the proxy's power of representation for each general meeting of shareholders.

3. The Corporation may refuse a shareholder having two (2) or more proxies attend a general meeting of shareholders.

Article 15. (Measures for Electronic Provision of Information, etc.)

1. Upon convening a general meeting of shareholders, the Corporation shall provide information contained in reference documents for the general meeting of shareholders, business reports, financial statements and consolidated financial statements and other documents to shareholders electronically pursuant to laws and regulations.

2. Among the matters to be provided electronically, the Corporation may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for vesting voting rights.

CHAPTER IV. MEMBERS OF THE BOARD OF DIRECTORS AND BOARD OF DIRECTORS

Article 16. (Number of Directors)

The Corporation shall have no more than twenty (20) Directors.

Article 17. (Election of Directors)

1. Directors shall be elected by a resolution of a general meeting of shareholders.

2. A resolution for the election of Directors shall be adopted by a majority vote of the shareholders present at the meeting who hold shares representing in aggregate not less than one-third (1/3) of the voting rights of all the shareholders who are entitled to vote.

3. The election of Directors shall not be made by cumulative voting.

Article 18. (Term of Office of Directors)

1. The term of office of Directors shall expire at the closing of the ordinary general meeting of shareholders to be held for the last business year of the Corporation ending within one (1) year after their election.

2. The term of office of any Director elected in order to increase the number of Directors or to fill a vacancy shall be the balance of the term of office of the other Directors who hold office at the time of his/ her election.

Article 19. (Board of Directors)

1. The Corporation shall have a Board of Directors.

2. Notice of a meeting of the Board of Directors shall be dispatched to each Director and each Audit & Supervisory Board Member at least three (3) days before the date of the meeting. In case of urgency, however, such period may be shortened.

3. With respect to matters to be resolved by the Board of Directors, the Corporation shall deem that such matters were approved by a resolution of the Board of Directors when all the Directors express their agreement in writing or by electronic records. Provided, however, that this provision shall not apply when any Audit & Supervisory Board Member expresses his/her objection to such matters.

4. In addition to the preceding two (2) paragraphs, the management of the Board of Directors shall be subject to the Regulations of the Board of Directors established by the Board of Directors.

Article 20. (Representative Directors and Executive Directors)

1. The Board of Directors shall designate one or more Representative Directors by its resolution.
2. The Board of Directors may appoint one Chairman of the Board, one President and one or more Vice Chairmen of the Board and Executive Vice Presidents by its resolution.

Article 21. (Honorary Chairmen and Senior Advisors)

The Board of Directors may appoint Honorary Chairmen and Senior Advisors by its resolution.

Article 22. (Exemption from Liability of Directors)

In accordance with the provisions of Article 426, Paragraph 1 of the Companies Act, the Corporation may, by a resolution of the Board of Directors, exempt Directors (including former Directors) from liabilities provided for in Article 423, Paragraph 1 of the Companies Act within the limits stipulated by laws and regulations.

Article 23. (Limited Liability Agreement with members of the Board of Directors)

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Corporation may enter into an agreement with Members of the Board of Directors (excluding Executive Members of the Board of Directors, etc.) limiting liabilities provided for in Article 423, Paragraph 1 of the Companies Act; provided, however, that the limit of the liability under the agreement shall be the minimum amount of liability stipulated by laws and regulations.

CHAPTER V. AUDIT & SUPERVISORY BOARD MEMBERS AND AUDIT & SUPERVISORY BOARD

Article 24. (Establishment of Audit & Supervisory Board Members and Number of Audit & Supervisory Board Members)

The Corporation shall have no more than seven (7) Audit & Supervisory Board Members.

Article 25. (Election of Audit & Supervisory Board Members)

1. Audit & Supervisory Board Members shall be elected by a resolution of a general meeting of shareholders.
2. A resolution for the election of Audit & Supervisory Board Members shall be adopted by a majority vote of the shareholders present at the meeting who hold shares representing in aggregate not less than one-third (1/3) of the voting rights of all the shareholders who are entitled to vote.

Article 26. (Term of Office of Audit & Supervisory Board Members)

1. The term of office of Audit & Supervisory Board Members shall expire at the closing of the ordinary general meeting of shareholders to be held for the last business year of the Corporation ending within four (4) years after their election.
2. The term of office of any Audit & Supervisory Board Member elected to fill a vacancy shall be the balance of the term of office of the Audit & Supervisory Board Member whom he/she succeeds.

Article 27. (Audit & Supervisory Board)

1. The Corporation shall have an Audit & Supervisory Board.
2. Notice of a meeting of the Audit & Supervisory Board shall be dispatched to each Audit & Supervisory Board Members at least three (3) days before the date of the meeting. In case of urgency, however, such period may be shortened.

3. In addition to the provisions of the preceding paragraph, the management of the Audit & Supervisory Board shall be subject to the Regulations of the Audit & Supervisory Board established by the Audit & Supervisory Board.

Article 28. (Full-time Audit & Supervisory Board Member)

The Audit & Supervisory Board shall, by its resolution, select one or more full-time Audit & Supervisory Board Members.

Article 29. (Exemption from Liability of Audit & Supervisory Board Members)

In accordance with the provisions of Article 426, Paragraph 1 of the Companies Act, the Corporation may, by a resolution of the Board of Directors, exempt Audit & Supervisory Board Members (including former Audit & Supervisory Board Members) from liabilities provided for in Article 423, Paragraph 1 of the Companies Act within the limits stipulated by laws and regulations.

Article 30. (Limited Liability Agreement with Audit & Supervisory Board Members)

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Corporation may enter into an agreement with Audit & Supervisory Board Members limiting liabilities provided for in Article 423, Paragraph 1 of the Companies Act; provided, however, that the limit of the liability under the agreement shall be the minimum amount of liability stipulated by laws and regulations.

CHAPTER VI. ACCOUNTING AUDITOR

Article 31. (Accounting Auditor)

The Corporation shall have an Accounting Auditor (*kaikeikansa-nin*).

