

**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, 2024
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
 SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number: 001-14948

TOYOTA JIDOSHA KABUSHIKI KAISHA
(Exact name of registrant as specified in its charter)
TOYOTA MOTOR CORPORATION
(Translation of registrant's name into English)
Japan
(Jurisdiction of incorporation or organization)

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

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

* 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:
13,474,172,027 shares of common stock (including 321,674,315 shares of common stock in the form of American Depositary Shares) as of March 31, 2024

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.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b).

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

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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 “TMC” refers to Toyota Motor Corporation, “Toyota,” “we,” “us,” “our” and similar terms refer to Toyota Motor Corporation and its consolidated subsidiaries, as a group, and as of March 31, 2024, “Toyota Group” refers to Toyota Motor Corporation, Toyota Industries Corporation, Aichi Steel Corporation, JTEKT CORPORATION, Toyota Auto Body Co., Ltd., Toyota Tsusho Corporation, AISIN CORPORATION, DENSO Corporation, TOYOTA BOSHOKU CORPORATION, TOYOTA FUDOSAN CO., LTD., TOYOTA CENTRAL R&D LABS., INC., Toyota Motor East Japan, Inc., Toyoda Gosei Co., Ltd., Hino Motors, Ltd., Daihatsu Motor Co., Ltd., Toyota Housing Corporation, Toyota Motor Kyushu, Inc. and Woven by Toyota, Inc. collectively.

Toyota’s consolidated financial statements in this annual report have been prepared in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board (“IASB”). IFRS Accounting Standards also includes International Accounting Standards (“IASs”) and the related interpretations of the interpretations committees (SIC and IFRIC). As such, we make an explicit and unreserved statement of compliance with IFRS Accounting Standards with respect to our consolidated financial statements as of and for the fiscal years ended March 31, 2022, 2023 and 2024 included in this annual report.

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 Canadian dollar and the British pound), stock prices and interest rates;
- (iii) changes in funding environment in financial markets and increased competition in the financial services industry;
- (iv) Toyota’s ability to market and distribute effectively;

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

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

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

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

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

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

(xi) increases in prices of raw materials;

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

(xv) the impact of climate change and the transition towards a low-carbon economy; and

(xvi) the ability of Toyota to hire or retain sufficient human resources.

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. In recent years, competition in the automotive industry has further intensified amidst difficult overall market conditions. In addition, competition is likely to further intensify as technological advances in areas such as Connected, Autonomous / Automated, Shared, and Electric (“CASE”) technologies progress 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, financing terms and tax credits or other government policies in various countries. 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, particularly shifts in consumer preferences to electrified vehicles, 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 world economy for fiscal 2024, it remained steady mainly in the U.S., where employment stayed strong, despite the effects of high inflation and interest rates and a stagnant real estate market in China. The automotive market grew significantly from the previous year, thanks to a surge of pent-up demand as semiconductor supply constraints eased. 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 beyond Toyota's expectations. 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 and vehicle features, 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 and technological advances. 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 offer new products or implement capital expenditures at the level and times planned by management, including as described in targets or goals that we have disclosed publicly. 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 and reputation.

In the highly competitive automotive industry, it is critical to maintain and develop a brand image and reputation. In order to do so, it is necessary to further increase stakeholders' confidence by ensuring that Toyota, the Toyota Group and its suppliers thoroughly comply with laws and regulations, provide safe, high-quality products that meet customer preferences and demand, as well as timely and appropriately disseminate information to stakeholders. It is also becoming increasingly important for companies to contribute to sustainability.

However, the Toyota Group may not be able to ensure that it or its suppliers do so in all cases. For instance, at the consolidated subsidiary level, Hino Motors, Ltd. ("Hino") and Daihatsu Motor Co., Ltd. ("Daihatsu") announced vehicle model certification issues in March 2022 and in April 2023, respectively. In addition, Toyota Motor Corporation investigated certain of its model certification applications as per instructions from the

Ministry of Land, Infrastructure, Transport and Tourism of Japan (“MLIT”) on January 26, 2024. Toyota Motor Corporation has confirmed that since 2014 seven models, including some that have already been discontinued, were tested as part of such applications using methods that differed from government standards, and it reported this to MLIT on May 31, 2024. See “Item 4. Information on the Company — 4.B Business Overview — Selected Initiatives” for further discussion of these and related matters.

In addition, actual or perceived failures on the part of Toyota or its suppliers to contribute to sustainability or to meet certain sustainability-related goals or objectives, including those relating to climate change or the protection of human rights in Toyota’s supply chain, may also harm Toyota’s reputation. Any insufficient measures taken by Toyota, the Toyota Group or their suppliers to maintain and develop Toyota’s brand image and reputation may have an adverse effect on Toyota’s 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, which are subject to frequent attack.

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 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 or otherwise uses, 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, cyberattacks 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 have, in some cases, and could again 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, in addition to large-scale disasters due to extreme weather conditions, the increase and intensification of severe weather events such as heat waves is expected to increase the risk of heat stroke and water shortages due to drought. Such severe weather events and other natural 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 and other events 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 revenues and margins, and may adversely affect Toyota's financial condition and results of operations. For a further discussion of risks associated with climate change, see "Item 4. Information on the Company — 4B. Business Overview — Climate Change-related Disclosures."

Furthermore, Toyota has published disclosures on climate-change related matters relating to its business and its partners. Such disclosures include forward-looking statements based on Toyota's expectations and assumptions, involving substantial discretion and forecasts about costs and future circumstances, which may prove to be incorrect. In addition, Toyota's initiatives relating to climate change may not have the intended results, and estimates concerning the timing and cost of implementing, and ability to meet, stated goals are subject to risks and uncertainties. As a result, Toyota may not be able to meet its goals, including those set forth in this annual report, on expected timing or within expected costs.

In particular, progress toward achieving Toyota's climate-related targets requires significant investment of resources and management time, as well as further improvement of compliance and risk management systems, internal controls and other internal procedures. Toyota's ability to achieve its climate-related goals, which are to be pursued over the long-term and are inherently aspirational, is subject to numerous risks and uncertainties, many of which are outside of Toyota's control, such as changes in environmental and energy regulation and policy, the pace of technological change and innovation, and the actions of Toyota's customers and competitors. Any failure, or perceived failure, by Toyota to achieve its climate-change related goals, including those set forth in this annual report, could adversely impact its reputation, financial condition and results of operations.

Toyota's operations are dependent on securing, retaining and developing talented, diverse employees.

Given in particular the rapid changes in its business environment and its efforts to transform into a mobility company, Toyota's success depends on its ability to continue to recruit, retain and develop talented and diverse employees. However, competition for such employees is intense and if Toyota cannot recruit and retain diverse employees with a high level of expertise and extensive experience as planned, or it is unable to provide its employees with the opportunities, training and resources they need to develop themselves further, it may reduce Toyota's competitiveness, and its financial condition, results of operations and cashflow could be adversely affected.

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 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 "Item 5. Operating and Financial Review and Prospects — Operating Results — 5.A Operating Results — Overview — Currency Fluctuations," "Item 11. 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 has and could continue to 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, may lead to higher production costs for parts and components. This could, in turn, negatively impact Toyota's profitability if Toyota is not able to pass all those costs on to its customers.

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 sales suspensions, 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. Similarly, many governments also impose tariffs and other trade barriers, taxes and levies, or enact price or exchange controls. Furthermore, the failure to comply with such regulations could result in legal proceedings, recalls, negotiated remedial actions, fines, corrective orders, revocations of government approvals and the imposition of other government sanctions, restricted product offerings, compensatory payments or adverse consequences. 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.

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 "Item 4. Information on the Company — 4B. Business Overview — Governmental Regulation, Environmental and Safety Standards" and for legal proceedings, please see "Item 4. Information on the Company — 4B. Business Overview — Legal Proceedings."

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

Toyota is subject to various risks associated with conducting business worldwide. These risks include natural calamities; epidemics; political and economic instability; fuel shortages; interruption in social infrastructure including energy supply, transportation systems, gas, water, or communication systems resulting from natural hazards or technological hazards; wars; terrorism; labor strikes and work stoppages. Disruptions, delays and other adverse changes in the operations of Toyota's business have ensued from such risks materializing in the past. 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 future disruptions, delays and other adverse changes in the operations of Toyota's business.

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, 2024, Toyota operated through 577 consolidated subsidiaries (including structured entities) and 165 associates and joint ventures accounted for by the equity method.

See “Item 4. Information on the Company — 4.B Business Overview — Capital Expenditures and Divestitures” for a description of Toyota’s principal capital expenditures and divestitures between April 1, 2021 and March 31, 2024 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 9,443 thousand vehicles in fiscal 2024 on a consolidated basis. Toyota had sales revenues of ¥45,095.3 billion and net income attributable to Toyota Motor Corporation of ¥5,071.4 billion in fiscal 2024.

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,		
	2022	2023	2024
Automotive	28,531,993	33,776,870	41,080,731
Financial Services	2,306,079	2,786,679	3,447,195
All Other	541,436	590,749	567,399

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,		
	2022	2023	2024
Japan	8,214,740	9,122,282	10,193,556
North America	10,897,946	13,509,027	17,624,268
Europe	3,692,214	4,097,537	5,503,738
Asia	5,778,115	7,076,922	7,604,269
Other*	2,796,493	3,348,530	4,169,494

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

During fiscal 2024, 21.1% of Toyota’s automobile unit sales on a consolidated basis were in Japan, 29.8% were in North America, 12.6% were in Europe and 19.1% were in Asia. The remaining 17.3% of consolidated unit sales were in other markets.

The Worldwide Automotive Market

Toyota estimates that annual worldwide vehicle sales totaled approximately 89 million units in 2023.

Automobile sales are affected by a number of factors including:

- social, political and economic conditions;
- introduction of new vehicles and technologies;
- vehicle prices, 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. Looking at the global economy in fiscal 2024, it remained steady mainly in the U.S., where consumption stayed strong, and in emerging economies, where economy was recovering due to the normalization from the economic effects of the COVID-19 pandemic. In contrast, China stagnated due to the sluggish real estate market.

The automotive market expanded significantly from the previous year, thanks to a surge of pent-up demand as semiconductor supply constraints eased. Although the automotive market in some countries experienced a downturn due to slowing real demand and a deteriorating loan environment, the global market expanded by 9% year over year.

Looking at the economies of major countries, in the United States, domestic demand continued to be firm due to a favorable employment and income environment. In Europe, inflation and high interest rates continued, and as a consequence, the economy was sluggish. In Japan, consumption stagnated due to the impact of inflation. In China, although the economy recovered from the impact of its zero-coronavirus policy, the economic growth was slow due to the sluggish real estate market. In emerging countries such as India, the economy grew strongly mainly in terms of domestic demand.

Amid this environment, the automotive market expanded significantly by 9% compared to the previous year in 2023.

In North America, new vehicle sales were approximately 18.70 million units, an increase from the previous year. In Europe, new vehicle sales also increased from the previous year at approximately 17.40 million units. Sanctions from Western nations and their withdrawal from Russian-related businesses progressed, causing the Russian market to fall sharply year-on-year. In Asia (including India but excluding Japan and China), new vehicle unit sales slightly decreased from the previous year to approximately 10.70 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 30% for China, 21% for North America (20% excluding Mexico and Puerto Rico), 20% for Europe and 12% for Asia. In China, new vehicle sales increased from the previous year to approximately 26.00 million units.

In the medium- to long-term, Toyota expects the automotive market to continue growing driven principally by growth in China and other emerging countries. 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 regulations in line with such awareness.

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

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

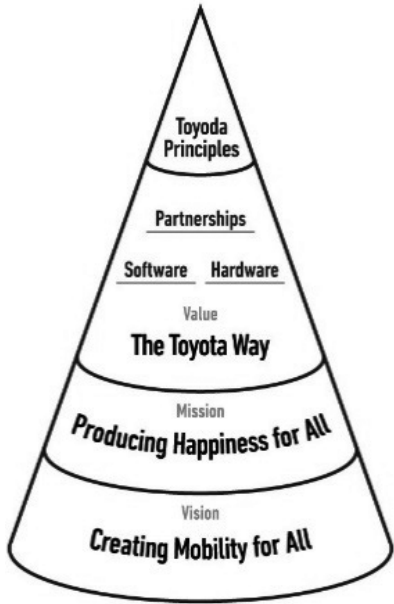
Over the years, there have been many global business alliances and investments entered into between manufacturers in the global automotive industry. There are various reasons behind these transactions including the need to address excessive global capacity in the production of automobiles, and the need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

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

Toyota 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 Group, 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. Toyota has introduced TPS into development departments and administrative departments. Toyota applies TPS to its development departments 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

We made a New Management Policy & Direction Announcement on April 7, 2023. Our new management structure’s theme is “inheritance and evolution.” The most important value we have cultivated is “Let’s make ever-better cars!” While talking about cars on the front lines and striving hard to bring smiles to customers’ faces, we continue to pursue ever-better cars. Together with the 370,000 employees of Toyota around the world, our suppliers, and our dealers, we all make cars together. Car-making is a team effort. We will accelerate the taking on of challenges for the future, with a new management style of “simultaneously and organically working as a team.”

Aiming for the Future

We aim to transform into a mobility company. Toyota's mission is "Producing happiness for all." For cars to continue being a necessary part of society, we need to change the future of the car. For that, there are two major themes, "carbon neutrality" and "expanding the value of mobility."

Carbon Neutrality

We are fully committed to achieving carbon neutrality in 2050 over the entire life cycle of our vehicles. When it comes to car manufacturing, we will continue to pursue a variety of options, based on a multi-pathway approach, to stay close to the future of energy and the realities of each region.

First, we will thoroughly implement whatever electrification we can do immediately. We will strengthen sales of hybrid electric vehicles ("HEVs"), including in emerging markets, and increase our number of plug-in hybrid electric vehicle options ("PHEVs"). We will expand our lineup of battery electric vehicles ("BEVs"), which represent one important option, over the next several years. We will do our utmost to develop BEVs and create new business models.

We will also accelerate projects for the realization of the hydrogen society that we believe lies just beyond the BEV era. With partners across industries and countries, we will advance the expansion of the realm of hydrogen usage by such means as social implementation in Thailand and Fukushima, the mass production of commercial fuel cell electric vehicles ("FCEVs"), and the development of hydrogen engine technologies in the arena of motorsports. Furthermore, we will work with the energy industry to develop technologies for carbon-neutral fuels, including next-generation biofuels and synthetic fuels.

We will work to promote electrified vehicles and reduce CO₂ emissions while leaving no one behind, including in emerging markets. Through this all-direction approach, we aim to reduce average CO₂ emissions for vehicles we sell worldwide by 33% or greater by 2030 and by 50% or greater by 2035 compared to 2019. We will continue to promote decarbonization globally and steadily toward 2050.

Expanding the Value of Mobility

The cars of the future will become more connected to society as they become more electrified, intelligent, and diversified. In addition to moving people's hearts and emotions and moving people and goods, we will gather the movements of energy and information and link them together as one through data. By doing so, we will be able to provide seamless mobility experiences that are connected with other mobilities, as well as provide new value for cars as part of the social infrastructure. Cars connected to society will also be closely connected to various services that support people's daily lives, such as telecommunications and finance, expanding the circle of new value-added services centered on mobility.

Toyota Mobility Concept

We have developed "Toyota Mobility Concept" as our vision of the mobility society that we are aiming for. Evolving the car to be more useful to society based on its essential values that have been cultivated over time, such as safety, security, and being fun to drive—to strive toward such a future, we will continue our transformation into a mobility company in following three domains.

The first is "Mobility 1.0." What we aim for in this is to expand the value of the car by connecting various types of movement. For example, BEVs offer new mobility possibilities for the transport of electricity. Collectively serving as an energy grid, BEVs can enhance the energy security of society. That is the kind of role that BEVs can also fulfill. Also, intelligence can evolve cars even further by utilizing information gathered from cars and customers. Our software platform Arene holds the key to this new kind of car-making. Connecting the

latest hardware and software will enable cars and various software applications to freely connect. Arene will fulfill an important role as a platform to support this kind of evolution. We will do our utmost to develop a next-generation BEV for 2026 together with Woven by Toyota, Inc.

What we aim for in the second domain, “Mobility 2.0,” is to expand mobility into new realms. There are many people whose mobility we are currently not able to support as we would like, such as the elderly, people living in depopulated areas, and people in emerging markets in which the car market has yet to mature. New mobility possibilities, such as mobility in the sky, are also expanding. Toyota, in addition to having a full lineup of vehicles, has new forms of mobility, such as the e-Palette, as well as a network of colleagues across industries, such as those in the Mobility as a Service (“MaaS”) space. Leveraging these strengths, we would like to go beyond our current scope of business to provide greater mobility support to our customers around the world.

“Mobility 3.0” is about integration with social systems. We aim to create mobility ecosystems integrated with cities and society that tie into energy and transportation systems, logistics, as well as the way we live, and a future that realizes well-being. To do this, we will proceed with our demonstration experiments in Woven City. For example, we will advance our development of new logistics systems and the development of city-integrated autonomous mobility, as well as demonstrations that start from Woven City of a CO₂-free hydrogen supply chain and of expanding the potential of hydrogen use in our daily lives. In addition to these demonstrations to date, which have utilized digital technologies, from 2025 we will accelerate comprehensive demonstrations in real cities, leading to social implementation together with our partners.

The most important message we want to convey through our mobility concept is that mobility lies beyond the evolution of the car. Cars lie at the center of our transformation into a mobility company. In order to expand the possibilities of cars, it is necessary to evolve based on the concepts of “Best-in-Town” and “ever-better cars,” which we have long cultivated. We will change the future of cars based on our products and regions.

Product-centered Management

Toyota Mobility Concept is centered on enhancing the value of the car, expanding new mobility and freedom of movement, and providing new services and energy solutions as part of social systems. The three approaches that hold the key to realizing this vision are electrification, intelligence, and diversification.

Electrification will be based on a multi-pathway approach. We will continue to tailor electrification to the needs of customers and individual regions by drawing on the strengths and characteristics of each vehicle type. We have plans for 2026 to release next-generation BEVs entirely different from those of today – BEVs created by carmakers. This new generation of BEVs will double driving range by compared to that of the current bZ4X using batteries with greater efficiency while also offering design and driving performance to set hearts racing.

In addition, by drawing on the strengths of TPS, we will change the way we work to reduce the number of processes for the BEV production line by half. This will entail a shift to more efficient lines, including autonomous inspections and unmanned transport powered by connected technology. We also aim to achieve carbon neutrality at all of our global plants by 2035. Also, we will overhaul existing supply chains by working with suppliers to procure superior quality parts at lower prices.

To realize these transformations, we created a new specialized unit in May 2023 to develop BEVs. Working under a single leader entrusted with full authority, this all-in-one team will handle every function, from development to production and business operation. Supporting this is our competitiveness in such areas as per-unit development cost and investment in in-house production, both of which have been halved by the Toyota New Global Architecture (“TNGA”) as compared to those before the adoption of TNGA. We will provide the team with comprehensive support through the power of our 10-million-unit-strong sales and revenue base.

For PHEVs, by increasing battery efficiency to extend the EV-mode driving range beyond 200 km, we will reposition PHEVs as “the practical BEV” and will work harder on developing this as another BEV option.

For FCEVs, we will pursue mass production centered on commercial vehicles. One feature of FCEVs is that the energy source, hydrogen, is lightweight, so even when traveling longer distances the vehicle will not be as heavy as a comparable BEV, and less space for storage of the energy source is required. Refueling is also much quicker. Taking advantage of these strengths, we plan to work with business operators to promote FCEVs by starting with commercial vehicles, such as medium- to heavy-duty trucks. Additionally, in 2022 we started basic research on hydrogen engines for heavy-duty commercial vehicles.

The second approach is intelligence. Intelligence will expand connectivity between cars, services, and society. The shift to intelligent cars will involve expanding advanced safety technology, multimedia, and other constantly evolving feature updates to all of our vehicles. At the same time, alongside advances in the onboard operating system, our next-generation BEVs will enable users to customize “ride feel” according to their preferences for how the vehicle runs, turns, and stops. By also honing the vehicles’ essential attributes, we will create cars that are more fun to drive in terms of both hardware and software.

Intelligent services will include new services that connect cars to cities and infrastructure. In 2023, we commenced social implementation of logistics systems that use real-time traffic information to boost transport efficiency, and systems that provide optimal energy management. Partnering with cities and public facilities, we will also expand our BEV charging network, while providing a variety of services that support the energy grid and people’s lives. These efforts are already underway at Lexus.

With respect to intelligence in society, we will conduct demonstration experiments regarding various ways of connecting people, cars, and society in Woven City, which we have positioned as our “mobility test course.” We will use Woven City to address issues that come to light through social implementation of connected logistics services, before implementing these services in society. By repeating this process, we will accelerate the realization of an intelligent society.

Finally, we come to diversification. Our approach to diversification goes beyond cars to mobility itself, and even the energy sector. The diversification of cars will involve expanding our product lineup, services that utilize connected technology, as well as parts and accessories businesses in collaboration with new partners.

With respect to diversification of mobility, we have developed an easy-lock system for securing wheelchairs with a single motion, utilizing the know-how we have accumulated over many years of developing welfare vehicles, and we started installing this system in vehicles in 2023.

As for energy diversification, we have started demonstration experiments using hydrogen made from water, food loss and other waste, as well as carbon-neutral fuels made from biomass and other resources, in Japan and Thailand. Our energy use technology will also be strengthened in the field of motorsports with an aim to promoting widespread adoption in society.

Region-centered Management

We have refined the performance and cost of hybrid vehicles with each successive generation. As a result, we have been able to enhance greatly their earning power while investing in the future, growing with stakeholders, and reducing CO₂ emissions. This is precisely an achievement of our region-centered management, which is based on our efforts to make ever-better cars. We will continue to deepen our region-centered management and further solidify our business foundation.

To do so, the first thing that we must address is how to achieve carbon neutrality. Carbon knows no borders, and CO₂ emission is an issue that cannot wait. We need to immediately start with what we can do. Therefore, to spread the use of electrified vehicles as quickly as possible and as much as possible, we need to be very attentive to the needs of our customers by taking into account local conditions and the diverse ways of using cars. Thus, along with enhancement of the BEV lineup, we will continue to enhance the attractiveness and competitiveness of all powertrains, including HEVs and PHEVs.

In developed countries, in parallel with the preparation of next generation BEVs, we will significantly expand our product lineup, focusing on the bZ series with refined performance. In the U.S., we will start the local production of a three-row SUV in 2025 that will be equipped with batteries to be produced in North Carolina, and we seek to increase our battery production capacity. In China, we debuted new BEV models, the bZ3C and the bZ3X, locally developed and fit to the local needs, at the Beijing International Automotive Exhibition in April 2024, and we plan to launch them in China within a year. We plan to continue to increase the number of models in the following years. In Asia and other emerging markets, we commenced local production of BEV pickup trucks in 2023 and plan to launch a compact BEV model to respond to the growing demand for BEVs. In developed countries, the switch to BEVs is moving forward as the market matures, while in emerging markets, the market is expected to expand due to demand for new and additional vehicles.

Toyota, with its full lineup and profitable HEVs and PHEVs, along with its diverse options of BEVs that it will be strengthening, will make sure to meet a wide range of global demand and is committed to further growth.

For growth in emerging markets, profitable HEVs will be used as a source of income, and with a value chain supporting the sale of approximately 10 million units per year, we will also take part in a wide range of business opportunities. In addition, we will achieve cost reductions and *Kaizen* (continuous improvement) by leveraging the strengths of TPS, and thereby enhance our future investment capacity for the expansion of growth in BEVs and mobility areas, as well as establish a strong business foundation whereby carbon neutrality and growth can both be achieved.

While the technological innovations of electrification, intelligence and diversification are progressing, we would like to take on the challenge of contributing to regions in which we operate and to the overall good. For example, in the United States, the automotive industry is at a critical juncture, with people moving away from manufacturing and with structural costs increasing. By combining worksite-honed craftsman skills with intelligence to propose new ways of manufacturing and new “automation with human intelligence” processes, we want to do our part in preserving manufacturing in the United States while solving the country’s labor shortage problem. In Thailand, we started collaborations with Charoen Pokphand and the Siam Cement Group. This is the start of an implementation that uses electrification and connected technologies to connect vehicles, people and information, and utilize mobility as part of the social infrastructure. Through these initiatives, we will take on the challenge of solving regional problems such as serious traffic congestion, air pollution and frequent road accidents.

Let’s Change the Future of Cars!

No matter how times change, Toyota is a company that manages by way of its products. And we are a company that intends to produce happiness for all by responding to the diversification of its customers and societies around the world. There is a future mobility society that Toyota in particular can aim for because it has refined the strength of its full lineups worldwide.

In an uncharted era, we believe that it is action based on strong will and passion that will change the future. Together with our colleagues, we will challenge ourselves to think outside the box. We believe that a future of mobility, one that is unique to carmakers and to Toyota, lies ahead. Let’s change the future of cars! This is our theme as we aim to become a mobility company.

Based on our unshakable motives, we will take on challenges with strong will and passion.

Implementation of Transformation into a Mobility Company

Toyota is taking on the challenge of transforming into a mobility company with the mission of “producing happiness for all.” We are now accelerating practical efforts to give concrete form to our vision, based on a solid management foundation in products, operations, and finances that have been established over the years.

Through the transformation into a mobility company and continuing to work on the evolution of the automobile, our goal is to contribute to creating a mobility society filled with smiling faces. We would also like to work together with many like-minded partners to achieve a new industrial structure. We believe that the key to these aims is to increase the mobility of energy and data, thereby increasing the value of mobility. Looking ahead to a future supported by electricity and hydrogen, we would like to support the creation of a society based on renewable energy in which cars serve as a medium for transporting energy and also use mobility's value created through data to further enrich our customers' lives.

As part of those efforts, in the past year, we have been working to implement our multi-pathway strategy. We believe that achieving a carbon-neutral society requires a multifaceted approach and practical transition that considers customer expectations, infrastructure development, and other factors.

Based on that, we are currently expanding options around the world, centering on hybrid vehicles. Further, we have been working hard to materialize BEVs, which were our missing piece, and hydrogen mobility.

Regarding BEVs, our venture to create a new car architecture is progressing, including the development of compact and lightweight power units. It has also been established that the BEV we are aiming for is not only an electrified powertrain but also a "software-defined vehicle ("SDVs")" that is unique to Toyota and realizes a variety of mobility values for customers.

In addition, we are also developing internal combustion engines with a view toward their future utilization.

In looking at the overall picture of these options, we have positioned this year as "our first truly multi-pathway year" and are steadily moving toward materializing the various paths.

Our multi-pathway approach includes building a foundation for SDVs centering on the development of our on-vehicle operating system, Arene. Going forward, we believe that generative AI will enhance data-created value. We intend to pursue a generative AI-facilitated evolution of mobility, with a focus on automated driving that provides safety and security and on SDVs. Furthermore, we believe that creating mobility value that is integrated with social systems based on energy and data requires collaboration with many colleagues, including in the infrastructure development field.

It will also require that applications and services that are close to our daily lives be more integrated with cars, which we aim to accomplish with Arene as the foundation. Together with like-minded partners, we will continue our efforts to materialize the value of mobility. To strengthen the creation of such new value, we will accelerate our forward shift in research and development and strengthen "planting seeds for the future" from a medium- to long-term perspective.

Constructing a "10-year Work Overview"

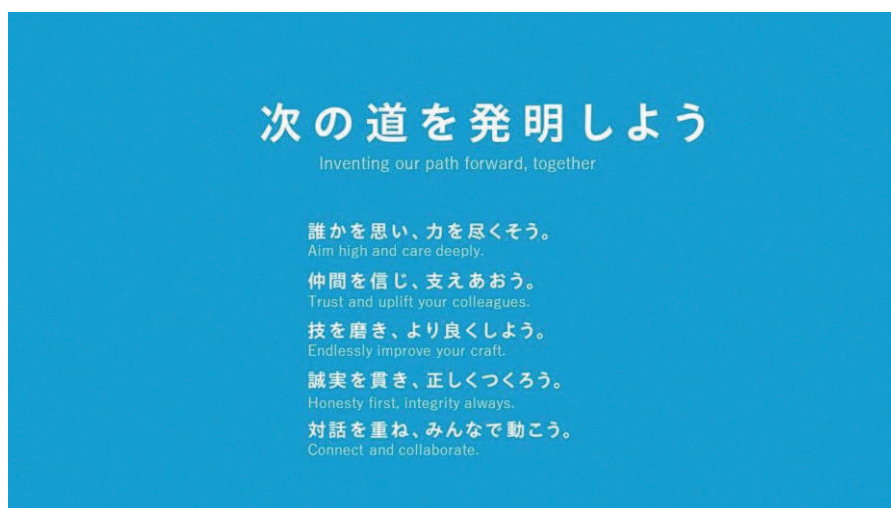
Group Vision and Work Foundation

In January 2024, we announced the direction the Toyota Group should take and a vision to which all Toyota Group members can return.

"Inventing our path forward, together."

Sakichi Toyoda, the founder of the Toyota Group, invented the Toyoda wooden hand loom with the desire to make life a little easier for his struggling mother. Kiichiro Toyoda invented the domestically produced passenger car with the idea that the automobile industry must be developed by the knowledge and skills of Japanese people. Thinking of others, learning, honing skills, making things, and bringing smiles to people's faces—that passion and attitude toward invention are truly the starting point of the Toyota Group.