CHAPTER VII. ACCOUNTS

Article 32. (Business Year)

The business year of the Corporation shall be one (1) year from April 1 of each year until March 31 of the following year.

Article 33. (Dividends from Surplus, etc.)

1. Dividends from Surplus of the Corporation shall be paid to the shareholders or registered share pledgees entered or recorded in the final register of shareholders as of March 31 of each year.

2. The Corporation may, by a resolution of the Board of Directors, distribute dividends from surplus as provided for in Article 454, Paragraph 5 of the Companies Act to the shareholders or registered share pledgees entered or recorded in the final register of shareholders as of September 30 of each year.

3. In addition to the preceding two (2) paragraphs, the Corporation may, by a resolution of the Board of Directors, decide on matters provided for in each Item of Article 459, Paragraph 1 of the Companies Act.

4. No interest shall be paid on unpaid dividends from surplus.

Article 34. (Dispensation from Payment of Dividends from Surplus, etc.)

In the case where the dividends from surplus are paid by cash, the Corporation shall not be obliged to pay any dividends from surplus after three (3) years have expired from the date of tender thereof.

(Supplementary Provisions)

Article 1. The deletion of the Article 15. (Deemed Delivery of Reference Documents, etc. for General Meeting of Shareholders) of the current Articles of Incorporation and the establishment of the proposed Article 15. (Measures for Electronic Provision of Information, etc.) shall come into effect as of September 1, 2022, the date of enforcement of the amended provisions stipulated in the proviso to Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (the “Effective Date”).

Article 2. Notwithstanding the provisions of the preceding paragraph, Article 15. of the Articles of Incorporation before the amendment shall remain in force with respect to a general meeting of shareholders to be held on a date within six months from the Effective Date.

Article 3. These supplementary provisions shall be deleted after the lapse of six months from the Effective Date or three months after the General Meeting of Shareholders mentioned in the preceding paragraph, whichever is later.

For reference purpose only

(TRANSLATION)

**REGULATIONS OF
THE BOARD OF DIRECTORS
OF
TOYOTA MOTOR CORPORATION**

Established: February 27, 1952
As last amended on June 1, 2022
(Aa004-28)

Article 1. (Regulations of the Board of Directors)

Except as provided for in laws, ordinances or the Articles of Incorporation, matters relating to the Board of Directors of Toyota Motor Corporation (the “Company”) shall be governed by the provisions of these Regulations.

Article 2. (Purpose and Composition)

1. The Board of Directors shall be composed of all the Members of the Board of Directors and shall make decisions on the execution of business, supervise the execution of the duties of Members of the Board of Directors, and designate and dismiss the Representative Directors.
2. Audit & Supervisory Board Members shall be present and, whenever necessary, give their opinions at a meeting of the Board of Directors.
3. The Board of Directors is able to request Operating Officers and other members admitted by the Chairman to be present and give explanation or comment. However, Operating Officers and other members admitted by the Chairman are not able to participate in resolutions.

Article 3. (Person to Convene Meeting and Notice of Meeting)

1. A meeting of the Board of Directors shall be convened by the Chairman of the Board of Directors or the President, Member of the Board of Directors. In the event that the positions of both the Chairman of the Board of Directors and the President, Member of the Board of Directors are vacant or that both of them are prevented from convening, such meeting shall be convened by the Vice Chairman of the Board of Directors, or other Members of the Board of Directors in that order and according to their rank, if there are multiple persons holding the same position.
2. Notice of convening a meeting of the Board of Directors shall be dispatched to each Member of the Board of Directors and each Audit & Supervisory Board Member at least three (3) days before the date of the meeting. In the case of urgency, however, such period may be shortened.
3. A meeting of the Board of Directors may be held without following the convening procedure, if consented to by all the Members of the Board of Directors and the Audit & Supervisory Board Members.

Article 4. (Chairmanship and Method of Adopting Resolutions)

1. The Chairman of the Board of Directors or the President, Member of the Board of Directors shall preside as chairman at a meeting of the Board of Directors. In the event that the positions of both the Chairman of the Board of Directors and the President, Member of the Board of Directors are vacant or that both of them are prevented from so presiding as chairman, the Vice Chairman of the Board of Directors, or other Members of the Board of Directors, shall preside as chairman in that order and according to their rank in the case that there are multiple persons holding the same position.

2. Resolutions of the Board of Directors shall be adopted at meetings at which a majority of the Members of the Board of Directors who are entitled to vote shall be present, by a majority of the Members of the Board of Directors so present.
3. With respect to matters to be resolved by the Board of Directors, the Company shall deem that such matters were approved by a resolution of the Board of Directors when all the Members of the Board of Directors express their agreement in writing or by electronic records. Provided, however, that this provision shall not apply when any Audit & Supervisory Board Member expresses his/her objection to such matters.
4. With respect to matters to be reported to the Board of Directors, Members of the Board of Directors, Audit & Supervisory Board Members or Accounting Auditors shall not be required to report such matters to the Board of Directors when such matters are notified to all the Members of the Board of Directors and Audit & Supervisory Board Members.

Article 5. (Matters to be Resolved)

The following matters shall be subject to the resolution of the Board of Directors:

- (1) Matters provided for in the Corporation Act or other laws or ordinances;
- (2) Matters provided for in the Articles of Incorporation;
- (3) Matters delegated to the Board of Directors by resolution of a general meeting of shareholders; and
- (4) Other important managerial matters.

Article 6. (Matters to Be Reported)

Members of the Board of Directors shall report to the Board of Directors on the following matters:

- (1) State of execution of business and such other matters as are provided for in the Corporation Act or other laws or ordinances; and
- (2) Such other matters as the Board of Directors may deem necessary.

Article 7. (Meetings and Minutes)

1. A meeting of the Board of Directors shall be held in Japanese, minutes shall be prepared each time a meeting of the Board of Directors is held and such minutes shall be kept on file at the head office for ten years.
2. Minutes shall set forth matters provided for in the laws or ordinances and the Members of the Board of Directors and Audit & Supervisory Board Members present shall sign or affix their names and seals thereto.
3. Minutes shall be prepared in Japanese.

Supplementary Provisions

Article 1. (Effective Date)

These Regulations shall become effective as of June 1, 2022.

Article 2. (Amendment to Regulations)

Any amendment to these Regulations shall be made by a resolution of the Board of Directors.

MATTERS TO BE SUBMITTED TO THE BOARD OF DIRECTORS

General Rules of the “Matters To Be Submitted To The Board of Directors” (this “List”)

1. Pursuant to Article 5(1), (2) and (3) of the Regulations of the Board of Directors, matters and items defined in I-1, 2 and 3 of this List shall, without fail, be submitted to the Board of Directors.
 2. In addition, pursuant to Article 5(4) of the Regulations of the Board of Directors, for matters and items defined in I-4 of this List, materiality must be appropriately judged and matters must be submitted accordingly to the Board of Directors.
 3. Materiality shall be determined by the Executive(s) and Executive General Manager(s) responsible for their divisions* taking into consideration “submission standards,” “special rules,” “definitions” and “explanations” in this List. If the amount of transaction does not meet the submission standards at first, but there occurs a possibility that it may exceed such standards later on, such transaction shall be submitted to the Board of Directors at the time such possibility arises.

Even if a proposal does not meet the monetary standards, for matters with high uncertainty in investment recovery, potential significant losses, high geopolitical risks, or high reputation risks, etc., materiality shall be appropriately judged based on such risks.
 4. Pursuant to Article 6 of the Regulations of the Board of Directors, matters and items defined in II of this List shall be reported to the Board of Directors without delay.
- * Business Unit/Company President or Executive Vice President, or Chief Officer / Chief Executive Officer or Deputy Chief Officer (TMC Executives’ meeting: Chairman of applicable meetings/ Divisions not belonging to a group: Operating Officer or KANBUSHOKU responsible for an applicable division)

Standard for re-submission

If material changes are made to a matter previously submitted to the Board of Directors (such as 20% or more of increase in the amount approved by the Board of Directors), such matter shall be re-submitted to the Board of Directors.

I. Matters to be Resolved:

1. Matters provided for in the Companies Act or other laws or ordinances:

Classifications	Items	Relevant Articles of Applicable Law
Shares; stock acquisition rights:	Fixing the record date	Article 124
	Acquisition of the Company’s own shares held by its subsidiaries	Article 163
	Cancellation of the Company’s own shares	Article 178
	Share-splits	Article 183
	Free Allotment of shares	Article 186
	Reduction of the number of shares constituting one unit (<i>tangen</i>) of shares or abolition of the provisions which define such number	Article 195
	Auction of shares held by shareholders whose whereabouts are unknown	Article 197

<u>Classifications</u>	<u>Items</u>	<u>Relevant Articles of Applicable Law</u>
	Issuance of new shares	Article 201
	Disposition of the Company's own shares	Article 201
	Approval of undertaking a contract for the total number of shares of subscription or similar ones with transfer restrictions	Articles 205 and 244
	Issuance of stock acquisition rights	Article 240
	Approval of transferring stock acquisition rights with transfer restrictions	Article 265
	Acquisition of stock acquisition rights with acquisition clause	Articles 273 and 274
	Cancellation of stock acquisition rights	Article 276
General meetings of shareholders:	Free Allotment of stock acquisition rights	Article 278
	Convening of a general meeting of shareholders	Article 298
Board of Directors, Members of the Board of Directors:	Designation and dismissal of Representative Directors	Article 362
	Approval of Members of the Board of Directors' competing transactions	Article 365
	Approval of Members of the Board of Directors' transactions for their own account	Article 365
	Approval of Members of the Board of Directors' transactions involving conflict of interests	Article 365
Accounts:	Approval of financial statements, business reports and the accompanying detailed statements	Article 436
	Approval of extraordinary financial statements	Article 441
	Approval of consolidated financial statements	Article 444
	Reduction in the amount of capital (with conditions)	Article 447
	Reduction in the amount of reserves (with conditions)	Article 448
Bonds:	Offering of bonds	Article 362
	Issuance of bonds with stock acquisition rights	Article 240
Others:	Disposition and acquisition of important property*1	Article 362
	Borrowing of a large amount of money	Article 362
	Appointment and removal of managers and other important employees	Article 362

<u>Classifications</u>	<u>Items</u>	<u>Relevant Articles of Applicable Law</u>
	Establishment, alteration and abolition of branch offices and other important organizations	Article 362
	Development of a system to ensure the appropriateness of business operations of the Company and business group consisting of the parent company and subsidiaries	Article 362
	Other important business execution	Article 362

2. Matters provided for in the Articles of Incorporation:

<u>Classifications</u>	<u>Items</u>	<u>Relevant Articles of the Articles of Incorporation</u>
Shares:	Acquisition of Company's own shares	Articles 7
	Selection of registration agent and its location of business	Article 9
	Amendment to the Share Handling Regulations	Article 10
General meeting of shareholders:	The order in which to assume chairmanship of a general meeting of shareholders	Article 13
Board of Directors; Members of the Board of Directors:	Designation and dismissal of Members of the Board of Directors with specific titles	Article 20
	Amendment to the Regulations of the Board of Directors	Article 19
	Exemption of Members of the Board of Directors from their liabilities	Article 22
Audit & Supervisory Board Members:	Exemption of Audit & Supervisory Board Members from their liabilities	Article 29
Accounts:	Distribution of interim dividends from surplus	Article 33
	Reduction in the amount of reserves	Article 33
	Other disposition of surplus	Article 33
	Distribution of dividends from surplus	Article 33
Others:	Appointment of Honorary Chairman and Senior Advisor	Article 21

3. Matters delegated to the Board of Directors by resolution of a general meeting of shareholders:

<u>Classifications</u>	<u>Items</u>
Shares:	Acquisition of Company's own shares
	Issuance of new shares or stock acquisition rights on favorable conditions
Others:	Other matters delegated to the Board of Directors