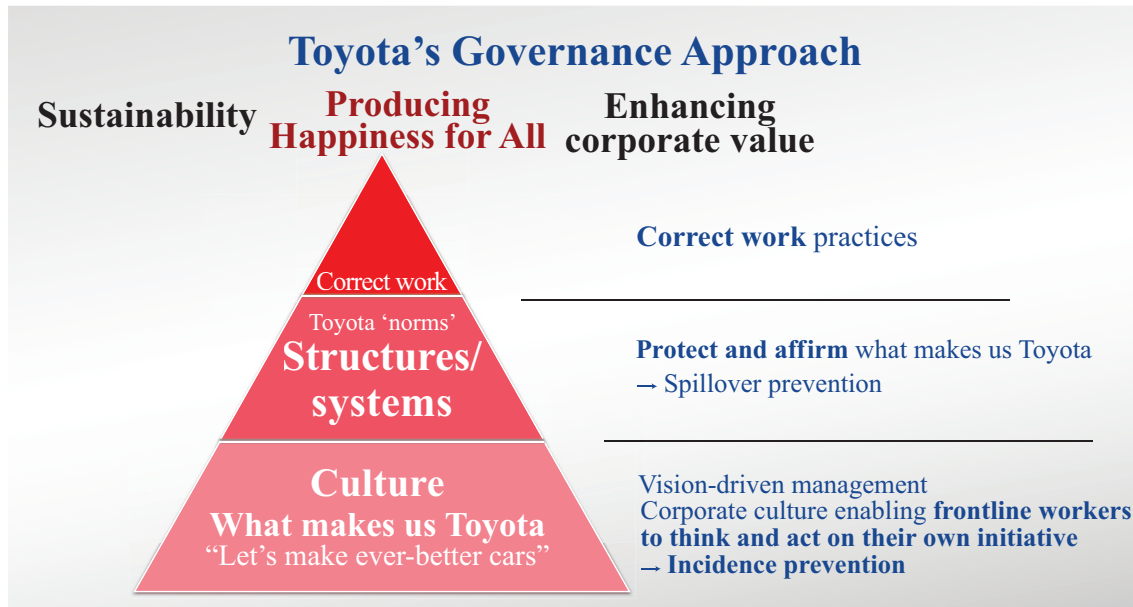
In a time when there is no right answer, we will build a corporate culture in which we can say “thank you” to each other and aim to be a Toyota Group that is needed in the future, where diverse human resources can play an active role.



Recently, the Toyota Group and its subsidiaries, including Hino Motors in March 2022 and Daihatsu Motor in April 2023, have been found to be involved in a series of irregularities. We are also facing various issues caused by the lack of reserve capacity. Confronting these issues head-on and striving to strengthen our work foundation is paramount in achieving long-term business stability.

To ensure that work is done correctly, we believe that—like quality control in manufacturing—the two concepts of “incidence prevention” and “spillover prevention” are important. Incidence prevention is an initiative to create a corporate culture in which everyone works correctly based on values and rules, with doing it the Toyota way serving as our foundation. This is an initiative to change people’s attitudes over time, and we believe it is important for top management to repeatedly demonstrate the vision and values, and to continue communicating them to the *genba* (frontlines) through their own actions.

For spillover prevention, we will review our certification organization to enhance checks and balances on the development function and create a system and structure, such as TPS self-study activities (that is, activities to voluntarily learn and practice TPS) of the certification process, to stop action immediately in the event of any unforeseen events. We will pursue effective governance in the Toyota way through comprehensive measures in terms of corporate culture, mechanisms, and systems.



Our Awareness of and Involvement in the Certification Irregularities

As we move forward with our efforts, the following actions will be taken in response to the certification irregularities involving Daihatsu, Hino, and Toyota Industries Corporation (“Toyota Industries”). The root cause common to the irregularities at these three companies was a disconnect between management and the *genba* (frontlines). Excessive pressure placed on workplaces led to a lack of leeway and stifled communication, resulting in a weakened awareness of legal compliance and irregularities becoming routine. Management failed to grasp the reality of workplaces and did not change the environments that gave rise to irregularities.

The management teams were responsible for what happened. The management teams at the time at all three companies clarified their responsibilities by investigating the irregularities, establishing measures to prevent recurrence, charting the next courses of action, returning bonuses, and accepting reduced compensation. Under the new management team, we will support the three companies in thoroughly preventing recurrence and fulfilling their responsibilities for the future.

Regarding Daihatsu, more than 50 Toyota members have joined the workplaces concerned, working with them to review regulations in various countries and technical drawings, as well as to conduct retests. Since the Independent Third-Party Committee’s investigation report in December 2023, management members of Daihatsu and Toyota have been meeting almost daily to discuss recurrence-prevention measures and review business schemes.

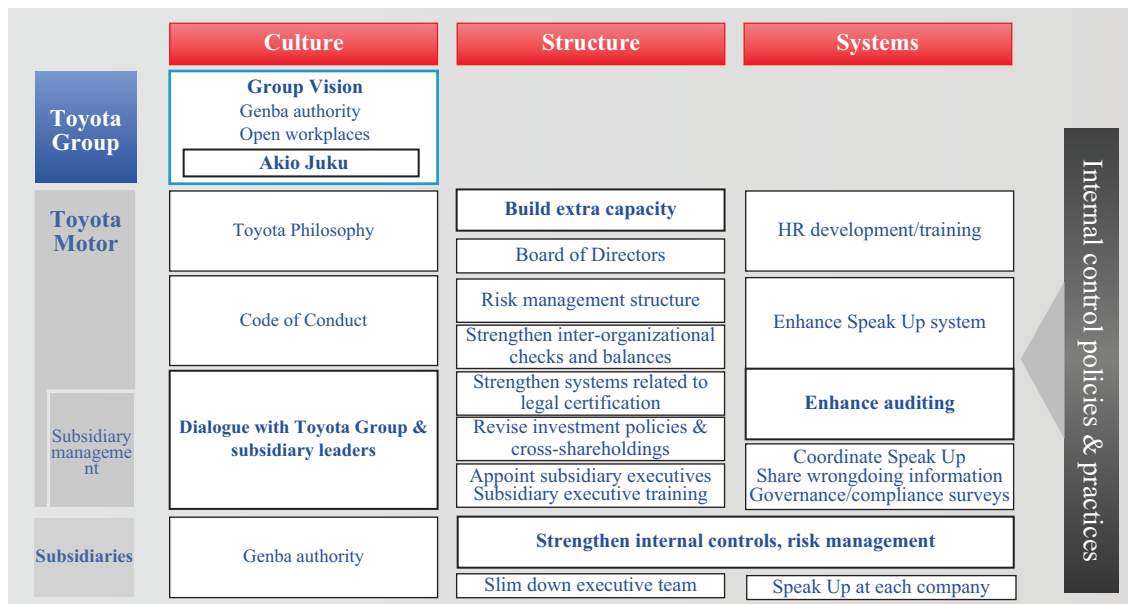
As one action to prevent recurrence, we plan to change the arrangement for compact cars to one of outsourcing from Toyota, into a system in which Toyota will be responsible for everything from development to certification, including resource management. Toyota and Daihatsu will work together to ensure that correct work takes root in workplaces, including certification work that is in line with laws and regulations.

Regarding Hino, since the irregularities were revealed, we have been discussing issues to prevent recurrence and rebuild the company, focusing on how business should be conducted. Currently, as announced in the basic agreement in May 2023, we are proceeding with the rebuilding through a business integration with Mitsubishi Fuso Truck and Bus Corporation, in collaboration with Daimler Truck Holding AG. As Hino’s parent company, we will continue to provide support.

As for Toyota Industries, although our capital relationship with it differs from those with our subsidiaries Daihatsu and Hino, as it is a member of the Toyota Group, we will provide it with the necessary support to prevent recurrence. As part of that, we will transfer the development and certification of automobile engines to Toyota. We are also creating an open relationship among top management and increasing the amount of daily communication.

Corporate Culture, Mechanisms, and Systems

The governance measures of Toyota and the Toyota Group, with the participation of outside directors and Audit & Supervisory Board Members, are summarized below.

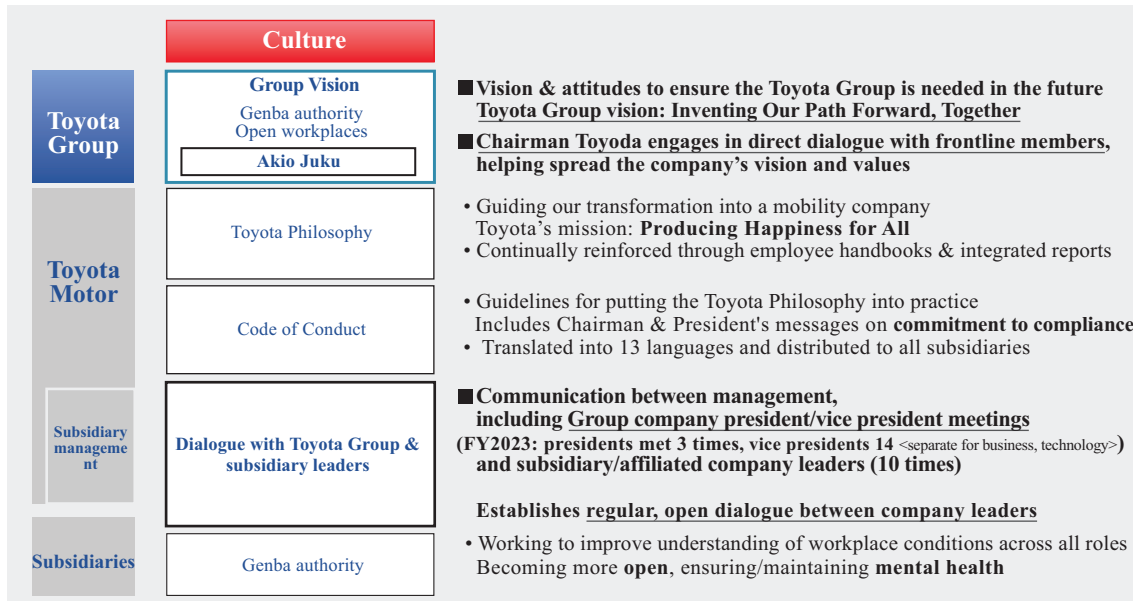


(Corporate culture: Group vision)

The foundation for creating a corporate culture is the Toyota Group’s vision and attitudes. Through such platforms as the Akio Toyoda’s *Juku* (roundtable with employees), we engage in numerous dialogues with our *genba* (frontlines) members to ensure that our vision and values are instilled in them. Recently, Chairman Toyoda attended a gathering of Daihatsu dealership representatives and spoke about the values to uphold and his thoughts on Daihatsu’s revitalization.

To change the corporate culture, top management plan to repeatedly engage in such dialogue.

As part of our efforts to build appropriate corporate cultures, we are also increasing the amount of communication among management members through occasions such as president meetings and executive vice president meetings of members of Toyota and the Toyota Group. It is believed that the foundation of group governance is to build relationships in which members of top management can communicate openly with each other daily.



(Mechanism: Reserve capacity)

Toyota is currently prioritizing the creation of “reserve capacity”. For example, in production, we lowered the maximum daily production volume from the originally planned 14,500 units to 14,000 units. In development, we optimized the number of projects by reviewing priorities and creating more capacity onsite.

This will allow us to devote much time to improving workplace communication, ensuring safety and quality in our work, improving individual skills based on job descriptions, developing a skilled workforce, and implementing other enhancements.

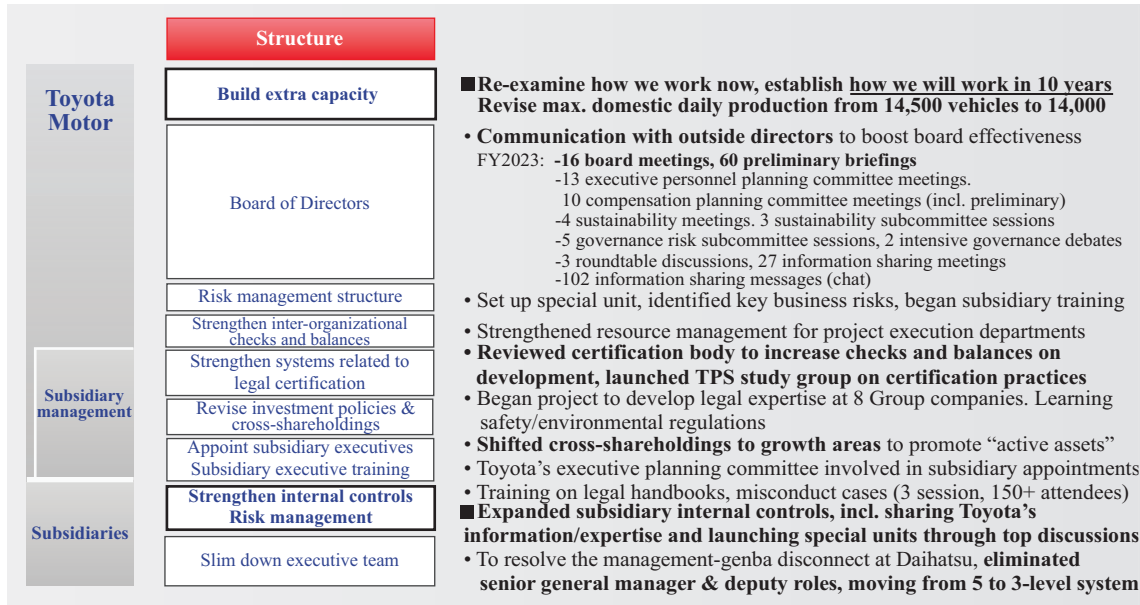
We are promoting these initiatives company-wide with the idea of establishing today how we will work in 10 years.

(Mechanism/System: Strengthening internal control and risk management of subsidiaries)

Also, by encouraging the top management of each company, we are strengthening our subsidiaries' internal control systems.

For example, Daihatsu's new Governance, Risk and Compliance Management Division and GRC* Committee were established as Daihatsu and Toyota jointly considered measures to prevent recurrence, and we will work together with them to ensure effective operations. Additionally, to expand the legal certification system, which was a particular issue this time, workplace members of Daihatsu, Hino, and Toyota Industries are gathering through TPS self-study activities to clarify their business processes.

* Governance Risk Management and Compliance.



(System: Speak Up)

When it comes to internal reporting, we have unified the operation of our Speak Up system for raising the alarm for Toyota (internal) and externally (subsidiaries, Toyota Group, etc.), so that we will be able to respond to them more promptly than ever.

(System: Auditing expansion)

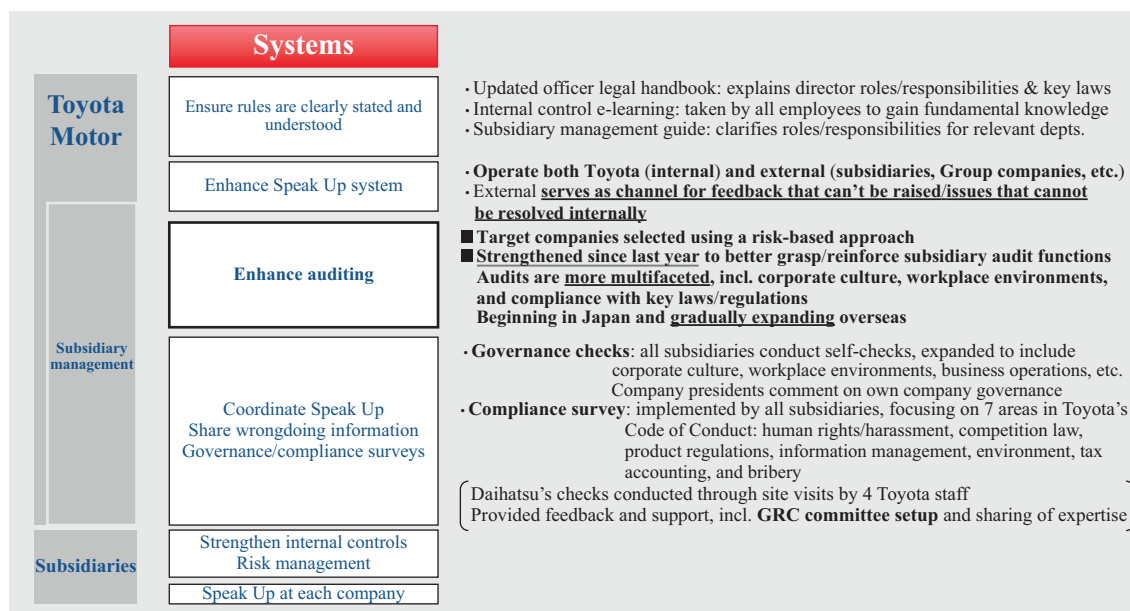
Toyota will also expand its auditing of subsidiaries.

Based on risk assessments, we plan to expand the number of subject companies and conduct audits from multiple perspectives, including corporate culture, workplace environment, and legal compliance.

In addition to audits, we have rolled out such tools as governance inspection check sheets and compliance surveys to all subsidiaries to encourage self-inspection with the involvement of top management.

Through these comprehensive measures, we will strive to improve consolidated governance.

As we keep the Toyota way as our foundation, we want to tenaciously strive—based on a desire to link our actions today to our competitiveness 10 years from now—to create environments that ensure that all employees do correct work.



Toyota Motor Corporation investigated certain of its model certification applications as per instructions from MLIT on January 26, 2024. Although the investigation is still in progress, it has confirmed that since 2014 seven models, including some that have already been discontinued, were tested as part of such applications using methods that differed from government standards, and it reported this to MLIT on May 31, 2024. The model certification applications in question involve three models currently in production (Corolla Axio, Corolla Fielder, and Yaris Cross) and four discontinued models (Crown, Isis, Sienta, and RX).

We take it seriously that the problem was discovered at Toyota Motor Corporation following the recent discovery of certification issues at Hino, Daihatsu and Toyota Industries. We will continue the investigation and take appropriate action, including conducting testing in the presence of third parties, under the guidance of MLIT.

Toyota is a company that is close to its local customers and practices product-centered management. Without wavering from this starting point, we will work hard together to create good cars that bring our customers smile. And with the slogan "Let's change the future of cars," we will accelerate our challenge of creating a mobility society together with many partners.

Automotive Operations

Toyota's sales revenues from its automotive operations were ¥41,266.2 billion in fiscal 2024, ¥33,820.0 billion in fiscal 2023, and ¥28,605.7 billion in fiscal 2022.

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 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, is accelerating 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 GRMN Yaris as "embodiments of making ever-better motorsports-bred cars."

In fiscal 2023, Toyota launched the all-new Crown. While inheriting the Crown's DNA of innovation and limit-pushing, it has been renewed as a flagship for a new era with four variations to meet the diverse values and lifestyles of customers. In addition to the "Crossover type," a new style that combines a sedan and an SUV, the "Sport" offers a sporty driving experience with an enticing atmosphere and an easy-to-drive package. The "Sedan" is a new formal design that meets the needs of chauffeurs, whereas the "Estate" is a functional SUV with a mature atmosphere and ample driving space. The new series will be rolled out in about 40 countries and regions. Launched in 1997 as the world's first mass-produced hybrid car, the Prius has driven uptake of HEVs as a new-generation eco-car with outstanding fuel efficiency; under the "Hybrid Reborn" concept, the Prius was renewed as an exhilarating package that adds a design inspiring love at first sight and captivating driving performance to its core strength as an environmentally friendly car. For sportscars, the development of the GR Corolla, including a hydrogen engine-equipped GR Corolla designed to participate in the Super Taikyu endurance race series, has carried forth the torch of making ever-better motorsports-bred cars. In addition, the Lexus brand announced its first globally-available pure BEV model, the all-new RZ. The new RZ marks Lexus' transition into a BEV-centered brand, and embodies the unique Lexus vehicle design and driving experience brought on by advanced electrification technology.

In fiscal 2024, Toyota launched the all-new Alphard and Vellfire, which were developed from a concept of "the joy of comfortable mobility" to create a space where everyone can share consideration and appreciation in all kinds of situations. To further contribute toward carbon neutrality, Toyota plans to introduce new PHEVs in the future. Moreover, a new model has been added to the Century series, which has been sold for more than half a century as a representative chauffeur-driven vehicle of Japan. It is a next-generation chauffeur-driven vehicle that inherits Japanese aesthetics, quietness and hospitality, combines a human-centered approach, and dramatically evolves the rear-seat space to allow true comfort and elegant entry and exit. In Thailand, Toyota launched the Hilux Champ IMV 0, a new model of the IMV series. The pickup truck is regarded as a local favorite and integral to daily life in Thailand. Toyota decided to return to its origins and create an IMV pickup truck that meets the needs of customers. In addition, Toyota launched the all-new Lexus LBX. Redefining luxury with a stylishly compact size, it provides an engaging driving experience that instills a lasting desire to continue exploring the road ahead.

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.

	Thousands of Units					
	Year Ended March 31,					
	2022		2023		2024	
Units	%	Units	%	Units	%	
Market						
Japan	1,924	23.4%	2,069	23.5%	1,993	21.1%
North America	2,394	29.1	2,407	27.3	2,816	29.8
Europe	1,017	12.4	1,030	11.7	1,192	12.6
Asia	1,543	18.7	1,751	19.8	1,804	19.1
Other*	1,352	16.4	1,565	17.7	1,638	17.4
Total	8,230	100.0%	8,822	100.0%	9,443	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,		
	2022	2023	2024
Japan:			
Total market sales (excluding mini-vehicles)	2,664	2,696	2,906
Toyota sales (retail basis, excluding mini-vehicles)	1,361	1,377	1,506
Toyota market share	51.1%	51.1%	51.8%
	Thousands of Units		
	Year Ended December 31,		
	2021	2022	2023
North America:			
Total market sales	17,861	16,597	18,762
Toyota sales (retail basis)	2,681	2,445	2,617
Toyota market share	15.0%	14.7%	13.9%
Europe:			
Total market sales	16,870	14,897	17,456
Toyota sales (retail basis)	1,076	1,081	1,174
Toyota market share	6.4%	7.3%	6.7%
Asia (excluding China):			
Total market sales	9,224	10,757	10,714
Toyota sales (retail basis)	1,189	1,382	1,407
Toyota market share	12.9%	12.8%	13.1%

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 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 51.1% in fiscal 2022, 51.1% in fiscal 2023 and 51.8% in fiscal 2024.

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. The United States, in particular, is the largest market in the North American region, accounting for 86% of Toyota's retail sales in the region. In the region, Toyota has in recent years reorganized its production structure and made improvements to its product lineup. In addition, Toyota has a wide product lineup in every segment (excluding large trucks and buses).

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.

In June 2023, Toyota decided to assemble an all-new, three-row battery electric SUV at Toyota Motor Manufacturing Kentucky, Inc. ("TMMK") starting in 2025. The BEV will be powered by batteries from TBMNC. Further, in October 2023, Toyota decided to additionally invest in TBMNC and announced its plan to further strengthen production capability of BEV batteries and production of PHEV batteries. Toyota plans to sequentially add eight new battery production lines, with the aim of creating a total of ten BEV/PHEV battery lines, enabling the production of a total of more than 30GWh annually.

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 and Spain. 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.

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 six 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.

Asia

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

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 15 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, RAV4, bZ4X and bZ3 and the joint venture with Guangzhou Automobile Group Co., Ltd. manufactures models such as the Camry, Levin, Highlander and bZ4X.

Total vehicle sales in the Chinese market were 25.99 million vehicles in 2023, 105.6% of that of 2022, and 24.62 million vehicles in 2022, 97.8% of that of 2021. In this market, Toyota's sales were 1.90 million vehicles in 2023, 98.3% of that of 2022, and 1.94 million vehicles in 2022, 100.0% of that of 2021. In the domestically produced passenger vehicle market in mainland China (22.71 million vehicles), Toyota had a market share of 8.4%. 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 seeks to 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 principal markets in South and Central America, Oceania, Africa and the Middle East (collectively, 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.

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 26 countries and regions aside from Japan. Facilities are located principally in Japan, the United States, Canada, the United Kingdom, France, Turkey, Czech Republic, Poland, Thailand, China, Taiwan, India, Indonesia, South Africa, Argentina and Brazil. See “Item 4. Information on the Company — 4D. 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.

	Thousands of Units		
	Year Ended March 31,		
	2022	2023	2024
Japan	3,738	3,789	4,042
North America	1,751	1,768	1,976
Europe	707	771	846
Asia	1,499	1,859	1,876
Other*	463	507	523
Total	8,158	8,694	9,263

* “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 “Item 4. Information on the Company — 4B. Business Overview — 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, 2024, this network consisted of 236 dealers employing approximately 110 thousand personnel and operating approximately 4.5 thousand sales and service outlets. TOYOTA Mobility Tokyo Inc. is the only dealer owned by Toyota and the rest are independent.

Toyota believes that this extensive sales network of independent local interests has been an important factor in its success in the Japanese market. A large number of the cars sold in Japan are purchased from salespersons who visit customers in their homes or offices. In recent years, however, the traditional method of sales through home visits is being replaced by showroom sales, and the percentage of automobile purchases through showrooms has been gradually increasing. Toyota expects this trend to continue, 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 187 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, 2024.

Channel	Dealers		
	Toyota Owned	Independent	Outlets
Toyota brand	1 company	232 companies	4,353 outlets
Lexus brand	23 outlets	164 outlets	187 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, 2024 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

Multi-pathway Strategy — Overview

The push for carbon neutrality is a matter of urgency if cars are to remain a necessary part of society. Providing our customers around the world with options for mobility under our multi-pathway strategy while also promoting the decarbonization of our monozukuri (manufacturing) and supply chains serves as the core of our activities.

Considering ways in which mobility takes into account the future of energy is important. The strategy’s basic premise is that we need to move away from fossil fuels from the perspective of the global environment and sustainability. Furthermore, over the medium- to long- term, renewable energy sources will continue to proliferate, with electricity and hydrogen emerging as the primary energy sources sustaining society. In the short term, however, it is critical to acknowledge global realities and implement changes in practical ways that maintain energy security.

This is precisely why we are committed to providing mobility options that are in tune with a diverse range of energy situations and customer needs, while also keeping an eye on the future of electricity and hydrogen. In short, the underlying concept of our multi-pathway strategy is to focus on promoting practical transition even as we pursue carbon neutrality.

BEV Strategies

On December 14, 2021, Toyota held a briefing on its BEV strategy where it announced that it would be boosting its annual BEV sales baseline in 2030 from 2 million to 3.5 million units.

In August 2022, Toyota announced that it will invest up to 730 billion yen in Japan and the United States toward supplying automotive batteries for BEVs, aiming to begin battery production between 2024 and 2026. Through this investment, we aim to boost production capacity by up to 40 GWh. In May 2023, Toyota also announced its plan to further invest \$2.1 billion in its battery manufacturing plant in the United States for new infrastructure to support future expansion. Toyota will continue working to build a supply system that can steadily meet the growing demand for BEVs around the world.

At the New Management Policy & Direction Announcement held on April 7, 2023, Toyota announced that it will expand its current BEV lineup, aim to introduce ten new BEV models by 2026, and set a pace for annual sales of 1.5 million Toyota and Lexus brand BEV units by 2026. In addition, Toyota has plans to release next-generation BEVs in 2026 that will double the driving range compared to that of the current bZ4X by using batteries with greater efficiency.

Plans for the release of BEVs in each region are as follows.

Developed countries	In parallel with the preparation of a next-generation BEVs scheduled for launch in 2026, with a focus on the bZ series and with further refined performance, Toyota plans to greatly expand its product lineup.
The United States	In 2025, Toyota plans to start the local production of a 3-row SUV equipped with batteries to be produced in North Carolina.
China	In addition to the bZ4X and bZ3, Toyota debuted new BEV models, the bZ3C and the bZ3X, locally developed and fit to local needs, in April 2024, and Toyota plans to continue increase the number of models in the following years.
Asia and other emerging markets (Global South)	In order to respond to the growing demand for BEVs, Toyota started local production of BEV pickup trucks by the end of 2023 and plans to also launch a small BEV model.

In May 2023, we launched the BEV Factory, a business unit dedicated to BEVs. What we hope to achieve with BEV Factory is to change the future with BEVs through transformation on multiple axes: cars, manufacturing and the way we work.

On the car axis, through technologies such as the integration of next-generation batteries and sonic technology, we aim to achieve a vehicle cruising range of 1,000 km. To bring more stylish design, we will use AI to increase aerodynamic performance, while our designers will focus on expressing natural sensibility. We believe Arene OS and full over-the-air updates will vastly expand the possibilities for enjoying cars. Like our manual transmission EVs, we plan to deliver exciting surprises and fun to our customers with technologies achievable only by a carmaker.

On the manufacturing axis, the car body will be constructed from three main components in a new modular structure. Adopting giga casting will allow significant component integration, which contributes to the reduction of vehicle development costs and factory investment. In addition, with our self-propelling production technology, we aim to reduce our manufacturing procedures and plant investment by half.

Under the way we work axis, the BEV Factory is based on the concept of “ALL in ONE TEAM,” a team under one leader that unifies functions and regions beyond the framework of a carmaker, such as Woven by

Toyota and external partners. This ONE TEAM will revolutionize the way work is done, with everyone on the same site and with the same awareness of the same issues, to achieve quick decision-making and initial response.