4. Other important managerial matters:

<u>Classifications</u>	<u>Items</u>
Management:	Business Plan (profit planning, Hoshin Guideline, etc.) Important business alliances and important joint ventures Launching of new projects Short-form and simplified corporate splits Short-form and simplified share exchanges Simplified acquisition of an entire business of another company Approval of interim and quarterly accounts Approval of consolidated accounts (including interim and quarterly accounts) Decision on filing a lawsuit or an appeal, or closing an important dispute Other important matters
Personnel affairs; organization:	Assumption of office of executives in other companies (<u>excluding the company's subsidiaries</u> , in the case of new offices in listed companies only) by Members of the Board of Directors (<u>excluding Outside Members of the Board of Directors</u>), <u>Operating Officers, and the head of group, in-house company and any other organization similar thereto</u> Assumption of office of executives in important associations (in the case of new offices only) by Members of the Board of Directors (<u>excluding Outside Members of the Board of Directors</u>), <u>Operating Officers, and the head of group, in-house company and any other organization similar thereto</u> Appointment and removal of assignment of Members of the Board of Directors and Operating Officers to take charge of the head of group, in-house company and any other organization similar thereto Treatment and discipline relating to Members of the Board of Directors and Operating Officers Appointment and removal of Operating Officers Appointment and removal of Senior Technical Executive (<i>gikan</i>) and Advisor (<i>komon</i>) Approval of Operating Officers' competing transactions Approval of Operating Officers' transactions for their own account Approval of Operating Officers' transactions involving conflict of interests Changes in important working conditions Other important matters
Production; Sales; Technology development:	Long-term or annual production, shipment or sales plans Long-term or annual equipment plans Licensing, acquisition or transfer of important intellectual property rights Other important matters

<u>Classifications</u>	<u>Items</u>
Group management:	Incorporation, dissolution, acquisition and transfer of subsidiaries Important group managerial matters Other important matters
Others:	Other important managerial matters (For matters with high uncertainty in investment recovery, potential significant losses, high geopolitical risks, or high reputation risks, etc., materiality shall be appropriately judged based on such risks)

II. Matters to be reported:

<u>Items</u>	<u>Relevant Articles of Applicable Law</u>
State of execution of business	Article 363
Important facts about a competing transaction	Article 365
Important facts about any Member of the Board of Director's transactions for his/her own accounts	Article 365
Important facts about any transactions involving conflict of interests	Article 365
Monthly production/shipment/sales results	—
Important matters, such as incorporation of subsidiaries by a joint venture company	—
Management status of a system to ensure the appropriateness of business operations of the Company and business group consisting of the parent company and subsidiaries	Article 362
Other important matters	—

Appendix 1

<u>Items</u>	<u>Standard</u>
(1) Disposition and acquisition of important property:	
1 Acquisition and disposition of land and leaseholds	50,000,000,000 Yen or more per transaction
2 Investments (excluding fund management investments)	50,000,000,000 Yen or more per transaction
3 Capital expenditure (excluding model change and renewal of aging assets)	50,000,000,000 Yen or more per transaction
4 Loans (excluding renewal of bills and notes, and loans as part of financial business)	50,000,000,000 Yen or more per transaction, or loans outstanding of 50,000,000,000 Yen or more per company
5 Discharge of debts	200,000,000 Yen or more per transaction

Items	Standard
6 Donations (excluding those via Japan Automobile Manufacturers Association, Inc.)	<u>2,000,000,000 Yen or more per transaction</u> However, important matters will be submitted, even if the amount for a new case or single case is less than 2,000,000,000 Yen
(2) Disposition and acquisition of important property:	Important matters will be submitted at the initial phase (overview, the maximum amount of money, etc.). Deliberate a project as a whole. Multiple year appropriation is allowed if necessary (Report is required)
(3) Borrowings of large amounts of money:	
1 Borrowing	50,000,000,000 Yen or more per transaction
2 Guarantee of obligations	All transactions
(4) Appointment and removal of managers and other important employees:	Promotion to Senior General Manager and above, as well as appointment or removal of the head of group, in-house company, and any other organizations similar thereto Appointment of operating officers at membership companies (limited liability company, etc.) and limited liability partnerships, and removal of operating officers at such companies
(5) Establishment, alteration and abolition of branch offices and other important organizations:	Establishment, alteration and abolition of group, in-house company, plant and any other organizations similar thereto
(*1) Acquisition and disposition of land and leaseholds	
In the case where any of the acquisition price, book value, or transaction price is 50,000,000,000 Yen or more per transaction, a submission shall be required.	
However, in the case that the acquisition occurs for the purpose other than business, a submission shall be required, even if the amount is less than 50,000,000,000 Yen.	
(*2) Definition of “leaseholds”	
“Leasehold” is a right which is obtained by a temporary payment of concession money as a setup fee for leasehold, when leasing land for the purpose of owning buildings (excluding parking space, etc.).	
(*3) Special rules regarding “membership companies (limited liability company, etc.) and limited liability partnerships”	
(I) An overall business plan must be submitted when a membership company (LLC, etc.) and LLP is established or investment is newly made.	
(II) If material changes are made to a business plan previously submitted to a Board of Directors meeting, such matters shall be re-submitted to a Board of Directors meeting.	

Appendix 2

Items	Standard
(1) Business Plan (profit planning, Hoshin Guideline, etc.):	
1 Definition of “Business Plan”	
(1) “Business Plan”	Short-term profit planning (revenue, capital expenditure, R&D cost, etc.), Sales and Production Plan, (initial annual plan, etc.), Mid-term profit planning, Vision, etc.
(2) “Hoshin Guideline”	Hoshin Guideline (if revised)
(2) Important business alliances and important joint ventures:	
1 Definition of “business alliance” and “joint venture”	
(1) “business alliance”	“Business alliance” shall be used when businesses such as sales tie-up, continuous provision of products, acceptance/entrustment of production, joint production, joint development, or technology licensing, etc., are commenced or terminated, or material changes with respect to these businesses are made
(2) “Joint venture”	“Joint venture” shall be used when Toyota Motor Corporation (TMC) and a business partner or its subsidiary make joint investment to establish or acquire a joint venture company and have such joint venture company conduct businesses for the purposes of the subject joint venture
2 Materiality standards for “Important business alliances and important joint ventures” ^{*1}	
(1) Monetary standard	In case TMC plans to spend 50,000,000,000 Yen or more in total for loan and investment, capital expenditures, etc. at the beginning of the plan
(2) Qualitative standard	In case the subject business alliance or joint venture (including with a dominant competitor) may materially affect TMC’s management in terms of sales, profits, etc.
(3) Launching of new projects:	
1 Definition of “Launching of new projects”	Used when TMC launches a business not relating to its existing business areas (such as automobiles, industrial vehicles, housing, information and telecommunication, boats and ships, airplanes, biotechnology or financial businesses)

Items	Standard
	Other than launch of business by TMC itself, launch of business through business alliance or through its subsidiary or joint venture company (excluding companies in which TMC invests without being required to include such companies' operating results in its consolidated financial statements pursuant to the Financial Instruments and Exchange Act) shall also be considered as "launching of new projects"
(4) Decision on filing a lawsuit or an appeal, or closing an important dispute*2:	
1 Monetary standard	In case that value of subjects (amount TMC sues for or amount to be borne by TMC*3) is 10,000,000,000 Yen or more
2 Qualitative standard	In case of legal actions such as filing of legal action with respect to important intellectual property rights or dispute with a public entity with respect to environmental issues, which may materially affect TMC's management, business, rights or brand image, etc.

(*1) Materiality standards for "important business alliances and important joint ventures"

If a business alliance or joint venture falls under either the "Monetary standard" or "Qualitative standard", it shall be submitted to the Board of Directors.

(*2) Materiality standards for "Decision on filing a lawsuit or an appeal, or closing an important dispute"

If a case falls under either "Monetary standard" or "Qualitative standard", it shall be submitted to the Board of Directors.

Appendix 3

Items	Standard
(1) Materiality standards for "Assumption of offices of and resignation from a director's position in important associations":	In case that Members of the Board of Directors or Operating Officers of TMC assume or resign from a position such as chairman, board chairman, committee chairman, etc. of Japan Business Federation, The Japan Chamber of Commerce and Industry, Japan Association of Corporate Executives, Japan Automobile Manufacturer Association, Counsel of government authorities or other important associations comparable to these associations
(2) Materiality standards for "Changes in important working conditions":	In case that certain actions such as changes in working conditions with respect to employment which may materially affect TMC's management and employees

Appendix 4

Materiality standard for “licensing, acquisition or transfer of important intellectual property rights”

Certain actions such as licensing of intellectual property rights relating to TMC’s essential technologies or transfer of TMC’s trademark, which may materially affect TMC’s management, such licensing, transfer or acquisition shall be deemed material.

Appendix 5

Items	Standard
(1) Incorporation, dissolution, acquisition and transfer of subsidiaries:	
1 Definition of “Incorporation, dissolution, acquisition and transfer of subsidiaries”	
(1) “Subsidiary”	A joint stock company of which TMC holds a majority of its voting rights, or other companies judged to be a subsidiary of TMC pursuant to Article 3 of the Implementation Rules of the Companies Act (including a membership company such as a limited liability company, a partnership, any other business entities similar thereto)
(2) “Incorporation”	Used when a subsidiary is established
(3) “Dissolution”	Used when a subsidiary is dissolved
(4) “Acquisition”	Used when a subsidiary is obtained through, for example, acquisition of shares (excluding cases which fall under incorporation)
(5) “Transfer”	Used when a company loses its status as a subsidiary of TMC through, for example, TMC’s sale of shares of the subsidiary (excluding cases which fall under dissolution)
(2) Important group managerial matters:	
Matters will be submitted in accordance with the company’s submission standard in cases where business operation of subsidiaries may have a great influence on the company’s group management or reputation. Such cases include “Disposition and acquisition of important property”, “Borrowings of a large amount of money”, “Business alliances and joint ventures” and “Launching of new projects.”	
However, such submission may be omitted, in the case where submission of a matter is a formality, the matter virtually requires no managerial decision (transfer of land/equipment conducted between wholly owned subsidiaries etc.) and the matter is judged not to have materiality.	

Appendix 6

Items	Standard
(1) Report of the execution status of business:	<p>Improve contents of report to the supervision side while enhancing the decision-making process by operating officers</p> <p>(1) Progress of important investment in new businesses and risk taking status shall be reported as appropriate</p> <p>(2) As for report by in-house company/region, the annual plans will be confirmed in the Hoshin Guideline. As for other organizations, report will be made by project (Outside Board Member Meeting can be utilized)</p> <p>(3) Progress of initiatives for important strategy/mid-to long-term challenges shall be reported as appropriate (e.g., matters related to sustainability, corporate governance, and risk management, etc.)</p>

DESCRIPTION OF THE AMERICAN DEPOSITARY SHARES

The terms of the American Depositary Shares, or ADSs, are contained in the amended and restated deposit agreement dated as of September 21, 2021 among Toyota Motor Corporation, or Toyota, The Bank of New York Mellon, as depositary, and Owners and Holders (as defined below). The principal executive office of the depositary is located at 240 Greenwich Street, New York, New York 10286.

Each ADS represents an ownership interest in ten shares of Toyota's common stock, which shares are held with a custodian for the depositary, currently Sumitomo Mitsui Banking Corporation. ADSs may be certificated securities evidenced by American Depositary Receipts, or ADRs, or uncertificated securities. Subject to the conditions set forth in "— Limitations on Delivery, Registration of Transfer and Surrender of ADSs":

- ADSs evidenced by ADRs, when the ADRs are properly endorsed or accompanied by proper instruments of transfer, will be transferable as certificated registered securities under the laws of the State of New York; and
- ADSs not evidenced by ADRs will be transferable as uncertificated registered securities under the laws of the State of New York.