We plan to roll out next-generation BEVs globally and as a full lineup to be launched in 2026. If we successfully achieve the annual BEV sales baseline of 3.5 million for 2030, we plan to prepare providing 1.7 million units out of the 3.5 million overall BEV unit baseline from the BEV Factory. We expect that our next-generation BEVs will adopt our new batteries, through which we are determined to become a world leader in battery EV energy consumption. With the resources we earn, we will improve our product appeal to exceed customer expectations and secure earnings.

The battery is the heart of the BEV. Just as the heart pumps blood through the body, the battery transfers electricity to the vehicle. As Toyota advances its efforts toward introducing next-generation BEVs in 2026, it is also evolving batteries with new technologies to meet customer expectations.

Liquid lithium-ion batteries, which are currently the mainstream, will gain enhanced performance through improvement to the energy density of prismatic batteries, an area in which Toyota has longstanding expertise. In addition, by using the bipolar battery structure developed for HEVs in BEVs, we will expand our lineup to provide customers with a variety of options, from low-cost batteries for popularization to batteries optimized for maximum performance.

Furthermore, all-solid-state batteries, which are highly anticipated as game-changers, are finally approaching the phase of practical application for use in BEVs. Our full lineup of competitive batteries will support the evolution of Toyota's BEVs in the future.

The performance version next-generation battery is being developed with Prime Planet Energy & Solutions Corporation, while the popularization and high-performance versions of the next-generation battery, high-performance versions of the bipolar lithium-ion battery, and all-solid-state battery for BEVs are being developed with Toyota Industries, combining the knowledge of the Toyota Group.

In May 2023, Toyota announced that it intends to invest roughly 5 trillion yen investment in BEV production, additional battery plants, and research and development expenses through 2030.

Liquid Lithium-ion Battery Development

1. Next-generation Batteries: Performance Version

We aim for the next-generation BEVs to be introduced in 2026 to have a cruising range of 1,000 km.* For such cars, we are developing a performance-oriented rectangular battery to expand the degree of freedom in vehicle design. While increasing the energy density of the battery, we also aim to extend cruising range by improving vehicle efficiencies, such as aerodynamics and weight reduction, while at the same time reducing costs by 20% compared with the current bZ4X and achieving a quick charge time of 20 minutes or less (state-of-charge ("SOC") =10–80%).

2. Next-generation Batteries: Popularization Version

Toyota is also developing good, low-cost liquid lithium batteries that will contribute to the widespread use of BEVs to provide customers with a variety of battery options. Bipolar structure batteries, which have been used in the Aqua and Crown hybrid vehicles, are now being applied to BEVs. These batteries use inexpensive lithium iron phosphate (LFP) and are expected to be commercialized in 2026–2027. We are aiming for a 20% increase in cruising range* and 40% reduction in cost compared with the current bZ4X, as well as quick recharging in 30 minutes or less (SOC=10–80%). We are also considering installing these batteries in BEVs in the popularization price range.

In a regular battery, individual current collectors are coated on both sides with either an anode or cathode, then paired to make a set. In contrast, every current collector in a bipolar configuration is coated with an anode on one side and a cathode on the other, making for a simpler structure that requires only one-third as many components. At the same time, material costs can be reduced by using LFP for the cathode in place of rare metals, such as nickel and cobalt. However, to make these batteries a reality, Toyota must overcome three difficulties: applying the material evenly, doing so at high speeds, and simultaneously sealing all the cells. Furthermore, all this needs to be achieved in batteries large enough to power a car.

In tackling these challenges, Toyota is drawing on 26 years of battery production technologies honed through its HEVs along with bipolar nickel-metal hydride battery technology and expertise, precision coating used for FCEVs, and various digital technologies. Using all of these together, we are advancing development toward mass production.

3. Bipolar Lithium-ion Battery: High-performance Version

The high-performance version of the battery combines the best aspects of both the performance and popularization versions. This battery combines a bipolar structure with a high-nickel cathode to achieve further advances. We expect an even greater performance than the performance version of the prismatic battery will be achieved along with a 10% increase in cruising range* and a 10% reduction in cost, as well as a quick charge time of 20 minutes or less (SOC=10–80%). We aim to commercialize this battery in 2027-2028.

(* Including vehicle efficiency improvements such as aerodynamics and weight reduction.)

Battery type		Shape	Structure	Positive electrode material	Start of production	EV cruising range (CLTC mode, including vehicle improvements)	Cost (For the same cruising range)	Fast charge time (SOC=10-80%)
Conventional	Battery for the bZ4X	Prismatic	Monopolar	NCM	2022	615km	—	30 min. or less
Next-gen battery	1. Performance version	Prismatic	Monopolar	NCM	2026	200% Compared with the bZ4X	-20% Compared with the bZ4X	20 min. or less
	2. Popularization version	New structure	Bipolar	LFP	2026-2027 Expected to be commercialized	20% up Compared with the bZ4X	-40% Compared with the bZ4X	30 min. or less
Further evolution	3. High performance version	New structure	Bipolar	NI	2027-2028 Expected to be commercialized	10% up Compared with next-gen performance version battery	-10% Compared with next-gen performance version battery	20 min. or less

Development of All-solid-state Batteries

All-solid-state batteries have a solid electrolyte, allowing faster movement of ions and greater tolerance of high voltages and temperatures. It is hoped that this technology will result in increased power output, longer cruising range, and shorter charging times.

The tradeoff, meanwhile, is thought to be a shorter battery life. Solid electrolytes repeatedly expand and contract as the battery charges and discharges, which can create cracks in the solid-state battery that inhibit the

movement of ions between the cathode and anode. Toyota has discovered a new technology that overcomes this issue. Aiming for commercialization in 2027–2028, Toyota continues to advance product development and the development of mass production methods.

In October 2023, Toyota announced a partnership with Idemitsu Kosan Co., Ltd. (“Idemitsu”) to work toward the mass production of all-solid-state batteries for BEVs. Through the integration of materials development technologies of both companies, including Idemitsu’s materials manufacturing technologies and Toyota’s battery processing and assembly technologies honed in on electrified vehicle development, we both aim to realize the mass production of solid electrolytes and all-solid-state batteries that will be widely used by consumers.

Hydrogen Business

The hydrogen markets in Europe, China, and North America are expected to be among the largest in the near future, and the fuel cell market is also expected to expand rapidly toward that point. We are promoting external sales of fuel cells using the Mirai’s hydrogen units and have received offers from third parties to purchase 100,000 units of fuel cells annually by 2030. Most of them are for commercial vehicles.

To respond to the rapid changes in the market, we established in July 2023 a new business unit called Hydrogen Factory, which is able to make rapid decisions under one leader, from sales to development and production, all at once. The Hydrogen Factory promotes business on three axes. The first is localizing R&D and production in countries within the major markets. We are working to accelerate our efforts by establishing local bases, mainly in Europe and China. The second is strengthening alliances with leading partners. We do our best to deliver affordable fuel cells to our customers by consolidating sufficient quantities through alliances. The third is competitiveness and technology. We are working on “innovative evolution of competitive next-generation fuel cell technologies,” such as next-generation cell technologies and fuel cell systems.

We will work toward full-scale commercialization as we move forward with these initiatives. We expect that our next-generation system will achieve significant FCEV production cost reduction through technological progress, volume efficiency, and localization. Furthermore, in collaboration with partners, if we are able to significantly increase the volume of purchase offers for units, we believe we will be able to reduce our costs further and generate solid profit while meeting the expectations of governments and our many customers. We will work together in development, production, and sales to achieve this goal.

In addition, the price of hydrogen is still very high. In order to promote the widespread use of hydrogen, Toyota will continue to work with its partners to contribute to the production, transportation, and usage of hydrogen. The relationships we have built with strong partners will be used as opportunities to accelerate our efforts to commercialize hydrogen by establishing customer-oriented bases in major markets and by offering affordable products in sufficient quantities.

Hydrogen is an important fuel in Toyota’s CO₂ emission reduction efforts aimed at achieving carbon neutrality. We are promoting its utilization to contribute to the creation of a hydrogen-powered society. Our efforts to this end include the development and demonstration of FCEVs, such as passenger cars and commercial trucks and buses, fuel cell stationary generators, and hydrogen engine vehicles with internal combustion engines. Through such initiatives, we are working with various industry partners in the areas of producing, transporting, and using hydrogen.

Fuel cell systems comprise stacks of circuits embedded in thin sheets, called the “cells,” that generate electricity through chemical reactions between oxygen and hydrogen. Toyota is developing innovative next-generation fuel cells that is expected to deliver industry-leading performance for commercial use (long life, low cost, and low fuel consumption).

These next-generation cells, which we aim to commercialize in 2026, are expected to improve generating capacity by 30% compared with current fuel cells. On the durability front, FCEVs could stay on the road 2.5 times as long as standard diesel machines before requiring maintenance, making them virtually maintenance-free over the life of a vehicle. Compared with current cells, Toyota's next-generation systems will also halve the cost of fabricating a stack and increase cruising range by 20%. This improvement will make it possible to drive from Tokyo to Osaka without refueling.

These next-generation cells reflect the expertise that Toyota has built up over 30 years: real-time measurement and analysis of the processes occurring within cells, simulations for nanoscale mapping of chemical reactions, and precision coating of the catalysts that drive these reactions. Toyota's advanced technical capabilities help inhibit deterioration caused by corrosion and other factors, lowering the cost of materials needed for manufacturing.

To accelerate the expansion of hydrogen demand, we are taking on the standardization of tanks for large commercial vehicles, which are expected to consume hydrogen on a large scale. We aim to reduce manufacturing costs by 25% by unifying the tank standards of European, U.S., and Japanese companies in order to realize economies of scale. We are also developing liquid hydrogen tanks for large commercial vehicles.

By applying the fuel cell stack and cell technologies developed for the Mirai, we have developed a new electrolyzer that produces hydrogen by electrolyzing water. Trials of this electrolyzer began in March 2023 at the DENSO Fukushima plant. Furthermore, we have started an initiative to produce hydrogen from biogas derived from local chicken manure and food waste in Thailand in collaboration with Mitsubishi Kakoki Kaisha, Ltd. and Toyota Tsusho Corporation.

Development of Hydrogen Engines

In 2024, Toyota's efforts to race a Corolla equipped with one of its hydrogen engines currently in development entered their fourth year. Hydrogen engines work like modified versions of conventional gasoline engines powered by burning hydrogen directly as fuel. The fuel is 100% pure hydrogen, unmixed with gasoline. As no fossil fuels are burned, hydrogen-engine vehicles emit almost no CO₂ when in operation—only that from the combustion of minute amounts of engine oil. The hydrogen engine is thus one option that offers great potential to contribute to carbon neutrality while making use of technologies for internal combustion engines built up over the decades and protecting engine-related jobs in the automotive industry.

In late 2020, after taking a test drive in a hydrogen engine prototype car, master driver Morizo (Chairman Akio Toyoda) decided on the spot to enter a hydrogen engine car in Super Taikyu Series races. The development of race vehicles is dramatically faster and more agile than that of mass-production vehicles. We decided that racing would provide the ideal environment for honing our hydrogen engines being developed with the goal of achieving carbon neutrality.

In 2021 and 2022, Toyota raced a Corolla with a hydrogen engine that ran on gaseous hydrogen fuel. Building on these achievements, in the 2023 season, we have launched a world-first initiative to expand the options for producing, transporting and using hydrogen by employing liquid hydrogen fuel.

Switching to liquid hydrogen fuel increases the fuel's volumetric energy density, approximately doubling the vehicle's cruising range, which had been an issue with gaseous fuel. In addition, liquid hydrogen stations take up only a quarter of the space required to install a gaseous hydrogen station, enabling refueling in the pit itself.

The liquid hydrogen-powered Corolla was scheduled to compete for the first time at the Round Suzuka Super Taikyu 5 Hours Race in March 2023. However, during a private test run shortly before the race, a vehicle fire occurred due to a hydrogen leak from a gaseous hydrogen pipe in the engine compartment. The vehicle could not be repaired in time, and Toyota was forced to drop out of the race.

Over the following two months, aiming to race in the Fuji 24 Hours Race, the design of the hydrogen piping that caused the vehicle fire was changed, with safety as the highest priority. As a result, a hydrogen engine-equipped Corolla completed the Fuji 24 Hours Race in May 2023. This achievement was made possible by agile development and improvement efforts advanced through motorsports with the support of our many partners.

Toyota could not have taken on this initiative with liquid hydrogen alone. A portion of the liquid hydrogen used in the hydrogen engine-equipped Corolla in the Fuji 24 Hours Race was lignite-derived hydrogen produced and transported from Australia in the Suiso Frontier liquid hydrogen carrier built by Kawasaki Heavy Industries, Ltd. as part of the HySTRA project. In addition, the mobile liquid hydrogen station used at the circuit was jointly developed by Iwatani Corporation and Toyota. Moreover, the switch to liquid hydrogen fuel required the modification of many parts. Through cooperation with our numerous partners, the liquid hydrogen-fueled Corolla successfully completed the race, and, as a result of such efforts, our number of partners has grown from eight companies in May 2021 to 45 companies by the end of the 2023 season.

Furthermore, the Corolla with the liquid hydrogen engine took part in Round 4: the Super Taikyu Race in Autopolis in July as well as Round 7: the S-Tai Final Fuji 4 Hours Race with Fuji Niq Festival in November. The maximum number of laps (cruising range) that may be driven with a single hydrogen supply rose from 16 to 20 in the six months between the May 24-hour race at Fuji and the November final race at the same venue. Additionally, the vehicle weight was lowered by 90 kilograms. The mobile hydrogen station's joints, which previously caused strain on operators while refueling, have become lighter, and the time needed to refuel has been cut down from one minute and forty seconds to about one minute. In these ways, both the vehicle and hydrogen station evolved significantly.

Toyota will continue to expand the possibilities of hydrogen engines. Aiming to create a carbon neutral world, we will continue to evolve alongside our partners in line with the principle of "ever-better car making from a starting point in motorsports" and our multi-pathway approach.

Toyota's work on hydrogen engines is closely related to its work on conventional gasoline engines' combustion technologies. Gasoline engines have up until now used rapid combustion to boost thermal efficiency and adjusted the fuel-to-air ratio based on the situation to minimize harmful compounds. Since hydrogen burns even more quickly than gasoline, ever-more-accurate combustion control and sophisticated analysis and simulation technologies are needed, which should result in even lower CO₂ and gasoline engine emissions.

Toyota plans to leverage the significantly shorter development timeframe in motorsports as opposed to mass production vehicles. We believe that this will enable Toyota to achieve carbon neutrality while utilizing internal combustion engines.

Software and Connected Initiatives

Toyota is committed to providing new value based on software for the realization of a mobility society. By seamlessly connect daily lives and cars as well as proposing and delivering experiences and services that are one step ahead of their expectations, we will alter lifestyles, transform mobility into excitement, and enrich our customers' lives. Connecting people and cars, and social systems and cars, will create an ecosystem that becomes part of the social system, leading to the realization of well-being.

Arene OS is a software platform that accelerates such intelligence, providing applications that bring a comfortable riding experience through advanced safety technologies and infotainment in the in-car experience. This will be updated to reflect the changing times. Regarding the out-car experience, we will increase the value we offer via cross-industry collaboration with partners in housing, energy, logistics and other sectors serving as essential components of social systems.

One of Toyota's competitive advantages lies in its extensive global dealer network. By interacting directly with customers, we are able to gain a realistic understanding of the information and needs that are critical for a vehicle to add value. By combining that information and those needs with vehicle data, we create value the likes of which only Toyota can provide.

Efforts in Realizing a Safe Mobility Society

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.

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.

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. Since its market launch in 2015, Toyota Safety Sense has been installed in more than 46 million vehicles globally as of March 2024. 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 144 countries and regions, including such key markets as China, other select Asian countries, the Middle East and Australia.

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. In the event of an accident or medical emergency, Toyota's HELPNET® emergency reporting system service contacts a dedicated operator who will arrange for the rapid dispatch of emergency vehicles from police, fire department, or emergency services. Specifically, HELPNET® automatically contacts an operator when the airbags deploy and supports D-Call Net®, a service 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.

Toyota has been engaged in the research and development of automated driving technologies since the 1990s. The Mobility Teammate Concept is an automated driving concept unique to Toyota that seeks to enhance communication between drivers and their cars, enabling them to assist one another in coordinated driving as companions. Rather than cars taking over driving from people and replacing them, we believe that drivers and cars can act as partners to protect one another, so that drivers can enjoy the experience of driving while deferring to automated driving at times, and thereby achieving truly safe, secure and unrestricted mobility.

The Lexus LS and Mirai models launched in April 2021 are equipped with “Toyota/Lexus Teammate state-of-the-art” driving assist technology, with some grades including Advanced Drive, a system that assists driving on an expressways or other motor-vehicle-only roadways. The Advanced Drive on-board system will appropriately detect the vehicle’s surroundings, make decisions, and assist driving under the driver’s supervision according to actual traffic conditions. It can keep the vehicle in its lane, maintain the distance from other vehicles, navigate a lane split, change lanes, and overtake other vehicles until leaving the roadway for the destination. The system achieves high levels of safety and peace of mind, reducing driver fatigue and providing a pleasant journey to the driver’s destination.

Deep learning-focused AI technologies support driving by predicting and responding to a wide variety of situations that could occur when driving. In addition, Advanced Drive is capable of Over-the-Air upgrades, and occasional software updates may be issued. The system continues to add features and improve performance to enhance the driving experience and provide the latest safety technologies even after the vehicle has been delivered to the customer.

Cars have many uses, and customer needs continue to diversify. Accordingly, Toyota is advancing R&D into automated driving technologies not only for personally owned vehicles (“POVs”), but also in the field of MaaS. Toyota is one of the first companies to launch advanced automated driving technology for vehicles sold to corporate customers. Data collected from these vehicles will then be collected, analyzed, and fed back into development to further evolve automated driving technologies for POVs.

Toyota carries out awareness-raising initiatives for drivers and pedestrians to help prevent traffic accidents. One such initiative for drivers is the Toyota Driver Communication safe driving technique seminar held periodically at Toyota Safety Education Center Mobilitas, on the grounds of Fuji Speedway. For pedestrians, in cooperation with Toyota dealers across Japan, Toyota has been donating traffic safety teaching materials to kindergartens and nursery schools nationwide since 1969.

Commercial Sector Initiatives

In April 2021, Isuzu Motors Limited (“Isuzu”), Hino, and Toyota established Commercial Japan Partnership Technologies (CJPT), a new company, with the aim to accelerate the implementation and spread of CASE in society to help address various difficulties facing the transportation industry as well as help achieve a carbon-neutral society. Suzuki Motor Corporation (“Suzuki”) and Daihatsu joined the partnership in July 2021 (In October 2023, CJPT reinstated Hino Motors Ltd. as a partner.).

Distribution by truck accounts for the majority of overland logistics in Japan, and the transportation sector (including buses and taxis) involves a number of people. Commercial vehicles account for a significant proportion of the total distance traveled by automobiles and of all CO₂ emissions from automobiles in Japan. Furthermore, more than 60,000 logistics companies operating in Japan currently face numerous management issues, such as high-frequency distribution, harsh work environments, labor shortages, and rising operating costs. The power of CASE, centered on connected technologies and services, is a promising approach to effecting improvements that will help resolve these issues. Given the increasingly pressing circumstances surrounding carbon neutrality, CJPT seeks a wide range of like-minded partners, aiming to apply their diverse strengths for the sake of those supporting transportation and for society.

Our efforts to achieve carbon neutrality center on two pillars: electrification and enhanced logistics efficiency. In the area of electrification, we will ambitiously work with more partners to find solutions to a variety of problems while giving customers more electrified vehicle options in accordance with their specific needs. We also aim to realize just-in-time logistics to improve transport efficiency and work to reduce CO₂ emissions by constructing a platform for commercial vehicles that links the partner companies and by leveraging one of the Toyota's strengths—the TPS.

We are working with shippers and logistics companies in Fukushima Prefecture and Tokyo on the largescale social implementation of electric vehicles. A total of 580 vehicles will be used, including heavy and light-duty fuel cell electric trucks, and light-duty BEV trucks and mini-commercial vans, to comprehensively cover transportation from trunk lines to the last mile. As of the end of October 2023, over 50 electrified vehicles have hit the roads. In addition to promoting implementation in cities with populations of around 300,000, which are common in Japan, we will also work to develop standards for these vehicles and develop an energy management system that is integrated with operation management to lessen the social burden associated with the introduction and use of electric vehicles and address transportation-related issues. Furthermore, in a public-private initiative aimed at carbon neutrality, we have begun sharing data with national bodies promoting digital transformation for commercial vehicles. This includes data about electrified vehicles on the road, such as that on driving, batteries, charging and refueling with hydrogen.

The city of Fukuoka, Fukuoka Prefecture, has begun implementing FCEVs as garbage compactor trucks, ambulances, food delivery trucks, BRT buses, and other vehicles that support daily living, utilizing hydrogen stations operated by the city and other entities. Together with local communities, we are promoting the social implementation of these vehicles to make them more familiar to residents and enable their widespread use by more municipalities.

CJPT is working with AEON KYUSHU Co., Ltd. and AEON GLOBAL SCM Co., Ltd. on a logistics improvement project for the AEON Group in the Kyushu area that is expected to solve problems faced by the logistics industry, such as soaring logistics costs and driver shortages.

By combining the accumulated logistics expertise of AEON KYUSHU and AEON GLOBAL SCM with the connected technologies of the companies participating in CJPT, the project aims to establish new operations to improve efficiency by linking each process in the supply chain as well as to improve efficiency by minimizing cargo and operational stagnation (logistics downtime) through the use of strengths in big data and real-time processing on connected technology infrastructure, among other efforts. We are advancing these initiatives in collaboration with a wide range of partners. In particular, a demonstration project that began at AEON's Minami-Osaka distribution center in 2022 has already begun expansion to actual operations and is producing results, such as improved loading efficiency of trucks. We have applied this model to the Kyushu region, where we have confirmed certain improvements. We will further expand the range of these efforts to such areas as wholesaling from manufacturers and distribution centers to build a total logistics improvement model. We will continue ambitiously pushing forward with logistics reforms by expanding the results of our efforts with AEON in Minami-Osaka and Kyushu to an even wider range of logistics sites.

CJPT reached an agreement with Charoen Pokphand Group (“CP”) and Siam Cement Group (“SCG”) in Thailand to promote carbon-neutral initiatives that are unique to Thailand utilizing the country's resources. To contribute to the happiness of the 67 million people of Thailand, CJPT is promoting activities under the concept of “doing what can be done now, together with partners who share the same view.”

Along with CP and SCG, Toyota, Isuzu, Hino, Suzuki, and Daihatsu will participate in CJPT-Asia, which will be established to further promote initiatives in Thailand and accelerate efforts in the three areas of energy solutions, data solutions, and mobility solutions.

1. Energy Solutions: Use of renewable energy, such as hydrogen, and energy management

2. Data Solutions: Enhancement of the efficiency of the logistics and transportation industry using connected technology to improve loading efficiency and optimize delivery routes

3. Mobility Solutions: Provision of a variety of solutions that meet Thailand’s diverse needs

We are accelerating our efforts, such as introducing heavy- and light-duty fuel cell trucks, the Hilux Revo e, the JPN Taxi LPG-HEV, and mini-commercial vans to the logistics and transportation industry from September 2023. In November, we also commenced pilot testing of hydrogen production from biogas at poultry farms and data-driven delivery efficiency enhancement.

Woven City

The Woven City project was first announced in January 2020. The initial building is set to be completed in summer 2024, with limited demonstration testing kicking off in 2025. Toyota and a variety of partners will work together, using Woven City, a city of test courses, to demonstrate cutting-edge technologies in such areas as automated driving, mobility as a service (MaaS), personal mobility, robotics, smart homes, and artificial intelligence (“AI”). Through these efforts, we aim to create new systems and services that will contribute to “well-being for all.” 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. While he was 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 test course that is woven into the fabric of daily life.

The name “Woven City” comes from Toyota’s origins in automatic looms. Toyota Group founder Sakichi Toyoda 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.

Woven City will be a kind of test course, enabling us to rapidly implement development and demonstration cycles for diverse forms of mobility in both the virtual and the real world. Both of these are essential—alone, neither the virtual nor the real is sufficient to quickly provide mobility in today’s diversified world. Guided by the three concepts of “human-centered,” “a living laboratory,” and the “ever-evolving city,” 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. We will use these roads to advance demonstration testing that integrates the aspects of people, vehicles, and the traffic environment. Woven City will demonstrate technologies from logistics to energy and food as it grows into a test course conducive to the timely generation of new inventions that address social issues.

At Woven City, we aim to make people happy by expanding what mobility can do for human beings and building systems that will create novel value. We will strive to invent the technologies and services that will become the future fabric of life by interweaving cars with social infrastructure to expand the mobility of people, goods, and information while inspiring excitement and moving people emotionally. This is the meaning of “expanding mobility” and the vision of Woven City. In this new city, Toyota aims to transform into a true mobility company.

With our sights on commencing limited pilot testing in 2025, we will continue to reinforce collaboration among Toyota, each company of the Toyota Group, and our external partner companies. Through Woven City, we will work to realize the Toyota Mobility Concept.

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 43 countries and regions, which support its automotive operations globally.

Toyota's sales revenues from its financial services operations were ¥3,484.1 billion in fiscal 2024, ¥2,809.6 billion in fiscal 2023, and ¥2,324.0 billion in fiscal 2022. In fiscal 2024, Toyota's business saw solid growth mainly due to new vehicle sales boosted by easing semiconductor supply relative to demand and accumulated balance of earning assets resulting from enhanced used-vehicle financing. 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. In addition, Toyota is making efforts to provide both its customers and dealers with stable financial services by diversifying its funding methods through direct financing from the market, such as ABCP (Asset Backed Commercial Paper) and ABS (Asset Backed Securities), in addition to using already existing means as commercial paper, corporate bonds and bank borrowings. Furthermore, Toyota continued to perform detailed credit appraisals and serve customers by monitoring bad debt and loan payment extensions, but the percentage of credit losses rose to 0.30% and 0.40% in fiscal 2023 and 2024, respectively, due to the normalization of consumption activities from the COVID-19 pandemic. 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 42 other countries and regions through various financial services subsidiaries, including:

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

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

The KINTO 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 ¥31,694.3 billion as of March 31, 2024, representing an increase of 27.9% as compared to the previous year. The majority of Toyota’s financial services are provided in North America. As of March 31, 2024, 57.1% of Toyota’s finance receivables were derived from financing operations in North America, 14.5% from Europe, 11.3% from Asia, 6.2% from Japan and 10.9% from other areas.

Approximately 40% of Toyota’s unit sales in the United States during fiscal 2024 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 “Item 5. Operating and Financial Review and Prospects — 5.A Operating Results — Financial Services Operations.”

Retail Financing

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

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

Retail Leasing

In the area of retail leasing, Toyota’s finance subsidiaries acquire new vehicle lease contracts originated primarily through Toyota dealers. Lease contracts acquired must first meet specified credit standards after which the finance company assumes ownership of the leased vehicle. The finance company is generally permitted to take possession of the vehicle upon a default by the lessee. Toyota’s finance subsidiaries are responsible for contract collection and administration during the lease period. The residual value is normally estimated at the time the vehicle is first leased. Vehicles returned to the finance subsidiaries at the end of their leases are sold by auction. For example, in the United States, vehicles are sold through a network of auction sites, as well as through the Internet. In most cases, Toyota’s finance subsidiaries require lessees to carry automobile insurance on leased vehicles covering the interests of both the finance company and the lessee.

Wholesale Financing

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

Toyota's finance subsidiaries also make term loans to dealers for 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, 2024, Toyota Finance Corporation has 16.2 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 ¥1,368.1 billion in fiscal 2024, ¥1,224.9 billion in fiscal 2023, and ¥1,129.8 billion in fiscal 2022.

Governmental Regulation, Environmental and Safety Standards

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

International Harmonization of Vehicle Regulations

The World Forum for Harmonization of Vehicle Regulations ("WP.29") of the United Nations Economic Commission for Europe ("UNECE") has developed certain international rules and regulations such as the UN Regulations ("UNR") under the 1958 Agreement and the Global Technical Regulations ("GTR") under the 1998 Agreement and has been working to promote international harmonization of the technical prescriptions for the construction and approval of wheeled vehicles. The UNR has been adopted in jurisdictions such as Japan, EU and Russia, and each participating party's type approvals are mutually recognized under the 1958 Agreement. The parties to the 1998 Agreement include the U.S., China and India in addition to Japan, the EU and Russia, and 24 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.

Japan was elected as vice chair of WP.29 in November 2022 to lead discussions of international harmonization of vehicle regulations. This was the first time that a vice chair was elected from outside Europe.

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, more stringent regulations have been introduced to match the European Standards, as can be seen from, among other things, the strengthened regulations on particulate matters emitted from gasoline-fueled vehicles, the adoption of the Worldwide Harmonized Light Vehicles Test Cycle (“WLTC”) driving cycles and the introduction of the Real Driving Emission (“RDE”). UN-R154 has also been adopted. 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 (the “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), become increasingly stringent in phases from model years 2017 to 2025. The rule brought 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 model year 2017.

In March 2024, the EPA announced a final rule for Tier 4 emission standards for passenger vehicles, light-duty trucks, medium-duty passenger vehicles and some heavy-duty vehicles from model year 2027 through 2032.

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 “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.