The following is a summary of the material provisions of the deposit agreement, and thus it does not contain all information that may be relevant to Owners and Holders. Investors should read the entire deposit agreement (including the form of ADR) for complete information. Toyota has filed a copy of the form of deposit agreement as an exhibit to Toyota's annual report on Form 20-F, which can be accessed on the SEC's website (<https://www.sec.gov>). Capitalized terms used but not defined have the meanings stated in the deposit agreement.

Owners and Holders

"Owner" means the person in whose name ADSs are registered on the books of the depositary maintained for that purpose. "Holder" means any person holding an ADR or a security entitlement or other interest in ADSs, whether for its own account or for the account of another person, but that is not the Owner of that ADR or those ADSs.

The depositary, notwithstanding any notice to the contrary, may treat the Owner of ADSs as the absolute owner thereof for the purpose of determining the person entitled to distribution of dividends or other distributions or to any notice provided for in the deposit agreement and for all other purposes, and neither the depositary nor Toyota will have any obligation or be subject to any liability under the deposit agreement to any Holder of ADSs (but only to the Owner of those ADSs).

Deposit of Shares and Delivery of ADSs

Shares of Toyota common stock, or the "Shares," deposited with the custodian must be accompanied by documents specified in the deposit agreement. The custodian will hold all deposited Shares for the account of the depositary. Owners and Holders thus have no direct ownership interest in the Shares and are not entitled to the rights of holders of Shares. Owners and Holders only have those rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited Shares. The deposited Shares and any additional items are referred to as deposited securities.

Upon each deposit of Shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of all fees, expenses, taxes and governmental charges that may apply, the depositary will deliver to or upon the order of the person or persons entitled thereto the number of ADSs issuable in respect of that deposit. However, the depositary will deliver only whole numbers of ADSs.

Surrender of ADSs and Withdrawal of Deposited Securities

Subject to the terms and conditions of the deposit agreement, Owners are entitled to delivery (to the extent delivery can then be lawfully and practicably be made) of the deposited securities underlying the ADSs upon surrender of ADSs to the depositary with delivery instructions for the deposited securities. In addition, Owners must pay all fees, expenses, taxes and governmental charges that may apply. Upon satisfaction of the applicable requirements, the depositary will direct the custodian to deliver to the surrendering Owner or to or upon the order of the person or persons designated in the delivery instructions, the amount of deposited securities represented by the surrendered ADSs.

Dividends and Other Distributions on Deposited Securities

Toyota may make various types of distributions with respect to the deposited securities. The depositary will take the following actions with respect to such distributions.

Cash

The depositary will convert cash dividends or other cash distributions from foreign currency to U.S. dollars, if this can be done on a reasonable basis, and promptly distribute the amount thus received to the Owners entitled to it.

If the depositary determines that the foreign currency it received is not convertible on a reasonable basis, the depositary may either distribute the foreign currency received to, or hold the foreign currency it cannot convert for the respective accounts of, the Owners entitled to receive them. The depositary will not invest the foreign currency and it will not be liable for interest. If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.

The depositary will endeavor to distribute cash in a practicable manner, and may deduct any taxes required to be withheld, its fees, any expenses of converting foreign currency and transferring funds to the United States, and other expenses and adjustments. The depositary will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent.

Shares

In the case of a distribution in Shares, the depositary may execute and deliver additional ADSs to evidence the number of ADSs representing those Shares. Only whole ADSs will be issued. Any Shares that would result in fractional ADSs may be sold and the net proceeds distributed to the Owners entitled thereto. If the depositary does not deliver additional ADSs and Shares or ADSs are not sold, the existing ADSs will also represent the new Shares.

Rights

In the case of a distribution of rights to subscribe for additional Shares or other securities, the depositary may, to the extent deemed by it to be lawful and practical:

- if requested by Toyota, grant to all or certain Owners rights to instruct the depositary to purchase the securities to which the rights relate and deliver those securities or ADSs representing those securities to Owners;
- if requested by Toyota, deliver the rights to or to the order of certain Owners; or
- sell the rights to the extent practicable and distribute the net proceeds of that sale to Owners entitled to those proceeds.

To the extent rights are not exercised, delivered or disposed of as described above, the depositary will permit the rights to lapse unexercised. In that case, you will receive nothing. U.S. securities laws may restrict the

ability of the depositary to distribute rights or ADSs or other securities issued on exercise of rights to all or certain Owners, and the securities distributed may be subject to restrictions on transfer.

Toyota has no obligation to file a registration statement under the Securities Act to make any rights available to Owners. Any sale or lapse of rights may reduce Owners' equity interest in Toyota.

Other Distributions

In the case of a distribution of securities or property other than those described above, the depositary will distribute such securities or property to the Owners entitled to them in any manner it deems equitable and practicable. If the depositary believes that such distribution cannot be made proportionately among the Owners entitled thereto or it deems such distribution not to be lawful and feasible, it may adopt such other method as it may deem equitable and practicable for effecting the distribution, including selling such securities or property and distributing any net proceeds as cash to the Owners entitled thereto.

The depositary may choose any practicable method of distribution for any specific Owner, including the distribution of foreign currency, securities or property, or it may retain such items on behalf of the Owner as deposited securities. This means that you may not receive the distributions we make on our Shares or any value for them if it is illegal or impractical for us to make them available to you. Further, there can be no assurance that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, Shares or other securities at a specified price, nor that any of those transactions can be completed within a specified time period.

Record Date

The depositary may fix a record date for determining the Owners who will be entitled to receive distributions, receive notices, or act on other matters. This record date will be as near as practicable to the corresponding record date set by Toyota with respect to Shares.

Voting of Deposited Shares

After receiving voting materials from Toyota and if Toyota requests, the depositary will notify the Owners of any shareholders' meeting. This notice will describe how the Owner may instruct the depositary to exercise the voting rights for the Shares represented by the Owner's ADSs. If the depositary receives instructions from an Owner of ADSs on or before a date set by the depositary, the depositary will endeavor to the extent practicable to vote the amount of Shares represented by those ADSs in accordance with such instructions. If the depositary does not receive instructions from an Owner with respect to a matter and an amount of ADSs of that Owner on or before the date established by the depositary for that purpose, the depositary will deem that Owner to have instructed the depositary to give a discretionary proxy to a person designated by Toyota to vote the number of Shares represented by that amount of ADSs as to that matter. However, no such instruction will be deemed given and no such discretionary proxy will be given with respect to any matter unless Toyota provides written confirmation to the depositary that (x) it wishes such a proxy to be given, (y) it reasonably does not know of any substantial opposition to the matter, and (z) the proposal is not materially adverse to the interests of shareholders.