CARB also finalized the Advanced Clean Cars II (“ACC II”) regulations in November 2022. ACC II includes exhaust emissions standards for 2026 and subsequent model years, (known as the LEV IV regulations) that would further reduce emissions from light- and medium-duty vehicles. Additionally, ACC II includes an expanded ZEV mandate that increases the percentage of ZEV vehicles that manufacturers must sell in California. The new LEV IV regulations and expanded ZEV mandate apply to model years 2026 – 2035. Under the California Governor’s Order of 2020 (N 79 20), all new vehicles sold in California will be ZEVs by 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 (including Colorado, Connecticut, Delaware, Maine, Maryland, Massachusetts, Minnesota, Nevada, New Jersey, New Mexico, New York, Oregon, Pennsylvania, Rhode Island, Vermont, Virginia, and Washington) have adopted regulations substantially similar to California’s LEV and ZEV requirements

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, FCEVs and PHEVs, among others. In November 2018, the premier of British Columbia announced that the government would introduce legislation concerning zero-emission vehicles (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. In December 2023, Environment and Climate Change Canada decided to regulate zero-emission vehicles from model years 2026 to 2035, requiring 100% zero emissions for light-duty passenger vehicles and light-duty trucks sold after 2035.

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.

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 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. On January 1, 2019, an improved WLTP that purports to eliminate test flexibilities and introduces on-board fuel and energy consumption monitoring devices took effect. In March 2023, further regulations came into effect to harmonize requirements with UNR, tighten RDE regulations, and tighten the method for calculating CO₂ emissions for PHEVs.

On May 28, 2024, Euro 7, which further strengthens Euro 6, came into effect. The dates of application of the Euro 7 regulations depend on vehicle type. They will apply to new types of passenger vehicles and light commercial vehicles from November 29, 2026, to new passenger vehicles and light commercial vehicles from November 29, 2027, to new types of buses, trucks and trailers from May 29, 2028, and to new buses, lorries and trailers from May 29, 2029. The Euro 7 regulations maintain the Euro 6 exhaust emission limits for passenger vehicles, lowers exhaust emission limits for buses and trucks (e.g., stricter particulate matter count regulations), sets brake particle emissions for passenger vehicles, and introduces minimum performance requirements for battery durability in electric and hybrid passenger vehicles (BEVs/PHEVs). Currently, detailed requirements are being considered for the introduction of the new regulations.

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. Discussions are currently underway for Level 7 Emissions Regulations (“China 7”), which will be more stringent than the China 6 Emissions Regulations. Potential regulations for particulate matter emitted from brake pads and tire wear and the expansion of regulations to make BEVs/FCEVs subject to the OBD regulations are being considered.

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. 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 Euro 6) to 2020. Moreover, certain countries such as Thailand, Taiwan, Australia, New Zealand, Chile and Peru have also decided to introduce regulations equivalent to Euro 6.

Vehicle Fuel Economy

Japanese Standards

The Act on Rationalizing Energy Use and Shifting to Non-fossil Energy 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 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 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 industry 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 was based on Presidential Executive Order 13990 and is more stringent compared to the Safer Affordable Fuel Efficient ("SAFE") Vehicles Rule issued in April 2020 which temporarily relaxed the greenhouse gas emissions rate to 1.5% per year. The new rule projected reductions in 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 were 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 December 2021 greenhouse gas emission rule, this final rule is based on Presidential Executive Order 13990. The final 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 which is more stringent than the SAFE Vehicles Rule that temporarily relaxed the rate to 1.5% per year.

In March 2024, the EPA issued a final rule setting greenhouse gas emissions standards for light-duty vehicles from model years 2027 to 2032, which EPA projects to result in an industry-wide average target for the light-duty fleet of 85 grams per mile. As required under Executive Order 14037, which set a goal that 50% of new vehicles sold in the United States in 2030 shall be ZEVs, the EPA coordinated and/or engaged with, among others, the Department of Transportation, labor unions, and states (including California) to develop these new standards.

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 in the amount between €5 to €95 per vehicle 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.

As part of its "Fit for 55" package, in July 2021 the European Commission proposed more stringent carbon dioxide emission limits for vehicles and light commercial vehicles. The proposal strengthens the 2030 targets from 37.5% to a 55% reduction for new passenger cars and from 31% 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 light commercial vehicles, again relative to the 2021 baseline. The 2025 target remains unchanged at a 15% reduction for both new vehicles and light commercial vehicles. On April 19 2023, the European Parliament and the Council signed the amendments into law.

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 vehicles, 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 enforced. First, GB19578-2014, which has been enacted to strengthen regulations for each model, is being applied to new models after January 2016. Second, GB27999-2014, which has been enacted as Level 4 Fuel Consumption Regulations for passenger vehicles to strengthen corporate average regulations, has been in effect since 2016. In 2021, the fuel economy test mode was changed from NEDC to WLTC, and the Level 5 Fuel Consumption Regulations for passenger vehicles to achieve the average fuel efficiency target by 2025, GB19578-2021 and GB27999-2019, has been in effect since 2021. Currently, Level 6 Fuel Consumption Regulations for passenger vehicles are being considered as more stringent fuel consumption regulations. For light 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.

Standards of Other Countries or Regions

India, Saudi Arabia, Brazil, Chile, Mexico, New Zealand, South Korea and Taiwan have imposed regulations that require automobile manufacturers to reduce fuel consumption and carbon dioxide emissions.

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.

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. At the same time, a permit system was introduced for updating software embedded in vehicles in current use.

In addition, a new program for verifying the performance of e-scooters and certain other light motorized bicycles was established in July 2023 as a new mobility safety measure.

U.S. Standards

In November 2021, the Bipartisan Infrastructure Bill was signed into law by President Biden. It requires the NHTSA create regulations that cover a wide range of matters, including the application of preventive safety technology, the strengthening of USNCAP, and the prevention of drunk driving, in order to improve road safety. In response to this, NHTSA sought public comments in 2022 regarding the strengthening of USNCAP and expansion of the recording requirements regarding Event Data Recorders (EDR). Notices for further public comments on the USNCAP are expected to be issued, and pedestrian protection and autonomous emergency braking are expected to become mandatory in the future. With respect to automated driving vehicles, on January 8, 2020, the Trump Administration and the U.S. Department of Transportation released Ensuring American Leadership in Automated Vehicle Technologies: Automated Vehicles 4.0 (“AV 4.0”). AV 4.0 unified efforts across 38 Federal departments, independent agencies, commissions, and Presidential Executive Offices in providing high level guidance to state and local governments and other stakeholders. AV 4.0 also established Federal principles for the development and integration of automated vehicles. California and many other states, despite AV 4.0, have adopted different approval systems so that automated vehicles must be compliant with regulations and systems that vary from state to state. On December 23, 2020, California issued its first autonomous vehicle deployment permit.

European Standards

In December 2019, the EU issued the revised General Safety Regulation to tighten the requirements concerning safety and the protection of vehicle occupants and vulnerable road users. This revised General Safety Regulation (which came into effect in July 2022) makes certain vehicle safety equipment mandatory in stages, including: automated 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. Furthermore, for the equipment for which UN Regulations have not been developed, such as automated driving systems for automated vehicles, the EU established its own technical standards.

A proposal for a major overhaul of the EU-type approval framework for motor vehicles was issued in June 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 EU vehicle models as of September 1, 2020. In the case of automated driving vehicles, it is also possible to obtain approval under this framework only for cars produced in small quantities.

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 for automated driving systems for automated vehicles, 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. In recent years, as can be seen from the fact that working parties are studying documentation on AI used in vehicles, they are considering various proposed regulations that contribute to road safety, taking new technologies into account, and new regulations have been established to improve driver visibility or require audible reverse warning or advanced driver assistance systems. New regulations for pedal misapplication acceleration control systems, driver distraction, and automatic driving systems are also being developed.

Chinese Standards

Vehicle safety regulations in China were in general established having regard to the UN regulations. However, China is adding its own requirements in consideration of the Chinese market and traffic environment, and establishing its own standards to improve the technological capabilities of its industries and to ensure international competitiveness. This is especially true in the area of “electrification,” or new energy vehicles (“NEVs”), which China is strongly promoting, and China’s own national technical standards on functions such as batteries, motors, and the charging and remote surveillance of NEVs 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, the country considers “intelligentization” to be the next core technological area, and more than 100 standards for intelligent connected vehicles (“ICV”) are being developed (including automation, telecommunication and security). As is the case in the field of electrification, it is anticipated that more of China’s own standards will become mandatory in a short period in the future. In particular, in recent years, from the perspective of ensuring data security against the backdrop of the U.S.-China trade friction and other factors, China has been vigorously and rapidly promoting legislation to strictly control the extraterrestrial transfer of data acquired within China, and the automotive sector is no exception to this. Although the authorities have already mandated to obtain clearance for personal information and important data to be transferred outside of China through security review, there is a risk that Toyota will need a major review of the necessity for further development of new technologies or of the technology development system, including technology transfer to China, depending on the terms of future laws and regulations.

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

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 2023, Toyota achieved a recycling/recovery rate of 97% 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 particulate matter. The Clean Air Act requires that the EPA review and possibly revise these NAAQS every five years. On January 6, 2023, the EPA announced a proposed decision to revise primary (health-based) annual particulate matter (PM_{2.5}) standard from 12.0 µg/m³ to within the range of 9.0 to 10.0 µg/m³. The EPA proposed to make no changes to the secondary (welfare-based) annual PM_{2.5} standard, primary and secondary 24-hour PM_{2.5} standards, and primary and secondary PM₁₀ standards. In March 2024, the EPA announced a final rule, effective May 2024, lowering the primary (health-based) annual particulate matter (PM_{2.5}) standard to 9.0 µg/m³. This revised standard, as well as any future NAAQS revisions to other criteria pollutants, 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.

A review of the EU Directive on End-of-Life Vehicles was launched in 2021, resulting in a proposal for a new regulation in July 2023. The new proposed regulation would improve the quality of end-of-life treatment, incentivize reuse of recycled materials to enable more resource-efficient use of materials, recover more and better-quality raw materials (e.g., CRMs, plastics, steel and aluminum), and strengthen responsibility and cooperation between producers.

Toyota strives to ensure that its operations comply 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 remain in material compliance with all of these requirements. However, in light of the net zero transition, compliance with environmental regulations and standards has increased costs and is expected to lead to higher costs in the future. Therefore, Toyota recognizes that effective environmental cost management will become increasingly important. Moreover, innovation and leadership in the area of environmental protection are becoming increasingly important to remain competitive in the market. As a result, Toyota has proceeded with the development and production of environmentally friendly technologies, such as hybrid electric vehicles, PHEVs, FCEVs, BEVs and high fuel efficiency, low emission engines.

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

Toyota's Approach to and Initiatives Towards Sustainability

The following is a discussion of Toyota's approach to and initiatives towards sustainability. It contains forward-looking statements that are based upon the current judgment, assumptions and beliefs of Toyota's management. See "Cautionary Statement With Respect To Forward-Looking Statements." Actual business, financial and operational results may vary significantly from those described below as a result of unanticipated changes in various factors, including those described in "Risk Factors."

Governance

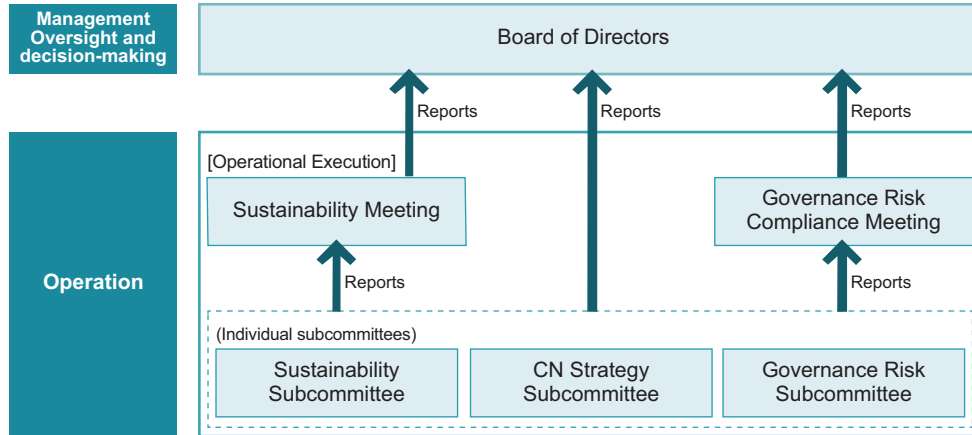
Toyota has inherited the spirit of "Toyoda Principles" since our foundation, and has aimed to create a prosperous society through our business activities, based on "the Guiding Principles at Toyota." In 2020, based on these Principles, we compiled the "Toyota Philosophy" and set the mission of "Producing Happiness for All." We aim to be the "best company in town" that is both loved and trusted by people. We aim to contribute to the sustainable development of our society and planet through such "Toyota Philosophy."

In order to grasp changes in the external environment and societal demands, and to prioritize issues of greater importance and urgency, we continuously strive to promote and improve environmental, social, and governance sustainability activities while working closely with the relevant groups under the promotion system illustrated below and under the supervision and decision-making of the Board of Directors.

To deliberate on key, multidisciplinary sustainability issues related to management, we have established the Sustainability Meeting chaired by the CEO, which mainly deals with themes associated with Environment and Social, and the Governance Risk Compliance Meeting chaired by the Chief Risk Officer ("CRO") / Chief Compliance Officer, which deals with themes associated with Governance. In addition, subcommittees have been established to deliberate on individual issues and themes that are closer to actual practice on a functional basis.

Furthermore, we have appointed a Chief Sustainability Officer to lead the engagement with external stakeholders and dissemination of information regarding sustainability activities.

<Sustainability promotion system>



(As of June 2024)

	Sustainability Meeting	Governance Risk Compliance Meeting	Sustainability Subcommittee	CN Strategy Subcommittee	Governance Risk Subcommittee
Chairman or promoters	President	President	Deputy Chief Officer, General Administration & Human Resources Group	President, CN (Carbon Neutral) Engineering Development Center	Deputy Chief Officer, General Affairs & Human Resources Group DCRO/DCCO
Members	Executive Vice Presidents (2), Outside members of the Board of Directors (4), Outside Audit & Supervisory Board Members (1), CPO,CSO,CHRO, Others (5)	Executive Vice Presidents (2), Outside members of the Board of Directors (1), Outside Audit & Supervisory Board Members (1), CPO,CHRO, Full time Audit & Supervisory Board Members (1), Others (3)	Outside members of the Board of Directors (1), CRO/CCO,CSO,CISO,CHRO, Others (7)	Executive Vice Presidents (2), CRO/CCO,CPO,CSO,CISO, Full time Audit & Supervisory Board Members (1), Others (11)	Executive Vice Presidents (2), Outside members of the Board of Directors (1), Outside Audit & Supervisory Board Members (1), CRO/CCO,CSO,CISO,CHRO, Full time Audit & Supervisory Board Members (1), Others (5)
No. times held in FY 2024	4 times	- (Newly established in June 2024)	3 times	3 times	6 times
Frequency of reports to the Board of Directors	When an important matter arises	When an important matter arises	When an important matter arises	When an important matter arises	When an important matter arises
Content	<ul style="list-style-type: none"> To increase corporate value by deliberating, making decisions on, and promoting activities on key sustainability issues in management practices 	<ul style="list-style-type: none"> To report and consult of important management items related to Governance, Risk and Compliance 	<ul style="list-style-type: none"> To report and deliberate on key management issues related to strengthening competitiveness over the medium to long term and responding to risks associated with environment, social issues, governance and the SDGs, while monitoring internal and external developments 	<ul style="list-style-type: none"> To cultivate a shared understanding of significant global trends related to carbon neutrality and environmental challenges To report and deliberate on important management policies, such as targets and KPIs related to the above 	<ul style="list-style-type: none"> To deliberate, decide and promote activities on important issues and responses related to governance, internal control, corporate ethics, compliance, incidents, and general risk management in business and product strategies
CPO : Chief Production Officer CHRO : Chief Human Resources Officer CCO : Chief Compliance Officer DCRO : Deputy Chief Risk Officer CSO : Chief Sustainability Officer CRO : Chief Risk Officer CISO : Chief Information & Security Officer DCCO : Deputy Chief Compliance Officer					

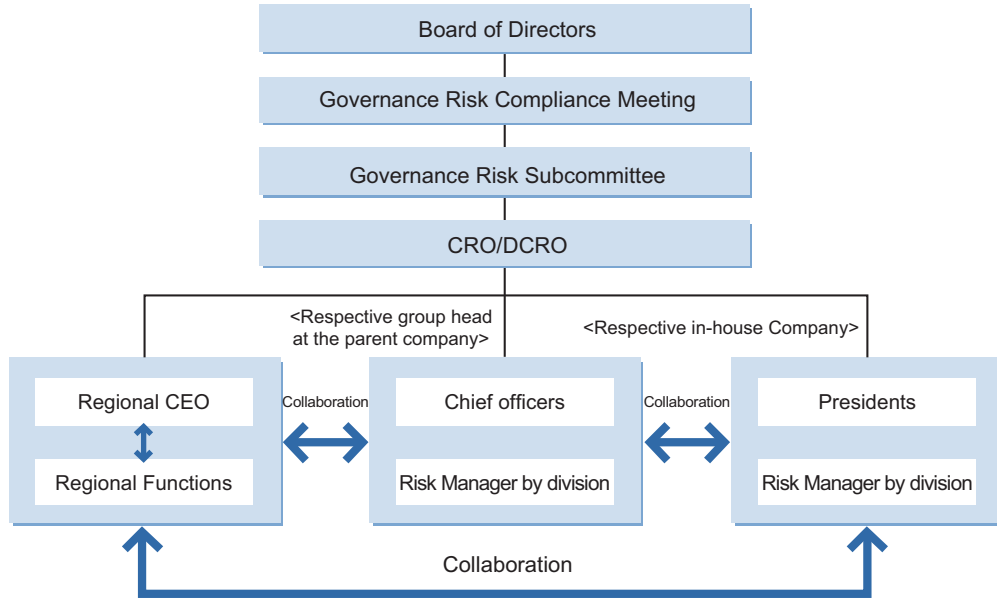
Risk Management

Toyota will further strengthen risk management in response to uncertainties amid our constantly needing to rise to new challenges in the era of major changes in the circumstances surrounding, and in the values of, the automobile industry, such as carbon neutrality, CASE and other factors.

In order for each region, function, and in-house company to cooperate and support each other and prevent, mitigate, reduce, and appropriately control risks arising in business activities from a global perspective, Toyota has appointed a CRO and Deputy CRO (“DCRO”) in charge of risk management, as well as the head of risk management in each region. Toyota has also established the Governance Risk Subcommittee under the CRO’s supervision to identify, take action against, and monitor material risks from a company-wide perspective. The Governance Risk Compliance Meeting deliberates on material matters and submits reports and proposals as appropriate to the Board of Directors to promote our business.

<Risk management promotion system>

Organizational Structure



In addition, as a risk management system framework, we regularly identify, evaluate, and promote measures against risks based on the Toyota Global Risk Management Standard (“TGRS”), a company-wide risk management framework based on ISO (International Organization for Standardization and COSO (Committee for Sponsoring organizations of the Treadway Commission).

Approach to and Initiatives Towards Human Resources

Toyota and the Toyota Group have been focusing on human resource development since its foundation based on the philosophy that “*monozukuri* (manufacturing) depends on human resource development.”

In the midst of a once-in-a-century transformation taking place in the automobile industry, Toyota and the Toyota Group have set out the theme of inheritance and evolution and is doing its utmost to realize its transformation into a mobility company for the future in addition to carrying on what makes us Toyota — “let’s make ever-better cars,” “let’s aim to be best-in-town, rather than being the best in the world” and “let’s work for the sake of others.”

Amid the era in which it is hard to predict the future, each and every one of us at Toyota, our 370,000 colleagues around the world, must share the same thoughts, working together organically as a team at the same time in order to uphold our founding spirit and what makes us Toyota, as symbolized by the Toyoda Principles, and to carve out the future of automobiles using the Toyota Philosophy as a guideline, and to that end, we need to develop human resources.

Looking at the global Toyota and the Toyota Group as a whole, in addition to instilling the philosophy in all regions around the world, through various opportunities such as training for global executive candidates, the head office and regional entities are working together to strengthen a common foundation for human resource development based on Toyota’s “philosophy, skills, and behavior (such as Toyota Philosophy and TPS).” In addition, for regional entities, we are promoting the establishment of a system that flexibly promotes the formulation and execution of human resource strategies rooted in the region in response to the characteristics of the region and the diverse needs of customers.

We have also been engaged in ongoing dialogue between labor and management regarding investment in human resources, including human resources development. Under the shared value of “the company wishes for the happiness of its employees and employees wish for the development of the Company,” we have had discussions between labor and management on various measures for the future based on the common recognition that “people” are our greatest asset. We have also confirmed specific initiatives to lead to speedy change, and labor and management worked together to promote such initiatives.

In the discussion held in March 2023 between labor and management, they confirmed to implement initiatives based upon three main pillars—diversity, growth, and contributions—designed to transform Toyota into a place where anyone can take on new challenges at any time, as many times as possible, without fear of mistakes, and promoted such initiatives. While continuing to promote initiatives based on the three pillars, in order to achieve change for the future in an era of rapid environmental change and an uncertain future, Toyota believes that it is also essential to take steps to “establish today how we will work in 10 years” with an eye to the “future.” To such ends, through discussions between labor and management in March 2024, we mapped out specific initiatives.

Climate Change-related Disclosures

Toyota has announced that, in response to climate change, it would address global-scale challenges to achieve carbon neutrality by 2050. In order to tackle these challenges, Toyota intends to respond quickly to changing demands, take into account the different energy conditions in each country and region around the world, and provide a variety of bespoke solutions that correspond to such country-specific and region-specific conditions.

In addition, Toyota has endorsed and signed on to the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (“TCFD”) in April 2019. Toyota has prepared the discussion below, which relates to Toyota’s climate change-related risks and opportunities, in light of such recommendations. Certain emissions reduction targets referenced below have been set by Toyota with reference to and in line with criteria established by the Science Based Targets Initiative (“SBTi”); however, such targets are not set forth in this annual report based upon the authority of or in reliance upon SBTi as experts with respect to such targets.

Governance

(a) The Board’s Oversight of Climate-related Risks and Opportunities

Toyota addresses climate-related issues at the Board of Directors’ meetings to ensure effective strategy formulation and implementation in line with the latest societal developments. The Board deliberates and oversees related strategy, major action plans, and business plans, and important climate-related matters are included in the Board’s agenda.

The Board of Directors monitors progress toward qualitative and quantitative targets for addressing climate issues. As part of such monitoring, the Board considers climate-related issues, including risks and opportunities related to products, such as fuel efficiency and emission regulations, as well as risks and opportunities related to low-carbon technology development. It also considers the financial impact of such factors.

These governance mechanisms are used to formulate long-term strategy, including the Toyota Environmental Challenge 2050, and in formulating and revising medium- to long-term targets and action plans.

Examples of decisions made by the Board of Directors in 2023 include the following.

- Adopting a resolution at the Board of Directors meeting to invest in securing the required supply of batteries for electric vehicles by 2030 to achieve carbon neutrality.

- Granting approval to engage in research and development on powertrains (evolution of combustion technology) as a multi-pathway approach to realizing a carbon-neutral society.

(b) Management’s Role in Assessing and Managing Climate-related Risks and Opportunities

The Board of Directors is Toyota’s ultimate decision-making and oversight body for addressing climate-related issues. The Sustainability Meeting, the Sustainability Subcommittee, the CN Strategy Subcommittee and the Governance Risk Subcommittee are the principal bodies for assessing and managing climate-related risks and opportunities.

	Sustainability Meeting	Sustainability Subcommittee	CN Strategy Subcommittee	Governance Risk Subcommittee
Chairman or promoters	President	Deputy Chief Officer, General Administration & Human Resources Group	President, CN (Carbon Neutral) Engineering Development Center	Deputy Chief Officer, General Affairs & Human Resources Group DCRO/DCCO
Members	Executive Vice Presidents (2), Outside members of the Board of Directors (4), Outside Audit & Supervisory Board Members (1), CPO,CSO,CHRO, Others (5)	Outside members of the Board of Directors (1), CRO/CCO,CSO,CISO,CHRO, Others (7)	Executive Vice Presidents (2), CRO/CCO,CPO,CSO,CISO, Full time Audit & Supervisory Board Members (1), Others (11)	Executive Vice Presidents (2), Outside members of the Board of Directors (1), Outside Audit & Supervisory Board Members (1), CRO/CCO,CSO,CISO,CHRO, Full time Audit & Supervisory Board Members (1) Others (5)
No. times held in FY2024	4 times	3 times	3 times	6 times
Frequency of reports to the Board of Directors	When an important matter arises	When an important matter arises	When an important matter arises	When an important matter arises
Content	<ul style="list-style-type: none"> • To increase corporate value by deliberating, making decisions on, and promoting activities on key sustainability issues in management practices 	<ul style="list-style-type: none"> • To report and deliberate on key management issues related to strengthening competitiveness over the medium to long-term and responding to risks associated with environment, social issues, governance and the SDGs, while monitoring internal and external developments 	<ul style="list-style-type: none"> • To cultivate a shared understanding of significant global trends related to carbon neutrality and environmental challenges • To report and deliberate on important management policies, such as targets and KPIs related to the above 	<ul style="list-style-type: none"> • To deliberate, decide and promote activities on important issues and responses related to governance, internal control, corporate ethics, compliance, incidents, and general risk management in business and product strategies

CPO : Chief Production Officer
CSO : Chief Sustainability Officer

CHRO : Chief Human Resources Officer
CRO : Chief Risk Officer

CCO : Chief Compliance Officer
CISO : Chief Information & Security Officer

DCRO : Deputy Chief Risk Officer
DCCO : Deputy Chief Compliance Officer

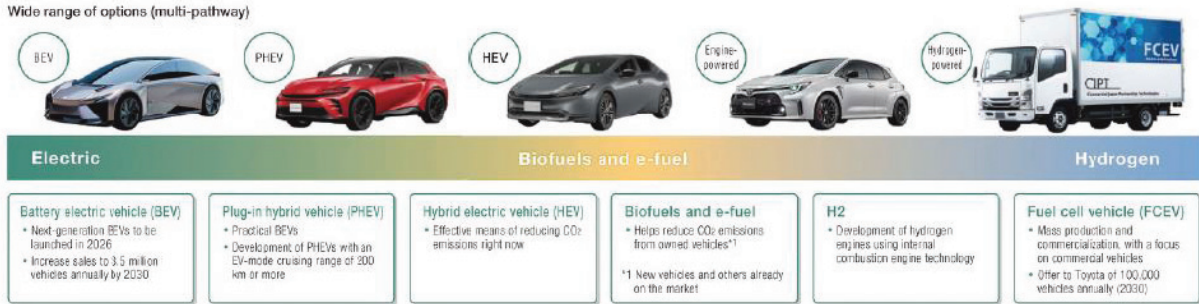
Strategy

Toyota’s Strategies (Fundamental approach of Toyota’s multi-pathway strategy)

The core idea of Toyota’s multi-pathway strategy is to offer a diverse range of mobility options that align with the future of energy and the needs and expectations of local communities and customers. Considering ways in which mobility takes into account the future of energy is important. The strategy’s basic premise is that we need to move away from fossil fuels from the perspective of the global environment and sustainability. Furthermore, over the medium- to long- term, renewable energy sources will continue to proliferate, with electricity and hydrogen emerging as the primary energy sources sustaining society. In the short term, however, it is critical to acknowledge global realities and implement changes in practical ways that maintain energy security. This is precisely why we are committed to contributing to the goal of carbon neutrality through a diverse lineup of mobility options that can utilize electricity derived from renewable energy, hydrogen, synthetic fuels, biofuels and other energy sources in anticipation of a future of electricity and hydrogen.

Existing infrastructure and assets must be used to practically and effectively reduce CO₂ emissions. Energy policies, such as renewable energy and charging infrastructure, and industrial policies, such as purchase subsidies, supplier support and battery recycling systems, are indispensable in the goal of achieving carbon neutrality in the automotive industry. Responses must also be developed to address uncertainties related to national energy policies, industrial policies, and customer choice.

Toyota’s multi-pathway strategy, which offers different mobility options, is designed with an expectation to respond to uncertainty with any one of the options, irrespective of social conditions. As various industries are involved, Toyota is actively engaged in building partnerships to accelerate the development of an environment where electricity and hydrogen can be used to protect the global environment.



Toyota verifies the resilience of the multi-pathway strategy through scenario analysis.

Scenario Analysis Overview

Toyota approved and signed the TCFD recommendations in April 2019 and joined the TCFD Consortium, a platform for promoting collective action by companies, financial institutions and other entities in Japan. Toyota acknowledges the risks and opportunities present in climate change as key management concerns, uses the TCFD recommendations to identify risks and opportunities, and verifies the resilience of strategies through scenario analysis. In 2022, Toyota launched a project involving relevant organizations to conduct an analysis using the two 1.5°C and 4°C temperature scenarios based on the TCFD framework. We conducted assessments to identify climate change risks and opportunities and evaluated financial impacts to confirm the effectiveness of Toyota’s responses.

The set scenarios are as follows.

- 1.5°C scenario (IEA*1 NZE*2, APS*3 scenario, etc.)
 - 4°C scenario (SSP5-8.5)
- *1 International Energy Agency
 *2 Net Zero Emissions by 2050 Scenario
 *3 Announced Pledges Scenario

Businesses subject to analysis include automotive businesses and supply chains of Toyota and its consolidated subsidiaries, as well as the Toyota Group production sites in Japan and overseas.

Risk periods are set in the following table.

	Period	Reasons for adoption
Long term	By 2050	Target year for Toyota Environmental Challenge 2050
Medium term	By 2030	2030 Milestone, in line with SBTi criteria*4
Short term	Between now and 2025	7th Toyota Environmental Action Plan

*4 Refers to Scope 1 and 2 emissions reduction targets being in line with the science-based criteria established by SBTi to limit the global average temperature increase to 1.5 degrees Celsius above pre-industrial levels, as well as Scope 3 Category 11 emissions (gCO2e/km) reduction targets also being in line with the science-based criteria to hold the increase in the global average temperature to well below 2 degrees Celsius above pre-industrial levels.

(a) Climate-related Risks and Opportunities the Organization Has Identified over the Short, Medium, and Long Term

Toyota strives to identify the various risks and opportunities that will arise from environmental issues, takes action while continuously confirming the validity of strategies, such as the Toyota Environmental Challenge 2050, and works to enhance its competitiveness.

Toyota needs to take measures to respond to changes associated with climate change that may have various impacts on its business fields. In accordance with this understanding, we have identified particularly significant climate change risks in line with the “Toyota Global Risk Management Standard (TGRS)” risk management process based on the degree of impact and stakeholders’ interest. The acceleration of climate change may pose risks to Toyota’s business, but if we can respond appropriately, we believe that this will lead to enhanced competitiveness and the acquisition of new business opportunities.

Significant climate change risks identified from TGRS risk assessments (Risks (1), (3), (4), (5), and (9) are particularly significant)

Risk Type	Risk Item	Risks	Impacts	
Transition Risks	Policy/ Regulation	(1) Tightening of regulations for fuel efficiency and ZEVs*	<ul style="list-style-type: none"> Penalties or fines and suspension of production or sales for failure to comply with fuel efficiency, CO₂, or ZEV regulations Decrease in sales due to ZEV mandates and market shift to ZEVs 	<ul style="list-style-type: none"> Payment of fines and credits for failing to comply with regulations Rising product development costs to expand Toyota's ZEV lineup
		(2) Introduction and expansion of carbon pricing	<ul style="list-style-type: none"> Increase in procurement and production costs due to the introduction and expansion of carbon taxes 	<ul style="list-style-type: none"> Increase in procurement and production costs
	Technology/ Market	(3) Development of decarbonization technologies (electrification)	<ul style="list-style-type: none"> Increase in costs associated with the promotion of electrification strategies to achieve carbon neutrality 	<ul style="list-style-type: none"> Rising development costs for electrification Rising development costs for carbon neutral technologies and materials
		(4) Scarcity and rising costs of resources	<ul style="list-style-type: none"> Difficulty in procuring raw materials due to delays in resource development and investment decisions (i.e., supply shortages and rising costs of battery units) 	<ul style="list-style-type: none"> Surge in prices for raw materials Rising development costs for alternative technologies
		(5) Introduction of renewable energy	<ul style="list-style-type: none"> Delays in the development of vehicles and technologies tailored to local energy conditions 	<ul style="list-style-type: none"> Slowdown in the pace of decarbonizing vehicles in WW Drop in the volume of sales of new vehicles and market share
			<ul style="list-style-type: none"> Regulations on the use of fossil fuels and high prices of renewable energy 	<ul style="list-style-type: none"> Reduced flexibility to select products on the market
		(6) Changes in consumer preferences	<ul style="list-style-type: none"> Delayed response to market changes (specifications and prices fail to meet consumer expectations) 	<ul style="list-style-type: none"> Drop in the volume of sales of new vehicles and market share
	(7) Market uncertainty	<ul style="list-style-type: none"> Business instability due to environmental changes (i.e., market shifts due to measures to curb inflation in the U.S.) 	<ul style="list-style-type: none"> Impacts on inventory and fixed asset valuation due to deteriorating cost rates and lower sales 	
Reputation	(8) Industry criticism and litigation	<ul style="list-style-type: none"> Significant damage to corporate image and litigation due to intense criticism of the industry triggered by previously mentioned policy and legislation, technology and market-related risks 	<ul style="list-style-type: none"> Decrease in the sales of new vehicles and market share Product development costs for lineup changes Increase in procurement and production costs 	
Physical Risks	Acute	(9) Increase in frequency and severity of natural disasters	<ul style="list-style-type: none"> Suspension of factory operations due to disruptions in the supply of parts and materials from suppliers Suspension of production and logistics due to natural disasters (heavy rain, earthquakes, other) 	<ul style="list-style-type: none"> Drop in revenue from sales due to factory shutdowns Material losses in assets due to disasters Costs incurred for business continuity plan (BCP) responses
	Chronic	(10) Water shortages and heatwaves	<ul style="list-style-type: none"> Impacts on plant operations due to difficulties in securing stable water supply Deteriorating labor conditions due to heatwaves 	<ul style="list-style-type: none"> Drop in revenue from sales due to lower production output Labor shortages

* Zero emission vehicles: Vehicles that have the potential not to emit any CO₂ and NO_x (nitrogen oxide) during driving such as BEVs and FCEVs

(b) Resilience of the Organization’s Strategy Under a 1.5°C, 4°C, and Other Climate-related Scenarios in Terms of Business, Strategy, and Financial Planning

<Step 1> Set Future Storylines Assuming Climate Change Effects

We envision the external environment in 2030 in terms of transition risks and opportunities under the 1.5°C scenario using multiple scenarios, such as the IEA’s NZE and APS. We conducted detailed impact assessments on climate change risks identified in the TGRS that are expected to have significant impacts (see tables 2 and 3 below). Risk analyses on physical risks under the 4°C scenario were conducted based on future forecasts for 2050 and 2090 using the IPCC*⁵ scenario (SSP5-8.5). Preliminary assessments on climate change impacts and screenings for priority sites requiring further investigation was also conducted for business locations in Japan (137) and overseas (73) in order to better understand the impacts of an increase in weather-related disasters due to climate change on the operations of Toyota and on the Toyota Group’s operations.

*5 Intergovernmental Panel on Climate Change

<Step 2> Consider the Impacts on Toyota Shown in Step 1

Under the 1.5°C scenario, we believe there will be a global increase in the introduction of renewable energy (electricity and carbon-neutral fuels*6), which will amplify the role of electric vehicles (especially ZEVs), while the speed and types of renewable energy (solar, wind, bio, other) will vary by country and region. With a substantial rise in the ratio of ZEVs in new car sales in some countries and regions, and focused efforts in others to promote the use of carbon-neutral fuels, we believe it will be necessary for Toyota to offer products (vehicles) that are tailored to the distinct needs of each market. The introduction of carbon-neutral fuels will be effective in reducing CO₂ emissions from vehicles already out in the market and will enable a reduction in CO₂ emissions without exclusively relying on new car sales. Concerns about rising costs due to the introduction of carbon taxes and higher tax rates may impact production and procurement, leading to a shift in the use of energy-efficient technologies, renewable energy and hydrogen to reduce risks.

Certain sites have been identified where there will be changes in terms of inland flooding and storm surges in the future under the 4°C scenario (Table 1). There are growing worries that society’s climate change measures may be inadequate, leading to the increased possibility of suspended production due to more frequent and severe natural disasters, such as floods, and production cuts and stoppages due to disruptions in supply chains.

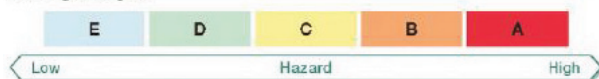
*6 Carbon neutral fuels: Sustainable biofuels, synthetic fuels such as e-fuel, etc.

Table 1 Number of sites showing future changes due to climate change*3

Assessed hazards	Assessed sites	Present day to the latter half the 21st century
		SSP5-8.5
River flooding risk	137 sites (Japan)	0 sites
	73 sites (overseas)	0 sites
Inland flooding risk	73 sites (overseas)	3 sites
Storm surge risk	73 sites (overseas)	8 sites

*3 Limited to sites assessed as being at risk (grade B or above)

Hazard grade legend



Assessment conditions

Assessment of changes in hazard grades from the present day to the latter half of the 21st century under the 4°C scenario based on the following conditions:

Sites (Japan): Logic: MS&AD InterRisk Research & Consulting, Inc. (i.e., Flood Risk Finder, etc.)
Assessment item: Inundation hazards due to river flooding

Sites (overseas): Logic: Tokio Marine dF Co., Ltd. (i.e., Fathom Global Flood Map, etc.)

Assessment item: Inundation hazards due to river flooding, inland flooding, and storm surges

<Step 3> Toyota’s Strategies

Toyota affirms its commitment to enhancing resilience in the management of our business operations in the medium to long term through a multi-pathway strategy with the use of scenario analysis, as shown in Tables 2 and 3 in the following section.

Through a comparative analysis with multiple scenarios, including the IEA NZE, Toyota has verified the potential of our strategy for transition risks, which incorporates carbon-neutral fuels, to meet the 1.5°C target set out in the Paris Agreement on climate change (the “Paris Agreement”).

Toyota strives to achieve carbon neutrality by 2050 through a holistic approach tailored to energy conditions in different regions, which includes offering customers a range of options such as BEVs, PHEVs, HEVs, and hydrogen engines, as well as electricity, hydrogen and new fuels (carbon-neutral fuels) that can make effective use of existing infrastructure, and initiatives to reduce CO₂ emissions from vehicles on the market through these measures.

According to the CNF scenario report by the Japan Automobile Manufacturers Association, the shift to low-carbon fuels for automobiles is also important, and not only the scenario of a rapid shift to BEVs, but also the scenario of effective use of HEVs, PHEVs and carbon-neutral fuels, could be consistent with the IPCC's 1.5°C scenario in 2050.

Toyota is considering conducting risk assessments in terms of physical risks for sites in Japan and overseas that have been identified as potentially at risk (grade B or higher) due to anticipated changes from climate change. Toyota will review flood mitigation measures and business continuity plans based on the results of climate disaster hazard screenings.

Toyota will continue to perform scenario analysis to identify, prioritize and assess risks and opportunities for significant climate change impacts.

Table 2 Transition Risks (Significant risks under the 1.5°C scenario)

Risk Type	Major Risks	Timeframe	Impact Level	Key Opportunities	Key Initiatives	
Policy/ Regulation	Electrification (Response to changes in regulations and actual demand)	Medium term	High	<ul style="list-style-type: none"> Increased customer engagement through the battery and peripheral energy management businesses. 	<ul style="list-style-type: none"> Promotion of research and development to improve fuel and electrical performance Expanded investment in batteries and resource shift Expanded lineup of electric vehicles Adoption of a multi-pathway strategy to quickly and flexibly adapt to regulatory changes 	
	Increase in BEV production costs					<ul style="list-style-type: none"> Increased investment in required equipment/facilities and development Increased costs associated with promoting electrification
	Return on investment					<ul style="list-style-type: none"> Difficulty in recovering investments due to sudden changes in regulations Not able to achieve expected volume of sales, even with increase production
Technology/ Market	Scarcity and rising costs of resources (Difficulty in procuring raw materials)	Medium term	High	<ul style="list-style-type: none"> Securing resources by promoting the 3Rs for batteries Maintaining the volume of sales of electric vehicles other than BEVs by increasing the sales of PHEVs 	<ul style="list-style-type: none"> Securing supply from partners Collaboration with partners on joint research Development of diverse next-generation battery technologies (LFP batteries) Advancements in combustion technology and development of engines capable of reducing CO₂ emissions 	
	Introduction of renewable energy	Medium to long term	Medium	<ul style="list-style-type: none"> Sales of BEVs and carbon neutral-fueled vehicles that meet regional demand Increased sales of fuel-efficient vehicles and expansion of renewable energy businesses 	<ul style="list-style-type: none"> (Vehicles) Promote development to improve fuel efficiency and electrical cost performance (Fuels) Develop technologies and collaborate with other companies on carbon-neutral fuels (Sustainable bioethanol, synthetic fuels such as e-fuel, etc.) and hydrogen (Power management) Promote the use of renewable energy and power management technologies and businesses 	
	Continuously elevated prices for renewable energy	<ul style="list-style-type: none"> Regional variations in the availability of renewable energy Slow and stagnant sales due to delays in the development of vehicles and technologies tailored to local energy conditions Accelerated shift away from car ownership due to increased manufacturing costs and energy prices 				

Table 3 Physical Risks (Significant risks under the 4°C scenario)

Risk Type	Major Risks	Timeframe	Impact Level	Key Opportunities	Key Initiatives
Acute risks	Increase in frequency and severity of natural disasters	Short to long term	Low	<ul style="list-style-type: none"> Provision of solutions to address natural disasters (i.e., vehicles designed to be resistant to disasters, emergency power sources, mapping information) 	<ul style="list-style-type: none"> Selection of sites factoring in water hazards when building new factories Promotion of measures based on the results of water risk assessments Ongoing revisions for BCPs based on disaster experiences

* Distinction of financial impacts:
High: Significant global impact
Medium: Impact on regional/local businesses
Low: Minor impact on regional/local businesses

(c) Impact of Climate-related Risks and Opportunities on the Organization's Businesses, Strategy, and Financial Planning

Toyota has set greenhouse gas ("GHG") reduction targets as part of its transition plan in response to the above-mentioned risks and opportunities.

Multiple scenarios are used to validate the feasibility of Toyota's transition plan.

Risks and opportunities are incorporated into project-related financial planning to solidify transition plans under Toyota's multi-pathway strategy.

Project investments that exceed a specified amount must be approved by the Board of Directors.

Transition Plan (GHG reduction targets)

Scope 1,2	Scope 3
2035: 68% reduction (from 2019 levels)*	2030: Passenger light duty vehicles/light commercial vehicles: 33.3% reduction (from 2019 levels)* Medium/heavy freight trucks: 11.6% reduction (from 2019 levels)*
2035: Carbon neutrality at plants	2035: 50% reduction or more (from 2019 levels)*

* SBTi validates the Scope 1 and 2 emissions reduction target of a company as in line with the science-based criteria established by SBTi to limit the global average temperature increase to 1.5°C above pre-industrial levels. With regard to automobile companies, SBTi also approves Scope 3 Category 11 emissions (gCO₂e/veh) reduction targets as in line with the science-based criteria to hold the increase in the global average temperature to well below 2°C above pre-industrial levels, in conjunction with the above-mentioned validation.

For more information on targets

Carbon-neutral Initiatives (Specific items in transition plan)

	2021	2022	2023	2024
Overall Strategy	2021/4 • Declaration of commitment to take on the global challenge of seeking to realize carbon neutrality by 2050		2023/4 • Announcement of commitment to achieve carbon neutrality as a key theme under the company's new management plan	
BEV	2021/12 • Starting on BEV strategy	2022/4 • Announcement on Lexus EV 2022/6 • Launch of bZ4X	2023/5 • Announcement of a 3 billion investment in BEV production and battery plants in the U.S. 2023/6 • Additional investment in BEV production and battery plants in the U.S. • Establishment of BEV Factory	2023/10 • Next generation BEV concept announced at Japan Mobility Show 2023
Batteries	2021/7 • Launched the all-new Axiom equipped with a lithium-ion hybrid battery	2022/8 • Announcement of max. 730 billion yen investment in batteries for BEV in Japan and the U.S.	2023/5 • Start of development and demonstration with Toyota Techno and TEPCO HD for a stationary storage battery system	2023/10 • U.S. Additional investment of about 8 billion USD in the production of automotive batteries • Announcement on collaboration with Toyota Exceed on the mass production of solid state batteries for BEVs • U.S. Long term supply contract for EV batteries with LG Energy Solution
Hydrogen and CN Fuels	2021/5 - • Park trial of hydrogen engine • Conducting full-scale fuel use • Conducting studies in the areas of producing, transporting and using hydrogen	2022/3 • Promotion of the production and use of CO ₂ -free hydrogen with TMIG in Woven City	2022/12 • Participation of full-scale powered trucks in Thailand 25-hr endurance race 2023/3 • Water electrolysis equipment begins operation	2023/9 • Announcement of the Toyota hydrogen strategy for medium-duty trucks • Announcement on collaboration with Toyota Exceed on the mass production of solid state batteries for BEVs • U.S. Long term supply contract for EV batteries with LG Energy Solution
Commercial Sector	2021/4 • Establishment of Commercial Japan Partnership Technology (CPT) to engage in local issues and dissemination efforts in the commercial sector		2022/12 • Further collaboration with Changan Automobile Group (CA) in China 2023/4 • Further collaboration with Stellantis Group (ST) in Europe 2023/5 • Collaboration with Daimler Truck, Mercedes-Benz and Hino on the development of hydrogen and CO ₂ technologies	2023/9 • U.S. Completion of full-scale production of hydrogen-powered trucks with FuelCell Energy 2023/10 • Further announcement with CPT on strengthening initiatives to realize CB and address logistics issues 2023/12 • Further conclusion on basic agreement on collaboration for carbon neutrality
HEV and PHEV		2022/7 • Announcement on new Camry		
Other	2021/8 • Announcement on efforts to realize electric vehicle (EV) at 2025	2021/12 - • Discussion of public relations activities on climate change policies (initially annually)	2022/9 • Organization of the first meeting of the Roadmap Committee on Mobility • Initiated and approved by the Science Council (targeted outline: 2023)	2023/11 • Announcement on efforts to ship up battery 3R initiatives to realize a circular economy

Risk Management

(a) The Organization's Processes for Identifying and Assessing Climate-related Risks

Toyota has a company-wide risk management system that covers all risks related to its global business activities. This system is called the TGRS. All risks, including climate change, are identified, assessed and managed based on the TGRS.

Toyota carries out risk assessment based on the two perspectives of magnitude of impact and vulnerabilities and describes when the risk is expected to materialize, to clarify the substantive financial or strategic impact on Toyota's business.

The magnitude of impact is assessed with respect to five elements "finance," "reputation," "violation of laws and regulations," and "business continuation" – on a five-point scale. For "finance," the ratio to sales is indexed. Vulnerabilities are assessed based on the two elements of the "current status of countermeasures" and "probability of occurrence."

Cases of Examination of Climate-related Risks Identified and Their Impacts

Risk type	Cases of possible impact
Transition Risk	Policy/regulations <ul style="list-style-type: none"> • Risks of current regulations, including fuel efficiency and greenhouse gas (GHG) emissions regulations, in countries/regions have a significant impact on technology development and production/sales planning • In tightening or introducing regulations, there is a possibility that a lawsuit may be filed due to a difference in the interpretation between entities, such as investors and companies
	Technology <ul style="list-style-type: none"> • As a climate change policy, fuel efficiency regulations for automobiles are being tightened globally, and customers' need for low-carbon vehicles is also increasing. • Development and cost reduction of low-carbon technology focusing on electrification are important management issues.
	Market <ul style="list-style-type: none"> • Changes in the market lead to a decrease in sales, affecting financial conditions
	Reputation <ul style="list-style-type: none"> • A concern that a decline in social image of the corporation will affect Toyota's sales and stock prices
Physical Risks	Acute <ul style="list-style-type: none"> • Concerns that natural disasters (floods, storm surges, etc.) caused by climate change could damage 210 locations in Japan and overseas
	Chronic <ul style="list-style-type: none"> • A concern that the expansion of drought associated with climate change will have a significant impact on production plans and rising water costs at some Toyota plants

(b) The Organization's Processes for Managing Climate-related Risks

After risks by region, function (manufacturing, sales, etc.), and product are extracted by each division and assessed in view of magnitude of impact and vulnerability, each region and each division mutually cooperates and supports one another in the implementation of a prompt response. The group chief officers and in-house company presidents supervise the activities of the in-house companies and, at the subordinate level, the general managers supervise the activities of divisions and implement and monitor countermeasures.

Furthermore, climate-related risks and opportunities are identified and assessed by the CN Strategy Subcommittee and Sustainability Subcommittee and then deliberated by the relevant divisions and officers. The CN Strategy Subcommittee monitors the status of efforts to deal with such issues as fuel economy regulations and procurement, as well as the issues affecting direct operations, including CO₂ emission regulations on plants, logistics, and other non-production locations, as well as water risk, and the Sustainability Subcommittee also does the same for the appropriateness of the initiatives in consideration of issues related to the promotion of sustainability as well as external stakeholders.

Meetings of the above committees are held about four times a year with the participation of Executive- or General Manager-level members of relevant divisions, such as technology, environment, finance, purchasing, and sales. Important risks and opportunities that require prompt response are reported to the Board of Directors Meeting one by one for response measures to be determined.

(c) How Processes for Identifying, Assessing, and Managing Climate-related Risks are Integrated into the Organization's Overall Risk Management

As described above, the processes using the TGRS constitute a company-wide risk management system that covers all risks and opportunities related to global business activities, including climate change.

At the meetings of the CN Strategy Subcommittee and Sustainability Subcommittee where members from relevant divisions gather, climate-related risks and opportunities are identified/assessed/managed, and countermeasures are examined.

Metrics and Targets

(a) Metrics Used by the Organization to Assess Climate-related Risks and Opportunities in Line with Its Strategy and Risk Management Process

Toyota believes that setting multiple metrics to comprehensively manage climate-related risks and opportunities is an important as a measure for adaptation to and mitigation of climate change. As such, the metrics include not only the amount of GHG emissions but also other elements deeply related to climate change, such as energy, water, resource recycling, and biodiversity.

The following targets have been set based on these indicators and are systematically promoted as "6 challenges" through initiatives in six areas.

- Long-term strategy (2050 Target): Toyota Environmental Challenge 2050
- Medium-term strategy (2030 Target): 2030 Milestone, in line with SBTi criteria
- Short-term strategy (2025 Target): 7th Toyota Environmental Action Plan

Toyota aims to achieve Scope 1, 2 and 3 to become carbon neutral (CN) by 2050 by promoting the following challenges from the list of “6 challenges.”

Initiatives	Correlation between coverage and Scope 1, 2 and 3
Life Cycle Zero CO ₂ Emissions Challenge	Scope 1, 2 and 3
New Vehicle Zero CO ₂ Emissions Challenge	Average GHG emissions from new vehicles (Scope 3, category 11) ^{*1}
Corporate activities	Scope 1 and 2 + voluntary actions ^{*2}
Plant Zero CO ₂ Emissions Challenge	Scope 1 and 2 in production processes + voluntary actions ^{*2}

*1 Per vehicle, gCO₂e/km, Well to Wheel: Includes GHG emissions from the production of fuel and electricity, as well as GHG emissions during vehicle operation

*2 Production processes of Toyota Motor brands other than by financially consolidated subsidiaries

Internally, certain carbon prices are used as indicators to examine capital investment and other activities.

(b) Targets Used by the Organization to Manage Climate-related Risks and Opportunities and Performance Against Targets

Structure of Environmental Strategies

Toyota is continuously monitoring social trends and customer opinions. Toyota considers which issues it should focus on, quickly anticipates future issues, and addresses environmental issues by applying new ideas and technologies. However, global environmental issues, such as climate change, water shortages, resource depletion, and biodiversity loss continue to spread and grow more serious every day.

We formulated the Toyota Environmental Challenge 2050 in 2015 and the 2030 Milestone in 2018 so that each one of us can understand better these issues and continue to tackle challenges from a long-term perspective, looking toward the world 20 and 30 years in the future. In 2020, we set the 2025 Target as the most recent target of the Toyota Environmental Action Plan, a five-year plan for achieving the above targets.

In September 2022, we confirmed that our reduction targets for in Scope 1, 2 and Scope 3 Category 11 were in line with SBTi criteria, and updated our medium-term targets accordingly.

Toyota's emissions reduction targets in line with the criteria of the Science Based Targets initiative (SBTi)

Emissions		Target year	Base year	Reduction rate	Temperature
Scope 1, 2		2035	2019	68%	1.5°C
Scope 3, category 11 (emission intensity)	Passenger light duty vehicles and light commercial vehicles	2030		33.3%	Well Below 2°C
	Medium and heavy freight trucks			11.6%	

*3Scope 1 and 2 emissions reduction targets are in line with the science-based criteria established by SBTi to limit the global average temperature increase to 1.5 degrees Celsius above pre-industrial levels. Scope 3 Category 11 emissions (gCO2e/km) reduction targets are in line with the science-based criteria to hold the increase in the global average temperature to well below 2 degrees Celsius above pre-industrial levels.

In April 2023, Toyota announced its intention to reduce average GHG emissions from vehicles sold worldwide by 33% by 2030 and over 50% by 2035 (compared to 2019 levels).

Long-term Targets and Medium-term Targets

	Challenge Life Cycle Zero CO ₂ Emissions Challenge	Challenge New Vehicle Zero CO ₂ Emissions Challenge	Corporate Activities	Challenge Plant Zero CO ₂ Emissions Challenge	Challenge Challenge of Minimizing and Optimizing Water Usage	Challenge Challenge of Establishing a Recycling-based Society and Systems	Challenge Challenge of Establishing a Future Society in Harmony with Nature
Contribution to SDGs							
Long-term	Toyota Environmental Challenge 2050						
	Achieve CN for GHG emissions throughout the life cycle by 2050	Achieve CN for average GHG emissions from new vehicles by 2030	Achieve CN for GHG emissions from corporate activities by 2050	Achieve zero CO ₂ emissions from production at plants by 2050	Minimize water usage and implement water discharge management according to individual local conditions	Promote global deployment of End-of-life vehicle treatment and recycling technologies and systems developed in Japan	Connect the mesh of nature conservation activities among communities, with the world, to the future
Medium-term		Reduce average GHG emissions by more than 50% from new vehicles by 2035 (compared to 2019 levels)	Reduce GHG emissions from corporate activities by 68% by 2035 (compared to 2019 levels)	Achieve CN* for CO ₂ emissions from production at plants by 2035			
	2030 Milestone						
	<ul style="list-style-type: none"> Reduce GHG emissions by 30% throughout the life cycle by 2030 (compared to 2019 levels) 	<ul style="list-style-type: none"> Reduce average GHG emissions from new vehicles by 2030 Passenger light duty vehicles and light commercial vehicles: 33.3% reduction (compared to 2019 levels) Medium and heavy freight trucks: 11.6% reduction (compared to 2019 levels) 			<ul style="list-style-type: none"> Implement measures, on a priority basis, in the regions where the water environment is considered to have a large impact. Water quantity: Complete measures at the 4 Challenge-focused plants in both America, Asia, and South Africa. Water quality: Complete impact assessments and measures at all of the 22 plants where used water is discharged directly to rivers in both America, Asia, and Europe. Disclose information appropriately and communicate actively with local communities and suppliers 	<ul style="list-style-type: none"> Complete establishment of battery collection to recycling systems globally Complete setup of 50 model facilities for appropriate treatment and recycling of end-of-life vehicles 	<ul style="list-style-type: none"> Realize "Plant in Harmony with Nature" – 12 in Japan and 7 in other regions – as well as implement activities promoting harmony with nature in all regions in collaboration with local communities and companies Contribute to biodiversity conservation activities in collaboration with NGOs and others Expand initiatives both in-house and outside to foster environmentally conscious persons responsible for the future
Short-term	7th Toyota Environmental Action Plan (2025 Target)						

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, 2024, Toyota Mobility Service Co., Ltd. (“TMSC”), a wholly-owned indirect subsidiary of Toyota, leased one vehicle to the Iranian embassy in Japan.

This activity contributed an insignificant amount of gross revenues and net profit to Toyota. Toyota believes that the above transaction does not subject it or its affiliates to U.S. sanctions. TMSC intends to cease conducting its activities described above.

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

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 movement.

For a detailed discussion of the company’s research and development infrastructure, see “Item 5. Operating and Financial Review and Prospects — 5.C 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 26 countries and regions as of March 31, 2024, 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*, or 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 management priorities.

For example, we are focusing resources on such areas as carbon neutrality, including the development of electrified vehicles and batteries, and on software and connected initiatives, including connected and automated driving technologies. We are also reinforcing efforts to obtain and utilize intellectual property licenses in such areas to strengthen our future competitiveness.

As for the intellectual property activities framework, having established intellectual property functions at the R&D centers in Japan, 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 also collect intellectual property information and take measures suitable for any intellectual property disputes that may arise in specific countries or regions. 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.

In 2023, Toyota filed approximately 15,000 patent applications domestically and internationally. In Japan, based on the ranking published by IP Force, Toyota was ranked 3rd among companies and 1st among automobile manufacturers that year in terms of the number of patent registrations as of December 31, 2023. In the United States, based on the ranking published by IFI CLAIMS, Toyota was ranked 12th among companies and 1st among automobile manufacturers that year in terms of the number of patent registrations as of December 31, 2023.