It is possible that Owners will not have the opportunity to cause the voting rights pertaining to the Shares represented by their ADSs to be exercised according to their preferences. The depositary will not itself exercise any voting discretion. Furthermore, neither the depositary nor its agents are responsible for any failure to carry out any voting instructions with respect to deposited securities, for the manner in which any vote is cast or for the effect of any vote. This means that there may be nothing you can do if the Shares represented by your ADSs are not voted as you requested.

Notices and Reports

If Toyota takes or decides to take (i) certain corporate actions, such as making cash or other distributions, or granting rights, on deposited securities, setting a record date for a vote or redeeming, replacing or cancelling

deposited securities, or (ii) an action that effects or will effect a change of the name or legal structure of Toyota, or that effects or will effect a change to the Shares, Toyota may request that the depositary disseminate, as promptly as practicable at Toyota's expense, related notices, reports and communications to all Owners or otherwise make them available to Owners in a manner that Toyota specifies as substantially equivalent to the manner in which those communications are made available to holders of Shares and compliant with the requirements of any securities exchange on which the ADSs are at such time listed.

Inspection of Transfer Books

The depositary will keep a register of all Owners and outstanding ADSs, which will be open for inspection by Owners at the depositary's office, but only for the purpose of communicating with Owners regarding Toyota's business or a matter related to the deposit agreement or the ADSs.

Disclosure of Interests

When required in order to comply with applicable laws and regulations or its articles of incorporation, Toyota may from time to time request each Owner and Holder to provide to the depositary, and each Owner and Holder agrees to provide and consents to the disclosure of, information relating to:

- the capacity in which it holds ADSs;
- the identity of any Holders or other persons or entities then or previously interested in those ADSs and the nature of those interests; and
- any other matter where disclosure of such matter is required for that compliance.

Tender and Exchange Offers; Redemption, Replacement or Cancellation of Deposited Securities

The depositary will not tender deposited securities in any voluntary tender or exchange offer unless instructed to do so by an Owner surrendering ADSs and subject to any conditions or procedures the depositary may establish.

If deposited securities are redeemed for cash in a transaction that is mandatory and binding on the depositary as a holder of deposited securities, the depositary will call for surrender of a corresponding number of ADSs on a pro rata basis and distribute the net redemption money to the Owners of called ADSs upon surrender of those ADSs.

If there is any change in the deposited securities such as a subdivision, combination or other reclassification, or any merger, consolidation, recapitalization or reorganization affecting Toyota in which the depositary receives new securities or other property in exchange for or in lieu of the old deposited securities (a "replacement"), the depositary will hold such new securities or other property as deposited securities under the deposit agreement. However, if the depositary decides it would not be lawful or practical to hold such new deposited securities because those new deposited securities could not be distributed to Owners or for any other reason, the depositary may instead sell the new deposited securities and distribute the net proceeds upon surrender of the ADSs.

If there is a replacement and the depositary will continue to hold the new deposited securities, the depositary may call for the surrender of outstanding ADRs to be exchanged for new ADRs specifically describing the new deposited securities and the number of new deposited securities represented by each ADS. If the number of Shares represented by each ADS decreases as a result of a replacement, the depositary may call for surrender of the ADSs to be exchanged for a lesser number of ADSs and may sell ADSs to the extent necessary to avoid distributing fractions of ADSs in that exchange and distribute the net proceeds of that sale to the Owners entitled to them.

Amendment and Termination of Deposit Agreement

Toyota and the depositary may jointly amend the deposit agreement, and by so doing, the rights of Owners. The Owners must be given at least 30 days' notice of any amendment that imposes or increases any fees or

charges (except for taxes and other charges specifically payable by Owners under the deposit agreement), or that would otherwise prejudice any substantial existing right of Owners. Every Owner and Holder, at the time any amendment so becomes effective, will be deemed, by continuing to hold ADSs or any interest therein, to consent and agree to that amendment and to be bound by the deposit agreement as amended thereby. No amendment may impair any Owner's right to surrender ADSs and receive delivery of the deposited securities represented by them, except to comply with requirements of law.

Toyota may initiate termination of the deposit agreement by notice to the depositary. The depositary may initiate termination of the deposit agreement if (i) 60 days have expired after it delivered to Toyota a resignation notice and a successor depositary has not accepted its appointment, or (ii) certain events have occurred, such as certain insolvency events relating to Toyota, certain delisting events relating to the Shares or ADSs, distributions that represent a return of substantially all the value of the deposited securities, there being no deposited securities, or the deposited securities becoming become apparently worthless. If termination of the deposit agreement is initiated, the depositary will terminate the deposit agreement by providing at least 90 days' prior notice to all Owners.

At any time after the termination date, the depositary may sell the deposited securities then held and hold the net proceeds from those sales, uninvested, unsegregated and without liability for interest, for the pro rata benefit of the Owners of ADSs that remain outstanding. After making the sale, the depositary will have no obligations except to account for those proceeds and other cash and as described in the following sentence. After the termination date, the depositary will continue to receive distributions on deposited securities (that have not been sold), may sell rights and other property as provided in the deposit agreement, and deliver deposited securities (or sale proceeds) upon surrender of ADSs (after payment or upon deduction of fees, expenses, taxes and governmental charges) to Owners who surrender their ADSs.

After the termination date:

- the depositary will not accept deposits of Shares or deliver ADSs;
- the depositary may refuse to accept surrenders of ADSs for the purpose of withdrawal of deposited securities (that have not been sold);
- the depositary will not be required to deliver cash proceeds of the sale of deposited securities until all deposited securities have been sold; and
- the depositary may discontinue the registration of transfers of ADSs and suspend the distribution of dividends and other distributions on deposited securities to the Owners and need not give any further notices or perform any further acts under the deposit agreement except as provided therein.