Capital Expenditures and Divestitures

Set forth below is a chart of Toyota’s principal capital expenditures between April 1, 2021 and March 31, 2024, 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	1,334.6	Japan	Internal funds, financing from issuance of bonds, etc.
Investment primarily in technology and products by Prime Planet Energy & Solutions, Inc.	88.7	Japan	Internal funds
Investment primarily in technology and products by Toyota Auto Body Co., Ltd.	84.6	Japan	Internal funds
Investment primarily in technology and products by Toyota Motor Kyushu, Inc.	78.6	Japan	Internal funds
Investment primarily in technology and products by Primearth EV Energy Co., Ltd.	69.0	Japan	Internal funds
Investment primarily in technology and products by Hino Motors, Ltd.	65.4	Japan	Internal funds
<i>Outside of Japan</i>			
Investment primarily to promote localization by Toyota Battery Manufacturing, Inc.	307.9	United States	Internal funds
Investment primarily to promote localization by Toyota Motor Manufacturing de Guanajuato, S.A. de C.V.	196.0	Mexico	Internal funds

Description of Activity	Total Cost (Yen in billions)	Location	Primary Method of Financing
Investment primarily to promote localization by Toyota Motor Manufacturing Canada, Inc.	168.4	Canada	Internal funds
Investment primarily to promote localization by Toyota Motor Manufacturing, Indiana, Inc.	168.3	United States	Internal funds
Investment primarily to promote localization by Toyota Motor Manufacturing, Kentucky, Inc.	156.0	United States	Internal funds
Investment primarily to promote localization by Toyota Motor Manufacturing Texas, Inc.	138.1	United States	Internal funds
Investment primarily to promote localization by Toyota Motor Thailand Co., Ltd.	87.4	Thailand	Internal funds
Investment primarily to promote localization by Toyota Motor Europe NV/SA	66.3	Belgium	Internal funds
Investment primarily in leased automobiles by Toyota Motor Credit Corporation	5,236.0	United States	Internal funds, financing from issuance of bonds, etc.

Set forth below is information with respect to Toyota's material plans to construct, expand or improve its facilities between April 2024 and March 2025, 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	630.0	Japan	Internal funds
Investment primarily in manufacturing facilities by Prime Planet Energy & Solutions, Inc.	87.6	Japan	Capital increase
<i>Outside of Japan</i>			
Investment primarily in manufacturing facilities by Toyota Battery Manufacturing, Inc.	467.5	United States	Internal funds
Investment primarily in manufacturing facilities by Toyota Motor Technical Center (China) Co., Ltd.	87.8	China	Internal funds
Investment primarily in manufacturing facilities by Toyota Motor Europe NV/SA.	86.4	Belgium	Internal funds
Investment primarily in manufacturing facilities by Toyota Motor Manufacturing, Kentucky, Inc.	82.3	United States	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 are subject to certain class actions relating to Takata airbag issues. The actions against Toyota are being litigated in Brazil and Argentina.

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 and March 27, 2023, Toyota received unfavorable judgments in the court of first instance and the Federal Court of Australia, respectively. The judgments included a finding that there was a perceived reduction in vehicle value of certain vehicle models. Toyota disagrees with the appeal court judgment and has filed a final appeal. Other claims of economic loss in this class action lawsuit continue to be litigated at the court of first instance. In calculating the provision we should record in the consolidated financial statements as a result of the aforementioned judgments, 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 Federal Court of Australia, 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.

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 50.19% of the voting interests as of March 31, 2024, 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. 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. In Japan, Hino was subject to an on-site inspection from MLIT, and received a corrective action order from it. On October 7, 2022, Hino submitted a recurrence prevention report to MLIT. MLIT has also 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 certain engine models. Hino has also further agreed to compensate certain of its customers in Japan for certain additional motor vehicle taxes that have become payable on account of the misconduct, as well as in connection with vehicles with engines with respect to which there were fuel efficiency problems. With respect to the United States, the U.S. Department of Justice and other U.S. agencies are conducting an investigation with respect to potential violations of relevant laws and regulations regarding the certification of Hino's model year 2010 to model year 2019 engines for the U.S. market. In this regard, a lawsuit naming Hino and its subsidiaries as defendants in a putative class action lawsuit has been filed at the U.S. District Court for the Southern District of Florida claiming damages related to Hino's vehicles sold in the U.S. from 2004 to 2021. Both the investigation and the legal proceedings are ongoing. In addition, a lawsuit against Hino and its subsidiaries as defendants in a representative action lawsuit has also been filed in Australia as a class action lawsuit. In the lawsuit, the plaintiffs claim that they have suffered loss and damage resulting from alleged misleading or deceptive conduct in relation to non-compliance of the affected vehicles with emissions standards and fuel efficiency standards. It is possible that other similar lawsuits may be filed in the future. Further, Hino is continuing to conduct a comprehensive review related to engine certification procedures under European and other jurisdictions' standards in addition to U.S. standards. Investigations by governmental authorities, as well as civil litigation, related to these matters could result in the imposition of civil or criminal penalties, fines or other sanctions, damages awards, or other consequences. Toyota cannot predict the scope, duration, or outcome of these matters at this time. See "Item 4. Information on the Company — 4.B Business Overview — Selected Initiatives" for further discussion of these and related matters.

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, 2024, Toyota Motor Corporation had 206 Japanese subsidiaries and 371 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	50.19
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
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 Financial Savings Bank	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 Motor Italia S.p.A.	Italy	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 Central Europe Sp. z o.o.	Poland	100.00	100.00

Name of Subsidiary	Country of Incorporation	Percentage Ownership Interest	Percentage Voting Interest
Toyota Motor Manufacturing (UK) Ltd.	United Kingdom	100.00	100.00
Toyota Financial Services (UK) PLC	United Kingdom	100.00	100.00
Toyota (GB) PLC	United Kingdom	100.00	100.00
Toyota Motor Manufacturing Czech Republic, s.r.o.	Czech Republic	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.*1	Singapore	100.00	100.00
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.*2	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

*1 Toyota Motor Asia Pacific Pte Ltd. was renamed Toyota Motor Asia (Singapore) Pte Ltd. on June 4, 2024.

*2 Toyota Daihatsu Engineering & Manufacturing Co., Ltd. was renamed Toyota Motor Asia (Thailand) Co., Ltd. on June 4, 2024.

4.D PROPERTY, PLANTS AND EQUIPMENT

As of March 31, 2024, Toyota and its affiliated companies produced automobiles and related components through more than 50 overseas manufacturing organizations in 26 countries and regions besides Japan. The facilities are located principally in Japan, the United States, Canada, the United Kingdom, France, Turkey, Czech Republic, 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, 2024, 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				Research and Development
Shimoyama	Toyota City, Aichi Pref.	5,573	1,648	Automobiles
Tahara Plant	Tahara City, Aichi Pref.	4,032	6,419	Research and Development
Toyota Head Office and Technical Center	Toyota City, Aichi Pref.	2,733	22,393	Research and Development
Higashi-Fuji Technical Center	Susono City, Shizuoka Pref.	2,719	2,407	Automobiles
Motomachi Plant	Toyota City, Aichi Pref.	1,575	7,908	

<u>Facility or Subsidiary Name</u>	<u>Location</u>	<u>Land Area (thousands of square meters)</u>	<u>Number of Employees</u>	<u>Principal Products or Functions</u>
Takaoka Plant	Toyota City, Aichi Pref.	1,315	4,173	Automobiles
Tsutsumi Plant	Toyota City, Aichi Pref.	1,004	4,776	Automobiles
Kamigo Plant	Toyota City, Aichi Pref.	895	3,383	Automobile parts
Kinu-ura Plant	Hekinan City, Aichi Pref.	808	2,709	Automobile parts
Honsha Plant	Toyota City, Aichi Pref.	623	1,810	Automobile parts
Japan (Subsidiaries)				
Daihatsu Motor Co., Ltd.	Ikeda City, Osaka, etc.	7,739	10,842	Automobiles
Hino Motors, Ltd.	Hino City, Tokyo, etc.	5,952	12,175	Automobiles
Toyota Auto Body Co., Ltd.	Kariya City, Aichi Pref., etc.	2,141	11,581	Automobiles
TOYOTA Mobility Tokyo Inc.	Minato-ku, Tokyo, etc.	398	6,577	Sales facilities
Prime Planet Energy & Solutions, Inc.	Chuo-ku, Tokyo, etc.	192	3,733	Automobiles
Outside Japan (Subsidiaries)				
Toyota Motor Manufacturing, Texas, Inc.	Texas, U.S.A.	8,094	2,937	Automobiles
Toyota Motor Manufacturing, de Guanajuato, S.A. de C.V.	Guanajuato, Mexico	6,091	2,810	Automobiles
Toyota Motor Manufacturing, Kentucky, Inc.	Kentucky, U.S.A.	5,161	9,750	Automobiles
Toyota Motor Manufacturing Canada, Inc.	Ontario, Canada	4,752	8,025	Automobiles
Toyota Motor Manufacturing, Indiana, Inc.	Indiana, U.S.A.	4,359	6,392	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 take time and adjusting days of operation. As a result, Toyota believes it would require unreasonable effort to track the exact productive capacity and the extent of utilization of each of its manufacturing facilities with a reasonable degree of accuracy.

As of March 31, 2024, property, plant and equipment having a net book value of approximately ¥1,574.3 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 "Item 4. Information on the Company — 4.B 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 Accounting Standards, 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 2024. Toyota's primary markets based on vehicle unit sales for fiscal 2024 were: Japan (21.1%), North America (29.8%), Europe (12.6%) and Asia (19.1%).

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 2024, the global economy remained firm mainly in the United States, where employment continued to be strong, despite the impacts of high inflation and interest rates and a stagnant real estate market in China.

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,		
	2022	2023	2024
Japan	1,924	2,069	1,993
North America	2,394	2,407	2,816
Europe	1,017	1,030	1,192
Asia	1,543	1,751	1,804
Other*	1,352	1,565	1,638
Overseas total	6,306	6,753	7,450
Total	8,230	8,822	9,443

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

During fiscal 2023, Toyota's consolidated vehicle unit sales in Japan increased due to gradual lessening of the impact of COVID-19. During fiscal 2024, Toyota's consolidated vehicle unit sales in Japan decreased despite increase in the number of global total units. During both fiscal 2023 and fiscal 2024, overseas vehicle unit sales increased due to strong market conditions as compared to the prior year.

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 legal proceedings against Toyota. For a more detailed description of these claims and legal proceedings, see "Item 4. Information on the Company — 4B. Business Overview — Legal Proceedings" and notes 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

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 2024 mainly due to an increase in retail receivables. Also, vehicles and equipment on operating leases increased during fiscal 2024 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 manage 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 increased during fiscal 2023 and 2024 mainly as a result of higher interest rates.

Toyota launched its credit card business in Japan in April 2001. As of March 31, 2023, Toyota had 16.1 million cardholders, an increase of 0.4 million cardholders compared with March 31, 2022. As of March 31, 2024, Toyota had 16.2 million cardholders, an increase of 0.04 million cardholders compared with March 31, 2023. Credit card receivables as of March 31, 2023 increased by ¥53.3 billion from March 31, 2022 to ¥554.7 billion, and that as of March 31, 2024 increased by ¥4.0 billion from March 31, 2023 to ¥558.7 billion.

Other Business Operations

Toyota's other business operations consist of its information technology business and others.

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 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 2023 and 2024, Toyota produced 77.3% and 75.9%, respectively, of its non-domestic sales outside Japan. In North America, 76.8% and 75.9% of vehicles sold in fiscal 2023 and 2024, respectively, were produced locally. In Europe, 73.9% and 73.1% of vehicles sold in fiscal 2023 and 2024, respectively, were produced locally. In Asia, 98.3% and 97.4% of vehicles sold in fiscal 2023 and 2024, 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 Japanese yen against other currencies has the opposite effect. In fiscal 2023 and 2024, the Japanese yen was on average weaker against the U.S. dollar and the euro in comparison to fiscal 2022 and 2023, respectively. At the end of each of fiscal 2023 and 2024, the Japanese yen was weaker against the U.S. dollar and the euro in comparison to the end of fiscal 2022 and 2023, 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,		
	2022	2023	2024
Japan	8,214,740	9,122,282	10,193,556
North America	10,897,946	13,509,027	17,624,268
Europe	3,692,214	4,097,537	5,503,738
Asia	5,778,115	7,076,922	7,604,269
Other*	2,796,493	3,348,530	4,169,494

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

Results of Operations — Fiscal 2024 Compared with Fiscal 2023

	Yen in millions			
	Year ended March 31,		2024 v. 2023 Change	
	2023	2024	Amount	Percentage
Sales revenues:				
Japan	17,583,196	21,020,721	3,437,525	19.6%
North America	13,843,901	17,943,072	4,099,172	29.6
Europe	4,273,735	5,681,764	1,408,028	32.9
Asia	8,044,906	8,730,749	685,843	8.5
Other*	3,472,193	4,389,785	917,592	26.4
Intersegment elimination/unallocated amount	(10,063,633)	(12,670,767)	(2,607,133)	—
Total	37,154,298	45,095,325	7,941,027	21.4%
Operating income (loss):				
Japan	1,901,463	3,484,270	1,582,808	83.2
North America	(74,736)	506,319	581,056	—
Europe	57,460	388,096	330,636	575.4
Asia	714,451	865,591	151,140	21.2
Other*	231,362	198,345	(33,017)	(14.3)
Intersegment elimination/unallocated amount	(104,974)	(89,687)	15,286	—
Total	2,725,025	5,352,934	2,627,909	96.4%
Operating margin	7.3%	11.9%	4.6%	
Income before income taxes	3,668,733	6,965,085	3,296,352	89.8
Net margin from income before income taxes	9.9%	15.4%	5.5%	
Net income attributable to Toyota Motor Corporation	2,451,318	4,944,933	2,493,615	101.7
Net margin attributable to Toyota Motor Corporation	6.6%	11.0%	4.4%	

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

Sales Revenues

Toyota had sales revenues for fiscal 2024 of ¥45,095.3 billion, an increase of ¥7,941.0 billion, or 21.4%, compared with the prior fiscal year. The increase resulted mainly from the ¥5,130.0 billion impact of increased vehicle unit sales and changes in sales mix and the ¥1,320.0 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,		2024 v. 2023 Change	
	2023	2024	Amount	Percentage
Vehicles	28,394,256	35,249,865	6,855,609	24.1%
Parts and components for production	1,710,422	1,596,111	(114,311)	(6.7)
Parts and components for after service	2,866,196	3,166,586	300,390	10.5
Other	805,995	1,068,169	262,174	32.5
Total Automotive	33,776,870	41,080,731	7,303,861	21.6
All Other	590,749	567,399	(23,350)	(4.0)
Total sales of products	34,367,619	41,648,130	7,280,511	21.2
Financial services	2,786,679	3,447,195	660,516	23.7
Total sales revenues	37,154,298	45,095,325	7,941,027	21.4%

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 21.2% during fiscal 2024 compared with the prior fiscal year to ¥41,648.1 billion, and sales revenues from financial services operations, which increased by 23.7% during fiscal 2024 compared with the prior fiscal year to ¥3,447.1 billion. The increase in sales revenues from sales of products is mainly due to an increase in Toyota vehicle unit sales of 621 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 2024 and 2023, respectively.

	Number of financing contracts in thousands			
	As of March 31,		2024 v. 2023 Change	
	2023	2024	Amount	Percentage
Japan	2,767	2,781	14	0.5%
North America	5,500	5,589	89	1.6
Europe	1,647	1,784	137	8.3
Asia	2,034	2,133	99	4.9
Other*	938	981	43	4.6
Total	12,886	13,268	382	3.0%

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

Geographically, sales revenues (before the elimination of intersegment revenues) for fiscal 2024 increased by 19.6% in Japan, 29.6% in North America, 32.9% in Europe, 8.5% in Asia, and 26.4% in Other compared with the prior fiscal year. Excluding the impact of changes in exchange rates of ¥1,320.0 billion, sales revenues in fiscal 2024 would have increased by 18.0% in Japan, 21.2% in North America, 19.5% in Europe, 3.1% in Asia, and 55.3% 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,		2024 v. 2023 Change	
	2023	2024	Amount	Percentage
Toyota's consolidated vehicle unit sales*	3,703	4,014	311	8.4%

* including number of exported vehicle unit sales

	Yen in millions			
	Year ended March 31,		2024 v. 2023 Change	
	2023	2024	Amount	Percentage
Sales revenues:				
Sales of products	17,271,451	20,679,979	3,408,528	19.7%
Financial services	311,744	340,742	28,998	9.3
Total	<u>17,583,196</u>	<u>21,020,721</u>	<u>3,437,525</u>	<u>19.6%</u>

Despite the impact of the suspension of shipments by Daihatsu Motor Co., Ltd. and Toyota Industries Corporation, sales revenues in Japan increased due primarily to the 311 thousand vehicles increase in domestic and exported vehicle unit sales, and the favorable impacts of changes in exchange rates related to export transactions and price revisions compared with the prior fiscal year. For fiscal 2023 and 2024, exported vehicle unit sales were 1,634 thousand units and 2,021 thousand units, respectively.

North America

	Thousands of units			
	Year ended March 31,		2024 v. 2023 Change	
	2023	2024	Amount	Percentage
Toyota's consolidated vehicle unit sales	2,407	2,816	409	17.0%

	Yen in millions			
	Year ended March 31,		2024 v. 2023 Change	
	2023	2024	Amount	Percentage
Sales revenues:				
Sales of products	11,965,050	15,705,804	3,740,754	31.3%
Financial services	1,878,850	2,237,268	358,418	19.1
Total	<u>13,843,901</u>	<u>17,943,072</u>	<u>4,099,171</u>	<u>29.6%</u>

Sales revenues in North America increased due primarily to the 409 thousand vehicles increase in vehicle unit sales, the favorable impact of changes in exchange rates compared with the prior fiscal year and price revisions. The increase in vehicle unit sales is attributable mainly to strong sales of such models as the RAV4 and Corolla supported by strong market conditions as compared to the prior year.

Europe

	Thousands of units			
	Year ended March 31,		2024 v. 2023 Change	
	2023	2024	Amount	Percentage
Toyota's consolidated vehicle unit sales	1,030	1,192	162	15.7%

	Yen in millions			
	Year ended March 31,		2024 v. 2023 Change	
	2023	2024	Amount	Percentage
Sales revenues:				
Sales of products	4,003,043	5,255,395	1,252,352	31.3%
Financial services	270,693	426,369	155,676	57.5
Total	<u>4,273,735</u>	<u>5,681,764</u>	<u>1,408,028</u>	<u>32.9%</u>

Sales revenues in Europe increased due primarily to the 162 thousand vehicles increase in vehicle unit sales, the favorable impact of changes in exchange rates compared with the prior fiscal year and price revisions. The increase in vehicle unit sales is attributable mainly to the market progressing in a steady manner and strong sales of such models as the Corolla.

Asia

	Thousands of units			
	Year ended March 31,		2024 v. 2023 Change	
	2023	2024	Amount	Percentage
Toyota's consolidated vehicle unit sales	1,751	1,804	53	3.0%

	Yen in millions			
	Year ended March 31,		2024 v. 2023 Change	
	2023	2024	Amount	Percentage
Sales revenues:				
Sales of products	7,832,020	8,485,219	653,199	8.3%
Financial services	212,886	245,529	32,643	15.3
Total	<u>8,044,906</u>	<u>8,730,749</u>	<u>685,843</u>	<u>8.5%</u>

Sales revenues in Asia increased due primarily to the 53 thousand vehicles increase in vehicle unit sales, the favorable impact of changes in exchange rates compared with the prior fiscal year and price revisions. The increase in vehicle unit sales is attributable mainly to strong sales in India.

Other

	Thousands of units			
	Year ended March 31,		2024 v. 2023 Change	
	2023	2024	Amount	Percentage
Toyota's consolidated vehicle unit sales	1,565	1,638	73	4.6%

	Yen in millions			
	Year ended March 31,		2024 v. 2023 Change	
	2023	2024	Amount	Percentage
Sales revenues:				
Sales of products	3,225,962	4,037,260	811,298	25.1%
Financial services	246,232	352,525	106,293	43.2
Total	<u>3,472,193</u>	<u>4,389,785</u>	<u>917,592</u>	<u>26.4%</u>

Sales revenues in Other increased due primarily to the 73 thousand vehicles increase in vehicle unit sales compared with the prior fiscal year and the inflationary economy in Argentina. The increase in vehicle unit sales is attributable mainly to strong sales in Oceania.

Operating Costs and Expenses

	Yen in millions			
	Year ended March 31,		2024 v. 2023 Change	
	2023	2024	Amount	Percentage
Operating costs and expenses				
Cost of products sold	29,128,561	33,600,612	4,472,051	15.4%
Cost of financing services	1,712,721	2,126,395	413,674	24.2
Selling, general and administrative	3,587,990	4,015,383	427,393	11.9
Total	<u>34,429,273</u>	<u>39,742,390</u>	<u>5,313,117</u>	<u>15.4%</u>

	Yen in millions
	2024 v. 2023 Change
Changes in operating costs and expenses:	
Effect of changes in vehicle unit sales and sales mix	3,880,000
Effect of changes in exchange rates	635,000
Effect of increase of cost of financial services	270,000
Effect of cost reduction efforts	(120,000)
Increase or decrease in expenses and expense reduction efforts	380,000
Other	268,117
Total	<u>5,313,117</u>

Operating costs and expenses increased by ¥5,313.1 billion, or 15.4%, to ¥39,742.3 billion during fiscal 2024 compared with the prior fiscal year.

Cost Reduction Efforts

During fiscal 2024, continued cost reduction efforts together with suppliers contributed to a reduction of operating costs and expenses by ¥120.0 billion. This decrease was due to a ¥265.0 billion reduction principally attributable to value engineering activities and other cost reduction efforts concerning design-related costs, and a

¥120.0 billion reduction attributable to cost reduction efforts principally at plants and logistics departments. However, that decrease was offset by a ¥265.0 billion increase in operating costs and expenses attributable to the impact of soaring materials prices.

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 ¥4,472.0 billion, or 15.4%, to ¥33,600.6 billion during fiscal 2024 compared with the prior fiscal year. This increase mainly reflected the ¥3,880.0 billion impact of changes in vehicle unit sales and sales mix and the ¥420.0 billion unfavorable impact of fluctuations in foreign currency translation rates.

Cost of Financial Services

Cost of financial services increased by ¥413.6 billion, or 24.2%, to ¥2,126.3 billion during fiscal 2024 compared with the prior fiscal year. This increase was due mainly to the increase in funding costs resulting from higher interest rates and the increase in expenses related to credit losses.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by ¥427.3 billion, or 11.9%, to ¥4,015.3 billion during fiscal 2024 compared with the prior fiscal year. This increase was due mainly to the ¥225.0 billion increase in labor costs and the ¥180.0 billion increase in sales expenses.

Operating Income

	<u>Yen in millions</u>
	<u>2024 v. 2023 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	2,000,000
Effect of cost reduction efforts	120,000
Effect of changes in exchange rates	685,000
Increase or decrease in expenses and expense reduction efforts	(380,000)
Other	202,909
Total	<u>2,627,909</u>

Toyota's operating income increased by ¥2,627.9 billion, or 96.4%, to ¥5,352.9 billion during fiscal 2024 compared with the prior fiscal year. This increase was due to the ¥2,000.0 billion impact of marketing efforts, the ¥685.0 billion favorable impact of changes in exchange rates, the ¥120.0 billion aggregate favorable impact of factors categorized as cost reduction efforts (including fluctuations in raw materials prices) and other factors, partially offset by the ¥380.0 billion aggregate unfavorable impact of changes in expenses and expense reduction efforts.

Marketing efforts includes the ¥980.0 billion positive impact of changes in vehicle unit sales and sales mix and the ¥920.0 billion in other favorable impacts that are due mainly to price revisions. "Other" includes valuation gains from interest rate swaps and interest rate currency swaps of ¥140.5 billion.

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 2024, operating income (before elimination of intersegment profits) compared with the prior fiscal year increased by ¥1,582.8 billion, or 83.2%, in Japan, ¥581.0 billion in North America, ¥330.6 billion, or 575.4%, in Europe, and ¥151.1 billion, or 21.2%, in Asia, and decreased by ¥33.0 billion, or 14.3%, in Other.

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

Japan

	<u>Yen in millions</u>
	<u>2024 v. 2023 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	1,130,000
Effect of cost reduction efforts	(110,000)
Effect of changes in exchange rates	625,000
Increase or decrease in expenses and expense reduction efforts	(140,000)
Other	77,808
Total	<u>1,582,808</u>

North America

	<u>Yen in millions</u>
	<u>2024 v. 2023 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	455,000
Effect of cost reduction efforts	125,000
Effect of changes in exchange rates	60,000
Increase or decrease in expenses and expense reduction efforts	(190,000)
Other	131,056
Total	<u>581,056</u>

Europe

	<u>Yen in millions</u>
	<u>2024 v. 2023 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	180,000
Effect of cost reduction efforts	75,000
Effect of changes in exchange rates	(5,000)
Increase or decrease in expenses and expense reduction efforts	10,000
Other	70,636
Total	<u>330,636</u>

Asia

	<u>Yen in millions</u>
	<u>2024 v. 2023 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	115,000
Effect of cost reduction efforts	35,000
Effect of changes in exchange rates	(35,000)
Increase or decrease in expenses and expense reduction efforts	5,000
Other	31,140
Total	<u>151,140</u>

Other

	<u>Yen in millions</u>
	<u>2024 v. 2023 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	125,000
Effect of cost reduction efforts	(5,000)
Effect of changes in exchange rates	40,000
Increase or decrease in expenses and expense reduction efforts	(80,000)
Other	(113,017)
Total	<u>(33,017)</u>

Other Income and Expenses

Share of profit (loss) of investments accounted for using the equity method during fiscal 2024 increased by ¥120.0 billion, or 18.7%, to ¥763.1 billion compared with the prior fiscal year. This increase was due mainly to an increase during fiscal 2024 in net income attributable to the shareholders of companies accounted for by the equity method.

Other finance income increased by ¥367.8 billion, or 97.0%, to ¥747.2 billion during fiscal 2024 compared with the prior fiscal year. This increase was due mainly to an increase during fiscal 2024 in interest income and profit on sales of securities.

Other finance costs decreased by ¥21.4 billion, or 17.1%, to ¥103.7 billion during fiscal 2024 compared with the prior fiscal year. This decrease was due mainly to a decrease during fiscal 2024 in losses on securities revaluation.

Foreign exchange gain (loss), net increased by ¥63.0 billion to ¥187.5 billion during fiscal 2024 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 ¥63.0 billion increase in foreign exchange gain (loss), net was due mainly to the gains recorded in fiscal 2024 resulting from the Japanese yen being weaker against foreign currencies at the maturity dates of the foreign currency deposit and loans than at the dates of the deposit or the lending.

Other income (loss), net increased by ¥96.0 billion, to ¥17.9 billion during fiscal 2024 compared with the prior fiscal year.

Income Taxes

The provision for income taxes increased by ¥717.8 billion, or 61.1%, to ¥1,893.6 billion during fiscal 2024 compared with the prior fiscal year. This increase was due mainly to the increase in income before income taxes. The average effective tax rate for fiscal 2024 was 27.2%.

Net Income Attributable to Non-controlling Interests

Net income attributable to non-controlling interests increased by ¥84.8 billion, or 203.7%, to ¥126.4 billion during fiscal 2024 compared with the prior fiscal year. This increase was due mainly to an increase during fiscal 2024 in net income of consolidated subsidiaries.

Net Income Attributable to Toyota Motor Corporation

Net income attributable to Toyota Motor Corporation increased by ¥2,493.6 billion, or 101.7%, to ¥4,944.9 billion during fiscal 2024 compared with the prior fiscal year.

Other Comprehensive Income, Net of Tax

Other comprehensive income, net of tax increased by ¥1,289.3 billion to ¥2,117.1 billion for fiscal 2024 compared with the prior fiscal year. This increase resulted mainly from net changes in revaluation of financial assets measured at fair value through other comprehensive income gains of ¥569.7 billion in fiscal 2024 compared with losses of ¥16.5 billion in the prior fiscal year, due mainly to changes in prices of marketable stocks in stock exchange markets, and exchange differences on translating foreign operations gains of ¥1,178.8 billion in fiscal 2024 compared with gains of ¥676.0 billion in the prior fiscal year, due mainly to the weakening of the yen against the U.S. dollar and the euro.

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,		2024 v. 2023 Change	
	2023	2024	Amount	Percentage
Automotive:				
Sales revenues	33,820,000	41,266,204	7,446,204	22.0%
Operating income	2,180,637	4,621,475	2,440,838	111.9
Financial Services:				
Sales revenues	2,809,647	3,484,198	674,551	24.0
Operating income	437,516	570,023	132,507	30.3
All Other:				
Sales revenues	1,224,943	1,368,164	143,221	11.7
Operating income	103,451	175,241	71,789	69.4
Intersegment elimination/unallocated amount:				
Sales revenues	(700,293)	(1,023,242)	(322,949)	—
Operating income	3,420	(13,805)	(17,226)	—
Total				
Sales revenues	37,154,298	45,095,325	7,941,027	21.4%
Operating income	2,725,025	5,352,934	2,627,909	96.4%

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 2024 by ¥7,446.2 billion, or 22.0%, to ¥41,266.2 billion compared with the prior fiscal year. The increase mainly reflects the ¥5,130.0 billion favorable impact of changes in vehicle unit sales and sales mix and the ¥880.0 billion favorable impact of changes in exchange rates.

Operating income from the automotive operations increased by ¥2,440.8 billion, or 111.9%, to ¥4,621.4 billion during fiscal 2024 compared with the prior fiscal year. This increase in operating income was due mainly to the ¥2,300.0 billion impact of marketing efforts and the ¥660.0 billion favorable impact of changes in exchange rates.

Financial Services Operations Segment

Sales revenues for the financial services operations increased during fiscal 2024 by ¥674.5 billion, or 24.0%, to ¥3,484.1 billion compared with the prior fiscal year. This increase was due mainly to the increase in loan balance and the favorable impact of changes in exchange rates.

Operating income from financial services operations increased by ¥132.5 billion, or 30.3%, to ¥570.0 billion during fiscal 2024 compared with the prior fiscal year. This increase was due mainly to decrease in valuation losses on interest rate swaps stated at fair value in sales finance subsidiaries in the United States.