Limitations on Delivery, Registration of Transfer and Surrender of ADSs

The depositary or the custodian may refuse to:

- deliver, register a transfer, or accept a surrender of ADSs;
- effect a split-up or combination of ADRs; or
- permit the withdrawal of deposited securities (unless the deposit agreement provides otherwise),

until the depositor of Shares or the presenter of the ADR or instruction for registration of transfer or surrender of ADSs not evidenced by an ADR has:

- paid all fees, expenses, taxes and governmental charges as required in the deposit agreement;
- provided the depositary or custodian with any information it may deem necessary or proper, including without limitation, proof of identity and the genuineness of any signature; and
- complied with all regulations that the depositary may establish under the deposit agreement.

The depositary may refuse to accept deposits of Shares for delivery of ADSs or to register transfers of ADSs whenever it or Toyota considers it necessary or advisable to do so.

The depositary may refuse surrenders of ADSs for the purpose of withdrawal of deposited securities, but only for:

- temporary delays caused by closing of the depositary's register or the register of holders of Shares maintained by Toyota or the Foreign Registrar, or the deposit of Shares, in connection with voting at a shareholders' meeting or the payment of dividends;
- the payment of fees, taxes and similar charges;
- compliance with any U.S. or foreign laws or governmental regulations relating to the ADSs or to the withdrawal of the deposited securities; or
- any other reason that, at the time, is permitted under paragraph I(A)(1) of the general instructions to Form F-6 under the Securities Act of 1933 or any successor to that provision.

Limitation on Liability

The deposit agreement expressly limits the obligations and liability of the depositary, Toyota and its and Toyota's respective agents. The depositary and Toyota will not be liable:

- if they are prevented or hindered in performing any obligations by circumstances beyond their control, including, without limitation, requirements of law, the terms of the deposited securities and acts of God;
- for exercising or failing to exercise discretion under the deposit agreement;
- if they perform their obligations without negligence or bad faith;
- for any action or non-action based on advice or information from legal counsel, accountants, any person presenting Shares for deposit, any Owner, or other competent person;
- for the inability of any Owner or Holder to benefit from any distribution, offering, right or other benefit that is made available to holders of deposited securities but is not, under the terms of the deposit agreement, made available to Owners or Holders; or
- for any special, consequential or punitive damages for any breach of the terms of the deposit agreement.

The deposit agreement also provides that the depositary and Toyota have no obligation to become involved in any action, suit or other proceeding in respect of any deposited securities or in respect of the ADSs on behalf of any Owner or Holder or any other person.

Toyota and the depositary assume no obligation nor will they be subject to any liability under the deposit agreement to any Owner or Holder, except that each agrees to perform its obligations specifically set forth in the deposit agreement without negligence or bad faith. The depositary is not a fiduciary and does not owe a fiduciary duty to Owners or Holders.

Liability of Owners for Taxes

Owners must pay any tax or other governmental charge payable by the custodian or the depositary on any ADS or deposited security, or in connection with tender offers, exchange offers and certain other transactions relating to the deposited securities. If an Owner owes any tax or other governmental charge, the depositary may (1) withhold any dividends or other distributions or the proceeds thereof, or (2) sell deposited securities and deduct the amount owing from the net proceeds of that sale. In either case the Owner remains liable for any shortfall. If any tax or governmental charge is required to be withheld on any non-cash distribution, the depositary may sell the distributed property or securities to pay those taxes and distribute any remaining net proceeds to the Owner entitled thereto.

Direct Registration System

In the deposit agreement, all parties to the deposit agreement acknowledge that the Direct Registration System, also referred to as DRS, and the Profile Modification System, also referred to as Profile, will apply to the ADSs. DRS is a system administered by The Depository Trust Company, or DTC, that facilitates interchange between registered holding of uncertificated securities and holding of security entitlements in those securities through DTC and a DTC participant. Profile is a required feature of DRS that allows a DTC participant, claiming to act on behalf of an Owner of ADSs, to direct the depository to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depository of prior authorization from the Owner to register that transfer.

In connection with DRS/Profile, the parties to the deposit agreement acknowledge that the depository will not determine whether the DTC participant that is claiming to be acting on behalf of an Owner in requesting a registration of transfer and delivery as described in the paragraph above has the actual authority to act on behalf of the Owner (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depository's reliance on and compliance with instructions received by the depository through the DRS/Profile system and in accordance with the deposit agreement will not constitute negligence or bad faith on the part of the depository.

Governing Law

The deposit agreement is governed by the laws of the State of New York.

CERTIFICATIONS

I, Akio Toyoda, certify that:

1. I have reviewed this annual report on Form 20-F of Toyota Motor Corporation (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the Audit & Supervisory Board (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: June 23, 2022

/s/ Akio Toyoda
 Akio Toyoda
 President, Member of the Board of Directors
 Toyota Motor Corporation

CERTIFICATIONS

I, Kenta Kon, certify that:

1. I have reviewed this annual report on Form 20-F of Toyota Motor Corporation (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the Audit & Supervisory Board (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: June 23, 2022

/s/ Kenta Kon
Kenta Kon
Member of the Board of Directors
Toyota Motor Corporation

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Toyota Motor Corporation, a Japanese corporation (the “*Company*”), does hereby certify that, to such officer’s knowledge:

1. The accompanying Annual Report of the Company on Form 20-F for the period ended March 31, 2022 (the “*Report*”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Akio Toyoda
Name: **Akio Toyoda**
Title: **President, Member of the Board of Directors**

Date: June 23, 2022

By: /s/ Kenta Kon
Name: **Kenta Kon**
Title: **Member of the Board of Directors**

Date: June 23, 2022

(A signed original of this written statement required by Section 906 has been provided to Toyota Motor Corporation and will be retained by Toyota Motor Corporation and furnished to the U.S. Securities and Exchange Commission or its staff upon request.)