All Other Operations Segment

Sales revenues for Toyota's other operations segments increased by ¥143.2 billion, or 11.7%, to ¥1,368.1 billion during fiscal 2024 compared with the prior fiscal year.

Operating income from Toyota's other operations segments increased by ¥71.7 billion, or 69.4%, to ¥175.2 billion during fiscal 2024 compared with the prior fiscal year.

Results of Operations — Fiscal 2023 Compared with Fiscal 2022

	Yen in millions			
	Year ended March 31,		2023 v. 2022 Change	
	2022	2023	Amount	Percentage
Sales revenues:				
Japan	15,991,436	17,583,196	1,591,760	10.0%
North America	11,166,479	13,843,901	2,677,421	24.0
Europe	3,867,847	4,273,735	405,888	10.5
Asia	6,530,566	8,044,906	1,514,340	23.2
Other*	2,928,183	3,472,193	544,011	18.6
Intersegment elimination/unallocated amount	(9,105,004)	(10,063,633)	(958,629)	—
Total	31,379,507	37,154,298	5,774,791	18.4%
Operating income (loss):				
Japan	1,423,445	1,901,463	478,018	33.6
North America	565,784	(74,736)	(640,520)	—
Europe	162,973	57,460	(105,513)	(64.7)
Asia	672,350	714,451	42,101	6.3
Other*	238,169	231,362	(6,807)	(2.9)
Intersegment elimination/unallocated amount	(67,024)	(104,974)	(37,950)	—
Total	2,995,697	2,725,025	(270,672)	(9.0)%
Operating margin	9.5%	7.3%	(2.2)%	
Income before income taxes	3,990,532	3,668,733	(321,799)	(8.1)

	Yen in millions			
	Year ended March 31,		2023 v. 2022 Change	
	2022	2023	Amount	Percentage
Net margin from income before income taxes	12.7%	9.9%	(2.8)%	
Net income attributable to Toyota Motor Corporation . . .	2,850,110	2,451,318	(398,792)	(14.0)
Net margin attributable to Toyota Motor Corporation . . .	9.1%	6.6%	(2.5)%	

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

Sales Revenues

Toyota had sales revenues for fiscal 2023 of ¥37,154.2 billion, an increase of ¥5,774.7 billion, or 18.4%, compared with the prior fiscal year. The increase resulted mainly from the ¥1,150.0 billion impact of increased vehicle unit sales and changes in sales mix and the ¥3,580.0 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,		2023 v. 2022 Change	
	2022	2023	Amount	Percentage
Vehicles	23,739,442	28,394,256	4,654,814	19.6%
Parts and components for production	1,504,215	1,710,422	206,208	13.7
Parts and components for after service	2,407,143	2,866,196	459,053	19.1
Other	881,193	805,995	(75,198)	(8.5)
Total Automotive	28,531,993	33,776,870	5,244,877	18.4
All Other	541,436	590,749	49,314	9.1
Total sales of products	29,073,428	34,367,619	5,294,191	18.2
Financial services	2,306,079	2,786,679	480,600	20.8
Total sales revenues	31,379,507	37,154,298	5,774,791	18.4%

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 18.2% during fiscal 2023 compared with the prior fiscal year to ¥34,367.6 billion, and sales revenues from financial services operations, which increased by 20.8% during fiscal 2023 compared with the prior fiscal year to ¥2,786.6 billion. The increase in sales revenues from sales of products is mainly due to an increase in Toyota vehicle unit sales of 591 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 2023 and 2022, respectively.

	Number of financing contracts in thousands			
	As of March 31,		2023 v. 2022 Change	
	2022	2023	Amount	Percentage
Japan	2,745	2,767	22	0.8%
North America	5,549	5,500	(49)	(0.9)
Europe	1,507	1,647	140	9.3
Asia	2,070	2,034	(36)	(1.7)
Other*	895	938	43	4.8
Total	12,766	12,886	120	0.9%

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

Geographically, sales revenues (before the elimination of intersegment revenues) for fiscal 2023 increased by 10.0% in Japan, 24.0% in North America, 10.5% in Europe, 23.2% in Asia, and 18.6% in Other compared with the prior fiscal year. Excluding the impact of changes in exchange rates of ¥3,580.0 billion, sales revenues in fiscal 2023 would have increased by 10.0% in Japan, 3.2% in North America, 2.8% in Europe, 7.9% in Asia, and 12.7% 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,		2023 v. 2022 Change	
	2022	2023	Amount	Percentage
Toyota's consolidated vehicle unit sales*	3,640	3,703	62	1.7%

* including number of exported vehicle unit sales

	Yen in millions			
	Year ended March 31,		2023 v. 2022 Change	
	2022	2023	Amount	Percentage
Sales revenues:				
Sales of products	15,706,514	17,271,451	1,564,938	10.0%
Financial services	284,922	311,744	26,822	9.4
Total	<u>15,991,436</u>	<u>17,583,196</u>	<u>1,591,760</u>	<u>10.0%</u>

Sales revenues in Japan increased due primarily to the 62 thousand vehicles increase in domestic and exported vehicle unit sales and the favorable impact of changes in exchange rates related to export transactions compared with the prior fiscal year. For fiscal 2022 and 2023, exported vehicle unit sales were 1,716 thousand units and 1,634 thousand units, respectively.

North America

	Thousands of units			
	Year ended March 31,		2023 v. 2022 Change	
	2022	2023	Amount	Percentage
Toyota's consolidated vehicle unit sales	2,394	2,407	13	0.5%

	Yen in millions			
	Year ended March 31,		2023 v. 2022 Change	
	2022	2023	Amount	Percentage
Sales revenues:				
Sales of products	9,578,534	11,965,050	2,386,516	24.9%
Financial services	1,587,945	1,878,850	290,905	18.3
Total	<u>11,166,479</u>	<u>13,843,901</u>	<u>2,677,421</u>	<u>24.0%</u>

Sales revenues in North America increased due primarily to the 13 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,		2023 v. 2022 Change	
	2022	2023	Amount	Percentage
Toyota's consolidated vehicle unit sales	1,017	1,030	13	1.3%

	Yen in millions			
	Year ended March 31,		2023 v. 2022 Change	
	2022	2023	Amount	Percentage
Sales revenues:				
Sales of products	3,671,205	4,003,043	331,838	9.0%
Financial services	196,642	270,693	74,050	37.7
Total	<u>3,867,847</u>	<u>4,273,735</u>	<u>405,888</u>	<u>10.5%</u>

Sales revenues in Europe increased due primarily to the 13 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,		2023 v. 2022 Change	
	2022	2023	Amount	Percentage
Toyota's consolidated vehicle unit sales	1,543	1,751	208	13.5%

	Yen in millions			
	Year ended March 31,		2023 v. 2022 Change	
	2022	2023	Amount	Percentage
Sales revenues:				
Sales of products	6,345,172	7,832,020	1,486,848	23.4%
Financial services	185,394	212,886	27,492	14.8
Total	<u>6,530,566</u>	<u>8,044,906</u>	<u>1,514,340</u>	<u>23.2%</u>

Sales revenues in Asia increased due primarily to the 208 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,		2023 v. 2022 Change	
	2022	2023	Amount	Percentage
Toyota's consolidated vehicle unit sales	1,352	1,565	213	15.8%

	Yen in millions			
	Year ended March 31,		2023 v. 2022 Change	
	2022	2023	Amount	Percentage
Sales revenues:				
Sales of products	2,756,840	3,225,962	469,122	17.0%
Financial services	171,343	246,232	74,889	43.7
Total	<u>2,928,183</u>	<u>3,472,193</u>	<u>544,011</u>	<u>18.6%</u>

Sales revenues in Other increased due primarily to the 213 thousand vehicles increase in vehicle unit sales compared with the prior fiscal year.

Operating Costs and Expenses

	Yen in millions			
	Year ended March 31,		2023 v. 2022 Change	
	2022	2023	Amount	Percentage
Operating costs and expenses				
Cost of products sold	24,250,784	29,128,561	4,877,778	20.1%
Cost of financing services	1,157,050	1,712,721	555,671	48.0
Selling, general and administrative	2,975,977	3,587,990	612,014	20.6
Total	<u>28,383,811</u>	<u>34,429,273</u>	<u>6,045,462</u>	<u>21.3%</u>

	Yen in millions	
	2023 v. 2022 Change	
Changes in operating costs and expenses:		
Effect of changes in vehicle unit sales and sales mix		1,110,000
Effect of changes in exchange rates		2,300,000
Effect of increase of cost of financial services		320,000
Effect of cost reduction efforts		1,290,000
Increase or decrease in expenses and expense reduction efforts		525,000
Other		<u>500,462</u>
Total		<u>6,045,462</u>

Operating costs and expenses increased by ¥6,045.4 billion, or 21.3%, to ¥34,429.2 billion during fiscal 2023 compared with the prior fiscal year.

Cost Reduction Efforts

Cost reduction efforts, together with related costs and expenses, led to an aggregate increase in operating costs and expenses of ¥1,290.0 billion during fiscal 2023. This increase was due to a ¥1,545.0 billion increase in operating costs and expenses attributable to the impact of soaring materials prices. Through continued cost reduction efforts together with suppliers, however, that increase was partially offset by a ¥205.0 billion reduction principally attributable to value engineering activities and other cost reduction efforts concerning design-related costs, and a ¥50.0 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 ¥4,877.7 billion, or 20.1%, to ¥29,128.5 billion during fiscal 2023 compared with the prior fiscal year. This increase mainly reflected the unfavorable impact of fluctuations in foreign currency translation rates, the unfavorable impact of soaring materials prices, and the impact of changes in vehicle unit sales and sales mix.

Cost of Financial Services

Cost of financial services increased by ¥555.6 billion, or 48.0%, to ¥1,712.7 billion during fiscal 2023 compared with the prior fiscal year. This increase was due mainly to the worsening overall of valuation gains or losses from interest rate swaps and interest rate currency swaps and the increase in funding costs resulting from higher interest rates.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by ¥612.0 billion, or 20.6%, to ¥3,587.9 billion during fiscal 2023 compared with the prior fiscal year. This increase mainly reflected the unfavorable impact of fluctuations in foreign currency translation rates, the increase in labor costs, and the increase in research and development expenses.

Operating Income

	<u>Yen in millions</u>
	<u>2023 v. 2022 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	680,000
Effect of cost reduction efforts	(1,290,000)
Effect of changes in exchange rates	1,280,000
Increase or decrease in expenses and expense reduction efforts	(525,000)
Other	(415,672)
Total	<u>(270,672)</u>

Toyota's operating income decreased by ¥270.6 billion, or 9.0%, to ¥2,725.0 billion during fiscal 2023 compared with the prior fiscal year. This decrease was due to the ¥1,290.0 billion aggregate unfavorable impact of factors categorized as cost reduction efforts (including fluctuations in raw materials prices), the ¥525.0 billion aggregate unfavorable impact of changes in expenses and expense reduction efforts and other factors, partially offset by the ¥1,280.0 billion favorable impact of changes in exchange rates and the ¥680.0 billion impact of marketing efforts.

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

The favorable impact of changes in exchange rates was due mainly to the ¥1,200.0 billion impact of overseas transactions such as imports and exports denominated in foreign currencies.

During fiscal 2023, operating income (before elimination of intersegment profits) compared with the prior fiscal year decreased by ¥640.5 billion in North America, ¥105.5 billion, or 64.7%, in Europe, and ¥6.8 billion, or 2.9%, in Other, and increased by ¥478.0 billion, or 33.6%, in Japan, and ¥42.1 billion, or 6.3%, in Asia.

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

Japan

	<u>Yen in millions</u>
	<u>2023 v. 2022 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	365,000
Effect of cost reduction efforts	(690,000)
Effect of changes in exchange rates	1,210,000
Increase or decrease in expenses and expense reduction efforts	(320,000)
Other	(86,982)
Total	<u>478,018</u>

North America

	<u>Yen in millions</u>
	<u>2023 v. 2022 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	90,000
Effect of cost reduction efforts	(395,000)
Effect of changes in exchange rates	(15,000)
Increase or decrease in expenses and expense reduction efforts	(135,000)
Other	(185,520)
Total	<u>(640,520)</u>

Europe

	<u>Yen in millions</u>
	<u>2023 v. 2022 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	130,000
Effect of cost reduction efforts	(120,000)
Effect of changes in exchange rates	(15,000)
Increase or decrease in expenses and expense reduction efforts	(25,000)
Other	(75,513)
Total	<u>(105,513)</u>

Asia

	<u>Yen in millions</u>
	<u>2023 v. 2022 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	75,000
Effect of cost reduction efforts	(25,000)
Effect of changes in exchange rates	90,000
Increase or decrease in expenses and expense reduction efforts	(45,000)
Other	(52,899)
Total	<u>42,101</u>

Other

	<u>Yen in millions</u>
	<u>2023 v. 2022 Change</u>
Changes in operating income and loss:	
Effect of marketing efforts	60,000
Effect of cost reduction efforts	(60,000)
Effect of changes in exchange rates	10,000
Increase or decrease in expenses and expense reduction efforts	0
Other	(16,807)
Total	<u>(6,807)</u>

Other Income and Expenses

Share of profit (loss) of investments accounted for using the equity method during fiscal 2023 increased by ¥82.7 billion, or 14.8%, to ¥643.0 billion compared with the prior fiscal year. This increase was due mainly to an increase during fiscal 2023 in net income attributable to the shareholders of companies accounted for by the equity method.

Other finance income increased by ¥44.5 billion, or 13.3%, to ¥379.3 billion during fiscal 2023 compared with the prior fiscal year. This increase was due mainly to an increase during fiscal 2023 in interest income.

Other finance costs increased by ¥81.1 billion, or 184.4%, to ¥125.1 billion during fiscal 2023 compared with the prior fiscal year. This increase was due mainly to an increase during fiscal 2023 in losses on securities revaluation.

Foreign exchange gain (loss), net decreased by ¥91.6 billion to ¥124.5 billion during fiscal 2023 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 ¥91.6 billion decrease in foreign exchange gain (loss), net was due mainly to the losses recorded in fiscal 2023 resulting from the functional currency of overseas subsidiaries being weaker against foreign currencies at the dates of settlement of the foreign currency trade accounts payable than at the dates of the transactions.

Other income (loss), net decreased by ¥5.6 billion, to ¥78.1 billion in losses during fiscal 2023 compared with the prior fiscal year.

Income Taxes

The provision for income taxes increased by ¥59.8 billion, or 5.4%, to ¥1,175.7 billion during fiscal 2023 compared with the prior fiscal year. This increase was due mainly to the reversals of deferred tax assets on account of the reassessment of their recoverability. The average effective tax rate for fiscal 2023 was 32.0%.

Net Income Attributable to Non-controlling Interests

Net income attributable to non-controlling interests increased by ¥17.1 billion, or 70.0%, to ¥41.6 billion during fiscal 2023 compared with the prior fiscal year. This increase was due mainly to an increase during fiscal 2023 in net income of consolidated subsidiaries.

Net Income Attributable to Toyota Motor Corporation

Net income attributable to Toyota Motor Corporation decreased by ¥398.7 billion, or 14.0%, to ¥2,451.3 billion during fiscal 2023 compared with the prior fiscal year.

Other Comprehensive Income, Net of Tax

Other comprehensive income, net of tax decreased by ¥315.4 billion to ¥827.7 billion for fiscal 2023 compared with the prior fiscal year. This decrease resulted from exchange differences on translating foreign operations gains of ¥676.0 billion in fiscal 2023 compared with gains of ¥902.8 billion in the prior fiscal year and share of other comprehensive income of equity method investees gains of ¥103.0 billion in fiscal 2023 compared with gains of ¥307.4 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 ¥16.5 billion in fiscal 2023 compared with losses of ¥203.4 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 ¥65.1 billion in fiscal 2023 compared with gains of ¥136.2 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,		2023 v. 2022 Change	
	2022	2023	Amount	Percentage
Automotive:				
Sales revenues	28,605,738	33,820,000	5,214,263	18.2%
Operating income	2,284,290	2,180,637	(103,653)	(4.5)
Financial Services:				
Sales revenues	2,324,026	2,809,647	485,621	20.9
Operating income	657,001	437,516	(219,485)	(33.4)
All Other:				
Sales revenues	1,129,876	1,224,943	95,067	8.4
Operating income	42,302	103,451	61,150	144.6
Intersegment elimination/unallocated amount:				
Sales revenues	(680,133)	(700,293)	(20,160)	—
Operating income	12,104	3,420	(8,684)	—
Total				
Sales revenues	31,379,507	37,154,298	5,774,791	18.4%
Operating income	2,995,697	2,725,025	(270,672)	(9.0)%

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 2023 by ¥5,214.2 billion, or 18.2%, to ¥33,820.0 billion compared with the prior fiscal year. The increase mainly reflects the ¥3,170.0 billion favorable impact of changes in exchange rates and the ¥1,150.0 billion favorable impact of changes in vehicle unit sales and sales mix.

Operating income from the automotive operations decreased by ¥103.6 billion, or 4.5%, to ¥2,180.6 billion during fiscal 2023 compared with the prior fiscal year. This decrease in operating income was due mainly to the ¥1,290.0 billion aggregate unfavorable impact of factors categorized as cost reduction efforts (including

fluctuations in raw materials prices) and the ¥525.0 billion aggregate unfavorable impact of changes in expenses and expense reduction efforts, partially offset by the ¥1,220.0 billion favorable impact of changes in exchange rates and the ¥755.0 billion impact of marketing efforts.

Financial Services Operations Segment

Sales revenues for the financial services operations increased during fiscal 2023 by ¥485.6 billion, or 20.9%, to ¥2,809.6 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 decreased by ¥219.4 billion, or 33.4%, to ¥437.5 billion during fiscal 2023 compared with the prior fiscal year. This decrease was due mainly to the worsening overall of valuation gains or losses from interest rate swaps and interest rate currency swaps.

All Other Operations Segment

Sales revenues for Toyota's other operations segments increased by ¥95.0 billion, or 8.4%, to ¥1,224.9 billion during fiscal 2023 compared with the prior fiscal year.

Operating income from Toyota's other operations segments increased by ¥61.1 billion, or 144.6%, to ¥103.4 billion during fiscal 2023 compared with the prior fiscal year.

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 Accounting Standards 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

Toyota is taking on the challenge of transforming into a mobility company with the mission of “producing happiness for all.” We are now accelerating practical efforts to give concrete form to our vision, based on a solid management foundation in products, operations, and finances that have been established over the years.

Through the transformation into a mobility company and continuing to work on the evolution of the automobile, our goal is to contribute to creating a mobility society filled with smiling faces. We would also like to work together with many like-minded partners to achieve a new industrial structure. We believe that the key to these aims is to increase the mobility of energy and data, thereby increasing the value of mobility. Looking ahead to a future supported by electricity and hydrogen, we would like to support the creation of a society based on renewable energy in which cars serve as a medium for transporting energy, and also use mobility's value created through data to further enrich our customers' lives. Taking the foregoing external factors and other factors into account, Toyota expects that sales revenues for fiscal 2025 will increase compared with fiscal 2024 due mainly to a favorable impact of changes in exchange rates and an increase in vehicle unit sales. Toyota expects that operating income will decrease in fiscal 2025 compared with fiscal 2024 due mainly to investments towards human resources for the future and our transition towards a mobility company. Toyota expects that income before income taxes and net income attributable to Toyota Motor Corporation will also decrease in fiscal 2025 compared with fiscal 2024.

For the purposes of this outlook discussion, Toyota is assuming an average exchange rate of ¥145 to the U.S. dollar and ¥160 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 "Item 5. Operating and Financial Review and Prospects — 5.A 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 2025, 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 transformation into a mobility company. See "Item 4. Information on the Company — 4.B Business Overview — Capital Expenditures and Divestitures" for information regarding Toyota's material capital expenditures and divestitures for fiscal 2022, 2023 and 2024, 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 cash generated by operations, the issuance of corporate bonds, and debt financing, all by its sales finance subsidiaries. Toyota seeks to expand its ability to raise funds locally in markets around the world through its network of finance subsidiaries.

Net cash provided by operating activities increased by ¥1,251.2 billion to ¥4,206.3 billion for fiscal 2024, compared with ¥2,955.0 billion for fiscal 2023. The increase was primarily attributable to the ¥2,578.4 billion increase in net income.

Net cash used in investing activities increased by ¥3,399.8 billion to ¥4,998.7 billion for fiscal 2024, compared with ¥1,598.8 billion for fiscal 2023. The increase was primarily attributable to the ¥1,703.6 billion increase in time deposits compared to the previous fiscal year.

Net cash provided by financing activities was ¥2,497.5 billion for fiscal 2024, a ¥2,553.7 billion change compared with net cash used in financing activities of ¥56.1 billion for fiscal 2023. The change was primarily attributable to the ¥2,780.4 billion increase in funding by long-term debt compared to the previous fiscal year.

For a discussion of cash flows for fiscal 2023 as compared to those for fiscal 2022, see "Item 4.B. Operating and Financial Review and Prospects – 5.B. Liquidity and Capital Resources" of Toyota's Annual Report on Form 20-F for the fiscal year ended March 31, 2023.

Total capital expenditures for property, plant and equipment, including vehicles and equipment on operating leases, increased by ¥1,351.8 billion to ¥4,848.0 billion in fiscal 2024, compared to ¥3,496.2 billion in fiscal 2023. The increase was primarily attributable to the ¥954.7 billion increase in capital expenditures for the purchase of leased assets in the financial services operations segment compared to the previous fiscal year.

Toyota expects investments in property, plant and equipment, excluding vehicles and equipment on operating leases, to be approximately ¥2,150.0 billion during fiscal 2025.

Cash and cash equivalents were ¥9,412.0 billion as of March 31, 2024. Most of Toyota's cash and cash equivalents are held in Japanese yen or in U.S. dollars.

Liquid assets, which Toyota defines as cash and cash equivalents, time deposits, public and corporate bonds and its investment in monetary trust funds increased during fiscal 2024, by ¥4,393.9 billion, or 29.9%, to ¥19,109.0 billion as of March 31, 2024.

Trade accounts and notes receivable, less allowance for doubtful accounts increased during fiscal 2024 by ¥203.2 billion, or 5.7%, to ¥3,789.4 billion. This increase was due mainly to an increase in the impact of changes in exchange rates.

Inventories increased during fiscal 2024 by ¥349.7 billion, or 8.2%, to ¥4,605.3 billion. This increase was due mainly to an increase in the impact of changes in exchange rates.

Total finance receivables, net increased during fiscal 2024 by ¥6,923.5 billion, or 28.0%, to ¥31,694.3 billion. This increase was due mainly to an increase in loan balance to customers and dealers. Finance receivables were geographically distributed as follows: in North America 57.1%, in Asia 11.3%, in Europe 14.5%, in Japan 6.2% and in Other 10.9%.

Other financial assets increased during fiscal 2024 by ¥3,820.6 billion, or 31.1%. This increase was due mainly to an increase in public and corporate bonds.

Property, plant and equipment increased during fiscal 2024 by ¥1,623.8 billion, or 12.9%. This increase was due mainly to capital expenditures.

Accounts and notes payable increased during fiscal 2024 by ¥265.0 billion, or 5.3%. This increase was due mainly to an increase in the impact of changes in exchange rates.

Income taxes payable increased during fiscal 2024 by ¥819.9 billion, or 202.7%. 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 2024 by ¥7,181.5 billion, or 24.4%. Toyota's short-term borrowings consist of loans with a weighted-average interest rate of 2.27% and commercial paper with a weighted-average interest rate of 4.53%. Short-term borrowings increased during fiscal 2024 by ¥897.7 billion, or 19.6%, to ¥5,487.9 billion. Toyota's long-term debt mainly consists of unsecured and secured loans, medium-term notes, unsecured and secured notes with weighted-average interest rates ranging from 1.92% to 7.86%, and maturity dates ranging from 2024 to 2048. The current portion of long-term debt increased during fiscal 2024 by ¥2,196.2 billion, or 28.7%, to ¥9,844.8 billion and the non-current portion increased by ¥4,080.9 billion, or 24.5%, to ¥20,766.3 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, 2024, approximately 53% of long-term debt was denominated in U.S. dollars, 10% in Japanese yen, 13% in euros, 5% in Australian dollars, 4% in Canadian dollars, and 15% 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, 2024, Toyota's total interest-bearing debt was 106.8% of Toyota Motor Corporation shareholders' equity, compared with 103.7% as of March 31, 2023.

The following table provides information on credit ratings of Toyota's short-term borrowing and long-term debt from Standard & Poor's Ratings Group (S&P), Moody's Investors Services (Moody's), and Rating and Investment Information, Inc. (R&I), as of May 31, 2024. 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 2024 by ¥85.9 billion, or 69.3%, to ¥38.0 billion. The net defined benefit liability (asset) of foreign plans increased during fiscal 2024 by ¥52.2 billion, or 16.6%, to ¥366.0 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 a decrease in defined benefit obligations due to an increased discount rate. 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. In order for Toyota to maintain its high credit ratings, a number of conditions must be met, some of which are not within Toyota's control. Such conditions include those relating to the general economic condition in Japan and the other major markets in which Toyota does business, as well as whether Toyota can successfully implement 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 2024.

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.

The following tables summarize Toyota's contractual obligations and commercial commitments as of March 31, 2024

	Yen in millions				
	Total	Payments Due by Period			
		Less than 1 year	1 to 3 years	3 to 5 years	5 years and after
Contractual Obligations:					
Short-term debt	5,487,959	5,487,959	—	—	—
Long-term debt	31,073,820	9,918,326	12,033,292	6,449,064	2,673,138
Commitments for the purchase of property, plant, other assets and services (note 30)	4,712,085	474,929	476,834	986,110	2,774,212
Total	<u>41,273,864</u>	<u>15,881,214</u>	<u>12,510,126</u>	<u>7,435,174</u>	<u>5,447,350</u>
Commercial Commitments (note 30):					
Maximum potential exposure to guarantees given in the ordinary course of business	3,310,989	881,967	1,470,118	834,481	124,423
Total	<u>3,310,989</u>	<u>881,967</u>	<u>1,470,118</u>	<u>834,481</u>	<u>124,423</u>

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

Toyota expects to contribute ¥45,860 million domestically and ¥16,493 million overseas to its pension plans in fiscal 2025.

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 ¥164.6 billion as of March 31, 2024.

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 ¥3,794.0 billion as of March 31, 2024.

Guarantees

See note 30 to the consolidated financial statements for further discussion.

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 "Item 4. Information on the Company — 4.B Business Overview — Research and Development."

Toyota's research and development expenditures were approximately ¥1,202.3 billion in fiscal 2024, ¥1,241.6 billion in fiscal 2023, and ¥1,124.2 billion in fiscal 2022.

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 Accounting Standards.

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 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, \$150 million in June 2021 and \$150 million in April 2024. In addition, in an aim to achieve carbon neutrality, TRI established a \$150 million fund in June 2021 and invested additional \$150 in April 2024.

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 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. On April 1, 2023, Woven Planet Holdings, Inc., Woven Core, Inc. and Woven Alpha, Inc. were merged and changed their name to Woven by Toyota, Inc.

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.

Furthermore, Toyota Technical Center Shimoyama was established in Aichi Prefecture as a new R&D base, with partial operation in April 2019 and full operation in March 2024. Together with Toyota Technical Center, Toyota Technical Center Shimoyama develops vehicles aimed at “making ever-better cars” by bringing together members of all kinds of functions, such as vehicle planning, style, design, and evaluation, and by finding problems in vehicles while running a test course that reproduces a wide variety of severe usage environments around the world, and by repeating improvements.

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
Toyota Technical Center Shimoyama	Product planning, style, design and vehicle evaluation
Higashi-Fuji Technical Center	Advanced development
Tokyo Design Research & Laboratory	Advanced styling designs
Woven by Toyota, Inc.	Development of artificial intelligence technology with a focus on automated driving technology 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
Calyt 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 by Toyota, U.S., Inc.	Development of automated driving technology and software
<i>Europe</i>	
Toyota Motor Europe NV/SA	Planning and evaluation of vehicles manufactured in Europe

Facility	Principal Activity
Toyota Europe Design Development S.A.R.L.	Design
TOYOTA GAZOO Racing Europe GmbH	Development of motor sports vehicles
Woven by Toyota, U.K., Ltd.	Development of automated driving technology and software platform technology
<i>Asia Pacific</i>	
Toyota Motor Asia (Thailand) Co., Ltd.*	Planning and evaluation of vehicles manufactured in Australia and Asia
* Toyota Daihatsu Engineering & Manufacturing Co., Ltd. was renamed Toyota Motor Asia (Thailand) Co., Ltd. on June 4, 2024.	
<i>China</i>	
Intelligent Electro Mobility R&D Center by TOYOTA (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
United Fuel Cell System R&D (Beijing) Co., Ltd.	Development of FC system for commercial vehicles in China

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 “Item 4. Information on the Company — 4.B Business Overview — Intellectual Property.”

5.D TREND INFORMATION

For a discussion of the trends that affect Toyota’s business and operating results, see “Item 5. Operating and Financial Review and Prospects — 5.A Operating Results” and “Item 5. Operating and Financial Review and Prospects — 5.B 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 our President. 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. In April 2023, the role of operating officers was revised to a management team that implements "product-centered (manufacturing ever-better cars) and region-centered (best-in-town) management" under the theme of "inheritance and evolution," and the executive vice presidents were selected upon their extensive knowledge and experience from the two pillars of products and regions. 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 practice "product-centered and region-centered management" and contribute to decision-making aimed at sustainable growth into the future based on the "Toyota Philosophy". Moreover, these individuals should be able to play a significant role in transforming Toyota into a "mobility company" through responding to electrification, intelligence, and diversification and external partnerships based on trust and friendship and internal two-way interactive teamwork, while working towards solutions for social challenges such as the climate change issue. Toyota maintains its board of directors and senior management at an adequate size, and ensures they are overall balanced and diverse, including from the perspective of gender and nationality. Three outside members of the board of directors have been appointed in order to further reflect the opinions of those from outside the company in management's decision-making process. Toyota has six audit & supervisory board members, four 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 (in thousands)
Akio Toyoda (May 3, 1956)	Chairman 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 2023 Chairman of TMC (to present) (important concurrent duties) Chairman of TOYOTA FUDOSAN CO., LTD. Director of DENSO Corporation Representative Director of ROOKIE Racing, Inc. Chairman of TOYOTA GAZOO Racing World Rally Team	23,466
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 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	331
Koji Sato (October 19, 1969)	President, Member of the Board of Directors	1992 Joined TMC 2017 Executive General Manager of TMC 2020 Operating Officer of TMC 2021 Operating Officer of TMC (current system) 2023 Operating Officer and President of TMC President of TMC (to present) (important concurrent duties) Chairman of TOYOTA GAZOO Racing Europe GmbH Chairman and CEO of Toyota Motor North America, Inc.	56
Hiroki Nakajima (April 10, 1962)	Member of the Board of Directors, Operating Officer, Vice President	1987 Joined TMC 2014 Executive General Manager of TMC 2015 Managing Officer of TMC 2020 Operating Officer of TMC 2023 Operating Officer and Executive Vice President of TMC (current system) Member of the Board of Directors, Operating Officer, Vice President of TMC (to present) (important concurrent duties) President of Commercial Japan Partnership Technologies Corporation	20

<u>Name (Date of Birth)</u>	<u>Position</u>	<u>Brief Career Summary and Important Concurrent Duties</u>	<u>Number of Common Shares (in thousands)</u>
Yoichi Miyazaki (October 19, 1963)	Member of the Board of Directors, Operating Officer, Vice President	1986 Joined TMC 2015 Managing Officer of TMC 2019 Operating Officer of TMC 2022 Operating Officer of TMC (current system) 2023 Operating Officer and Executive Vice President of TMC Member of the Board of Directors, Operating Officer, Vice President of TMC (to present)	44
Simon Humphries (March 30, 1967)	Member of the Board of Directors, Operating Officer	1988 Joined DCA Design in UK. 1994 Joined TMC 2016 President of Toyota Europe Design Development S.A.R.L. 2018 Executive General Manager of TMC 2023 Operating Officer of TMC Member of the Board of Directors, Operating Officer (to present) (important concurrent duties) Executive Vice President of Caltly Design Research, Inc.	11
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. Outside Director of FUJIFILM Holdings Corporation	—

<u>Name (Date of Birth)</u>	<u>Position</u>	<u>Brief Career Summary and Important Concurrent Duties</u>	<u>Number of Common Shares (in thousands)</u>
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)	—
Masahiko Oshima (September 13, 1960)	Outside Member of the Board of Directors	1984 Joined The Mitsui Bank Limited 2012 Executive Officer of Sumitomo Mitsui Banking Corporation (SMBC) 2014 Managing Executive Officer of SMBC 2017 Director and Managing Executive Officer of SMBC Director and Senior Managing Executive Officer of SMBC 2018 Senior Managing Corporate Executive Officer of Sumitomo Mitsui Financial Group, Inc. (SMFG) Senior Managing Executive Officer of SMBC 2019 Deputy President and Executive Officer of SMFG Director and Deputy President of SMBC 2023 Deputy Chairman of SMBC Outside Member of the Board of Directors of TMC (to present) 2024 Advisor of SMBC (important concurrent duties) Advisor of SMBC	1
Emi Osono (August 8, 1965)	Outside Member of the Board of Directors	1988 Joined The Sumitomo Bank, Limited 1998 Visiting Professor of the Waseda Institute of Asia-Pacific Studies (WIAPS) 2000 Full-time lecturer at School of International Corporate Strategy, Hitotsubashi University Business School 2002 Assistant Professor at School of International Corporate Strategy, Hitotsubashi University Business School 2010 Professor at School of International Corporate Strategy, Hitotsubashi University Business School 2018 Professor at School of Business Administration, Hitotsubashi University Business School 2022 Dean and Professor at School of Business Administration and School of International	0

Name (Date of Birth)	Position	Brief Career Summary and Important Concurrent Duties	Number of Common Shares (in thousands)
Takeshi Shirane (September 5, 1952)	Full-time Audit & Supervisory Board Member	<p>Corporate Strategy, Hitotsubashi University Business School (to present)</p> <p>2023 Outside Member of the Board of Directors of TMC (to present)</p> <p>(important concurrent duties)</p> <p>Professor at School of Business Administration, Hitotsubashi University Business School</p> <p>Outside Director of Tokio Marine Holdings, Inc.</p> <p>1977 Joined TMC</p> <p>2001 General Manager of Production Management Div. of TMC</p> <p>2004 General Manager of Global Procurement Planning Div. of TMC</p> <p>2005 General Manager of 1st Procurement Div. of TMC</p> <p>Managing Officer of TMC</p> <p>2009 Senior Managing Director of TMC</p> <p>2011 Senior Managing Officer of TMC</p> <p>Advisor of Kanto Auto Works, Ltd.</p> <p>2012 President of Kanto Auto Works, Ltd.</p> <p>President of Toyota Motor East Japan, Inc.</p> <p>2019 Chairman of the Board of Toyota Motor East Japan, Inc.</p> <p>2023 Senior Executive Advisor of Toyota Motor East Japan, Inc. (to present)</p> <p>Audit & Supervisory Board Member of TMC (to present)</p>	150
Masahide Yasuda (April 1, 1949)	Full-time Audit & Supervisory Board Member	<p>1972 Joined TMC</p> <p>2000 General Manager of Overseas Parts Division of TMC</p> <p>2007 President of Toyota Motor Corporation Australia Ltd.</p> <p>2014 Chairman of Toyota Motor Corporation Australia Ltd.</p> <p>2017 Retired as Chairman of Toyota Motor Corporation Australia Ltd.</p> <p>2018 Audit & Supervisory Board Member of TMC (to present)</p>	63
Katsuyuki Ogura (January 25, 1963)	Full-time Audit & Supervisory Board Member	<p>1985 Joined TMC</p> <p>2015 General Manager of Affiliated Companies Finance Dept. of TMC</p> <p>2018 General Manager of Audit & Supervisory Board Office of TMC</p> <p>2019 Audit & Supervisory Board Member of TMC (to present)</p> <p>(important concurrent duties)</p> <p>Outside Audit & Supervisory Board Member of Aichi Steel Corporation</p>	30

<u>Name (Date of Birth)</u>	<u>Position</u>	<u>Brief Career Summary and Important Concurrent Duties</u>	<u>Number of Common Shares (in thousands)</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 2022 Outside Audit & Supervisory Board Member of TMC (to present) (important concurrent duties) Outside Director of Kirin Holdings Company, Limited	3
Catherine O’Connell (February 10, 1967)	Outside Audit & Supervisory Board Member	1987 Joined Japan Travel Bureau Inc. 1994 Senior Solicitor of Anderson Lloyd Barristers & Solicitors (New Zealand) 2002 In House Counsel of Olympus Corporation 2004 Senior In House Counsel of Matsushita Electric Industrial Co., Ltd. Motor Company Senior In House Counsel of Matsushita Electronic Components Co., Ltd. 2008 Hogan Lovells Horitsu Jimusho Gaikokuho Kyodo Jigyo 2012 Head of Legal of Molex Japan LLC 2017 President of O’Connell Consultants 2018 CEO of Catherine O’Connell Law (to present) 2023 Outside Audit & Supervisory Board Member of TMC (to present) (important concurrent duties) Registered foreign attorney External Audit & Supervisory Board Member of Fujitsu Limited	—
Hiromi Osada (June 11, 1973)	Outside Audit & Supervisory Board Member	1999 Joined Chunichi Shimbun Co., Ltd. 2021 Editorial writer and Leader for reserve reporters in the Business News Department of Chunichi Shimbun Co., Ltd. 2023 Editorial Committee Member and International General Desk of Chunichi Shimbun Co., Ltd. 2024 Retired from Chunichi Shimbun Co., Ltd. 2024 Outside Audit & Supervisory Board Member of TMC (to present)	—

1. Mr. Koji Sato, who is President and Member of the Board of Directors, concurrently serves as Operating Officer (President).

2. The terms of office of the members of the board of directors commenced at the conclusion of the Ordinary General Shareholders' Meeting held on June 18, 2024 and will expire at the conclusion of the Ordinary General Shareholders' Meeting for fiscal 2025.
3. The terms of office of Mr. Takeshi Shirane, Mr. Katsuyuki Ogura, and Ms. Catherine O'Connell, who are all Audit & Supervisory Board Members, commenced at the conclusion of the Ordinary General Shareholders' Meeting held on June 14, 2023 and will expire at the conclusion of the Ordinary General Shareholders' Meeting for fiscal 2027.
4. The terms of office of Mr. Masahide Yasuda and Mr. George Olcott, who are both Audit & Supervisory Board Members, commenced at the conclusion of the Ordinary General Shareholders' Meeting held on June 15, 2022 and will expire at the conclusion of the Ordinary General Shareholders' Meeting for fiscal 2026.
5. The terms of office of Ms. Hiromi Osada commenced at the conclusion of the Ordinary General Shareholders' Meeting held on June 18, 2024 and will expire at the conclusion of the Ordinary General Shareholders' Meeting for fiscal 2028.

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.

Name (Date of Birth)	Position	Brief Career Summary and Important Concurrent Duties	Number of Common Shares
Kumi Fujisawa (March 15, 1967)	Substitute Audit & Supervisory Board Member	1995 Founder and President of IFIS Limited Ltd. 2000 Director of Think Tank SophiaBank 2011 Public Governor of the Japan Securities Dealers Association (to present) 2012 Director of Organization for Supporting the Turnaround of Businesses Damaged by the Great East Japan Earthquake 2013 President of Think Tank SophiaBank 2014 Outside Director of Toyota Tsusho Corporation 2022 Chairperson of Institute for International Socio-Economic Studies (to present) (important concurrent duties) Chairperson of Institute for International Socio-Economic Studies Outside Director of Net Protections Holdings, Inc. Outside Director (Audit & Supervisory Committee Member) of CellSource Co., Ltd. Outside Director of Shizuoka Financial Group, Inc.	—

6.B COMPENSATION

Decision Making Policy and Process

Toyota believes that it is critical to appoint individuals who practice “product-centered and region-centered management” and contribute to decision-making aimed at sustainable growth into the future based on the “Toyota Philosophy.” Moreover, these individuals should be able to play a significant role in transforming Toyota into a mobility company and contribute to the solutions of social issues, including climate change,

through efforts for electrification, intelligence, and diversification and building external partnerships therefor 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 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. As of the date of this annual report, the Executive Compensation Meeting consists of vice chairman of the board of directors Shigeru Hayakawa (Chairman), member of the board of directors Yoichi Miyazaki, and outside members of the board of directors Ikuro Sugawara, Sir Philip Craven, Masahiko Oshima and Emi Osono*.

The amount of remuneration for each outside member of the Board of Directors and the amount of remuneration for each non-outside member of the Board of Directors were determined at meetings of the Executive Compensation Meeting held in June 2023 and April 2024, respectively.

- * Masahiko Oshima and Emi Osono, both outside members of the Board of Directors, replaced Teiko Kudo, an outside member of the Board of Directors, as members of the Executive Compensation Meeting on June 14, 2023. Teiko Kudo, an outside member of the Board of Directors, retired as an outside member of the Board of Directors upon the conclusion of the Ordinary General Shareholders' Meeting held on June 14, 2023.

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

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

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

Executive Compensation Meetings were held in June, September, October and December 2023 and February, March and April 2024 to discuss and determine the amount of remuneration for fiscal 2024 and other relevant matters.

Furthermore, preliminary examination meetings, consisting only of outside members of the board of directors, were held in July 2023 and January, February and April 2024 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:

- Review of remuneration level for each position and job responsibility
- Review of remuneration composition for each position and job responsibility
- Review of benchmarks and evaluation of actual results of fiscal 2024
- Determination of the amount of remuneration for each member of the board of directors

As a result of discussions at the Executive Compensation Meeting, Toyota has revised part of the policies for determining remuneration for each member of the Board of Directors from fiscal 2023 in order to be able to better put into practice the purport of the Overall Policy. However, for those members of the Board of Directors who retired at the close of the Ordinary General Shareholders' Meeting held on June 14, 2023 ("Retired Members of the Board of Directors"), the amount of remuneration for each member is determined by applying the determination policies before the revision.

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 compensation that each member of the board of directors receives annually ("Annual Total Remuneration") at an appropriate level based on position and duties by referencing a benchmark of Japanese and also global companies selected based on the size of each person's role and other factors.

Toyota makes sure that STI (short term incentive) and LTI (long term incentive) account for around 20% and 50% of the Annual Total Remuneration, respectively, and performance-based remuneration, which is STI and LTI combined, account for around 70%. STI is provided in the form of cash compensation based on "consolidated operating income" and "fluctuation of Toyota's market capitalization*." LTI is provided in the form of share compensation based on "multiple financial indicators," "non-financial indicator," and "individual performance evaluation."

* Calculated by multiplying the closing price of Toyota's common stock on the Tokyo Stock Exchange by the number of shares issued after deducting the number of shares of treasury stock

Composition of Compensation

Type of Remuneration	% of Total Remuneration	Remuneration Method	Concept
Base compensation	Around 30%	Cash compensation	The percentage of total remuneration represented by LTI is designed to increase as an individual's roles and duties become greater.
STI (Short Term Incentive)	Around 20%	Cash compensation	
LTI (Long Term Incentive)	Around 50%	Share compensation	

Concept of Performance Evaluating Indicators

STI	Financial indicators	(1) Consolidated operating income (single year)	Indicator for evaluating Toyota's efforts based on short-term business performance
		(2) Fluctuation of Toyota's market capitalization	Corporate value indicator for shareholders and investors to evaluate Toyota's efforts
LTI	Financial indicators	(3) Consolidated operating income (multiple years)	Indicator for evaluating Toyota's medium- to long-term efforts based on business performance
		(4) Total shareholder return	Corporate value indicator for shareholders and investors to evaluate Toyota's medium- to long-term efforts
		(5) Return on equity	
	Non-financial indicator	(6) Progress of efforts to resolve sustainability issues	Indicator for evaluating Toyota's medium- to long-term efforts based on the degree of corporate value enhancement
	Individual performance evaluation		Qualitative evaluation of performance of each member of the Board of Directors

Method and Reference Value for Each Performance Evaluating Indicator and Evaluation Result

STI	Evaluation Weight	Evaluation Method	Reference Value	Evaluation Result
(1) Consolidated operating income (single year)	70%	Evaluate the degree of attainment of consolidated operating income in fiscal 2024, using the average consolidated operating income of Toyota over the last 10 fiscal years as a reference value (set in 2023)	2.5 trillion yen	191%
(2) Fluctuation of Toyota's market capitalization	30%	Comparatively evaluate the fluctuation of TMC's market capitalization for fiscal 2024 (average from January through March), using the market capitalization of Toyota and TOPIX for fiscal 2023 (average from January through March) as reference values	Toyota: 25.5 trillion yen TOPIX: 1,990.68	

LTI	Evaluation Weight	Evaluation Method	Reference Value	Evaluation Result
(3) Consolidated operating income (multiple years)	35%	Evaluate the degree of attainment of consolidated operating income for the last three fiscal years, including fiscal 2024, using the average consolidated operating income of Toyota over the last 10 fiscal years as a reference value (set in 2023)	2.5 trillion yen	139%
(4) Total shareholder return	17.5%	Comparatively evaluate Toyota's total shareholder return, using the rate of change calculated by dividing the sum of the stock price of Toyota on the last day of fiscal 2024 and the cumulative amount of dividend per share during the period from the fiscal year that is four years before fiscal 2024 through fiscal 2024 by the stock price on the last day of the fiscal year that is five years before fiscal 2024 and the rate of change in TOPIX Net Total Return calculated in the same manner as reference values	TOPIX: 196.2%	
(5) Return on equity	17.5%	Comparatively evaluate Toyota's return on equity for fiscal 2024 using the levels recommended by the Ito Review*1 as reference values	8%	
(6) Progress of efforts to resolve sustainability issues	30%	Evaluate the degree of contribution of business activities during fiscal 2024 in accordance with the six key issues (materiality)*2	Six key issues (materiality)	

*1 A report on corporate governance reforms released by the Ministry of Economy, Trade and Industry in 2014

*2 The six key issues identified by Toyota are: (1) Expanding the Value of Mobility; (2) Safety & Reliability; (3) Coexistence of Humanity & the Earth (including carbon neutrality); (4) Supporting the Community and Employment; (5) Active Participation for All; and (6) Strong Production and Business Operation

Concept of Individual Performance Evaluation

For the determination of Annual Total Remuneration, the LTI base amount is subject to adjustment based on individual performance evaluation. The evaluation takes into account various factors, such as initiatives (including the ESG perspective) based on the Toyota Philosophy and initiatives toward medium- to long-term corporate value enhancement, as well as trust from his or her peers and contribution to the promotion of human resources development. The range of adjustments based on individual performance evaluations is set commensurate with position and job responsibilities within the range of 50% above or below of the 40% of the LTI base amount. The amount of LTI for each member of the Board of Directors is calculated based on evaluation results.

Method of Determining Performance-based Remuneration (Bonus and Share Compensation) for Retired Members of the Board of Directors

Toyota sets the 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* and individual performance evaluation. The balance after deducting monthly compensation as fixed remuneration from Annual Total Remuneration constitutes performance-based remuneration.

Toyota sets an appropriate executive compensation level for Annual Total Remuneration based on position and duties by referencing a benchmark of Japanese and also global companies selected based on the size of each person's role and other factors.

* Calculated by multiplying the closing price of Toyota's common stock for fiscal 2024 on the Tokyo Stock Exchange by the number of shares issued after deducting the number of treasury stock

Concept of Each Item of Performance-based Remuneration for Retired Members of the Board of Directors

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

Method and Reference Value for Evaluating Indicators and Evaluation Result of Performance-based Remuneration for Retired Members of the Board of Directors

	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 2024, using required income (set in 2011) for Toyota's sustainable growth as reference value	¥1 trillion	330%
Fluctuation of Toyota's market capitalization	30%	Comparatively evaluate the fluctuation of Toyota's market capitalization for fiscal 2024 (average of January-March), using the market capitalization of Toyota and the TOPIX of fiscal 2023 (average of January-March) as reference values	Toyota: ¥25.5 trillion TOPIX : ¥1,990.68	

Method of Setting Annual Total Remuneration for Retired Members of the Board of Directors

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 evaluations. The individual performance evaluation takes into account various factors, such as initiatives (including the ESG perspective) based on the Toyota Philosophy, as well as trust from his or her peers and contribution to the promotion of human resources development. The scope of adjustments based on individual performance evaluations is set commensurate with position and job responsibilities within the range of 50% above or below Annual Total Remuneration. Annual Total Remuneration of the Board of Directors is calculated based on 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. Annual Total Remuneration levels as well as the percentages of fixed remuneration and performance-based remuneration in total remuneration are set, taking into account each member's job responsibilities and the remuneration standards of the entity for which such member previously worked (application determined individually). Performance-based remuneration consists of STI and LTI as is the case with directors with Japanese citizenship (excluding outside members of the Board of Directors). The amounts of STI and LTI change in the same manner by reflecting STI and LTI performance evaluating indicators set for directors with Japanese citizenship (excluding outside members of the Board of Directors) and individual performance evaluation results. In addition, there are cases where we provide 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.

Composition and Method of Setting Performance-based Remuneration in the Treatment of Retired Members of the Board of Directors with Foreign Citizenship

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 (application determined individually). The concept of each item is the same as that for Retired Members of the Board of Directors with Japanese citizenship (excluding outside members of the board of directors). In addition, 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 ¥4,460 million during fiscal 2024.

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 25, 2024, contained the following information concerning compensation in fiscal 2024 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	Bonus	Share Compensation	Retirement Benefits	
Akio Toyoda, Member of the Board of Directors	Toyota Motor Corporation	289	324	1,009 (280,000 shares)	—	1,622
Shigeru Hayakawa, Member of the Board of Directors	Toyota Motor Corporation	77	133	179 (50,000 shares)	—	389
Koji Sato*1, Member of the Board of Directors	Toyota Motor Corporation	87	187	349 (97,000 shares)	—	623
Hiroki Nakajima*1, Member of the Board of Directors	Toyota Motor Corporation	48	110	137 (38,000 shares)	—	295
Yoichi Miyazaki*1, Member of the Board of Directors	Toyota Motor Corporation	50	110	137 (38,000 shares)	—	297
Simon Humphries*1, Member of the Board of Directors	Toyota Motor Corporation	36	55	51 (14,000 shares)	—	143
James Kuffner*2, Member of the Board of Directors	Toyota Motor Corporation Consolidated subsidiary (Woven by Toyota, Inc.)	27	101	—	—	531
		133	271	—	—	

*1 For Koji Sato, the President and a Member of the Board of Directors, and Hiroki Nakajima, Yoichi Miyazaki and Simon Humphries, who are Members of the Board of Directors, who all assumed office as directors at the Ordinary General Shareholders' Meeting held on June 14, 2023, nine months' compensation is listed.

*2 For James Kuffner, who retired as director at the Ordinary General Shareholders' Meeting held on June 14, 2023, three months' compensation is listed. Fixed compensation that Woven by Toyota, Inc., Toyota's consolidated subsidiary, pays to James Kuffner includes fixed compensation that is paid trimonthly and annually. In addition to the above fixed compensation, Toyota and its consolidated subsidiary, Woven by Toyota, Inc., paid a tax compensation of 44 million yen to James Kuffner, taking into account the difference in tax rates with respect to his home country and Japan. Performance-based compensation paid by Toyota to James Kuffner includes performance-based compensation for the year ended March 2022 (68 million yen).

The amounts above were recorded as expenses in fiscal 2024.

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 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.

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 Shigeru Hayakawa, the Vice Chairman of the Board of Directors, and Yoichi Miyazaki, Ikuro Sugawara, Sir Philip Craven, Masahiko Oshima and Emi Osono, each, a Member of the Board of Directors.

6.D EMPLOYEES

The total number of Toyota employees, on a consolidated basis, was 380,793 as of March 31, 2024, 375,235 as of March 31, 2023, and 372,817 as of March 31, 2022. The following tables set forth a breakdown of persons employed by business segment and by geographic location as of March 31, 2024.

Segment	Number of Employees	Location	Number of Employees
Automotive	336,291	Japan	202,152
Financial services	14,658	North America	63,842
All other	23,325	Europe	23,610
Unallocated	6,519	Asia	66,304
		Other*	24,885
Total	380,793	Total	380,793

* "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 88% 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. In fiscal 2024, the wage raises and bonuses were at the level demanded by the labor union.

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 96,482 during fiscal 2024.

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 2024, see "Item 6. Directors, Senior Management and Employees — 6.A Directors and Senior Management."

None of Toyota's shares of common stock entitles the holder to any preferential voting rights. As of March 31, 2024, Toyota does not have any stock option plan for which stock options or stock acquisition rights are exercisable or will become exercisable in the future.

Toyota's board of directors resolves the share compensation within the maximum share compensation amount of 4.0 billion yen per year (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, 2024, the employee stock ownership association held 70,518,475 shares of Toyota's common stock.

6.F DISCLOSURE OF A REGISTRANT'S ACTION TO RECOVER ERRONEOUSLY AWARDED COMPENSATION

None.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A MAJOR SHAREHOLDERS

As of March 31, 2024, 16,314,987,460 shares of Toyota's common stock (of which 2,840,815,433 shares were treasury stock and 13,474,172,027 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.

<u>Name of Beneficial Owner</u>	<u>Number of Shares of Common Stock (in thousands)</u>	<u>Percentage of Outstanding Voting Shares of Common Stock</u>
Toyota Industries Corporation	1,192,331	8.87

According to The Bank of New York Mellon, depository for Toyota’s ADSs (the “Depository”), as of March 31, 2024, 321,674,315 shares of Toyota’s common stock were held in the form of ADSs and there were 1,727 ADS holders of record and 635,135 beneficial owners in the United States. According to Toyota’s register of shareholders, as of March 31, 2024, there were 947,533 holders of common stock of record worldwide. As of March 31, 2024, there were 528 record holders of Toyota’s common stock with addresses in the United States, whose shareholdings represented approximately 11.1% 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 ¥12,501.8 billion in fiscal 2024. 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 in the amount of ¥3,799.2 billion in fiscal 2024. 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 ¥609.8 billion as of March 31, 2024. Toyota had outstanding trade accounts and other payables to these associates and joint ventures in the amount of ¥1,432.8 billion as of March 31, 2024.

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, 2024, an aggregate amount of ¥101.8 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.

Other

For the year ended March 31, 2024, TMC acquired shares of TMC's consolidated subsidiary, Woven by Toyota, Inc., from Akio Toyoda, Chairman of the Board of Directors of TMC, for a total acquisition price of ¥5,169 million.

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 "Item 5. Operating and Financial Review and Prospects — 5.A Operating Results — Overview — Geographic Breakdown."
7. Legal and Arbitration Proceedings. See "Item 4. Information on the Company — 4.B Business Overview — Legal Proceedings."
8. Dividend Information.

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

At the 111th Ordinary General Shareholders' Meeting held in June 2015, Toyota's shareholders approved amendments to Toyota's articles of incorporation permitting the issuance of Model AA Class Shares in the future. Toyota resolved at its board of directors meeting held on December 14, 2020 to exercise Toyota's cash call option to acquire all outstanding First Series Model AA Class Shares and, subject to such acquisition, to cancel all First Series Model AA Class Shares pursuant to the Companies Act. 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, delete the above-mentioned provision permitting the issuance of Model AA Class Shares.

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.

<u>Period Ended</u>	<u>Cash Dividends per Common Share</u>	
	<u>Yen</u>	<u>U.S. dollars</u>
September 30, 2021	120.0	1.07
March 31, 2022	28.0	0.23
	<140.0>	<1.15>
September 30, 2022	25.0	0.17
	<125.0>	<0.86>
March 31, 2023	35.0	0.26
	<175.0>	<1.32>
September 30, 2023	30.0	0.20
	<150.0>	<1.00>
March 31, 2024	45.0	0.30
	<225.0>	<1.49>

* 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.

Toyota deems improving shareholder returns 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 increase of dividends.

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 2024, Toyota has determined to pay a year-end dividend of 45 yen (225 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 30 yen (150 yen on a pre-stock split basis) per share of common stock, the annual dividend will be 75 yen (375 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 1,011.7 billion yen.

Furthermore, Toyota resolved, at its board of directors meeting held on May 8, 2024, to repurchase up to 410 million shares of its common stock at a total maximum purchase price of 1 trillion yen.

Toyota intends to repurchase shares flexibly by taking into consideration the price level of its common stock and other factors and to utilize share repurchases to respond to requests for the sale of Toyota's shares as needed.

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 Prime Market of 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 Prime Market of the Tokyo Stock Exchange. The common stock is also listed on the Nagoya Stock Exchange and on the London Stock Exchange.

Since September 29, 1999, American Depositary Shares, each equal to 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, 2024 was 50,000,000,000 shares, of which 16,314,987,460 shares of common stock have been issued. Subsequently, the number of the issued shares decreased by 520,000,000 shares on May 9, 2024, due to the cancellation of treasury stock.

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

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

Corporate Purpose

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

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

Dividends

Dividends — General

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

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

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

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

Dividends — Distributable Amount

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

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

Dividends — Prescription

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

Capital Accounts

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

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

Stock Splits

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

Consolidation of Shares

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

Japanese Unit Share System

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

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

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

Voting Rights

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

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

Under the Companies Act, Toyota shall implement the electronic provision measures ("Electronic Provision") for the information contained in the reference materials, etc. for general shareholders' meetings.

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;
- (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 “Item 10. Additional Information — 10.B Memorandum and Articles of Association — 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 material 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 May 19, 2023, the businesses which are currently engaged in by Toyota are classified as category (ii) i.e., the Core Sector Designated Businesses above.

Definition of Inward Direct Investment

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

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

Prior Notification Requirements

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

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

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

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

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

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

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

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

Procedures for Prior Notification

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

Post Facto Reporting Requirements

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

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

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

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

Dividends and Proceeds of Sale

Under the Foreign Exchange Regulations, dividends paid on, and the proceeds of sales in Japan of, shares held by non-residents of Japan may in general be converted into any foreign currency and repatriated abroad. Under the terms of the deposit agreement pursuant to which Toyota's ADSs are issued, the Depository 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 U.S. alternative minimum taxes, investors that own or are treated as owning 10% or more of Toyota's stock (by vote or value), investors that hold shares of common stock or ADSs as part of a straddle, hedge, conversion transaction or other integrated transaction and U.S. Holders (as defined below) whose functional currency is not the U.S. dollar) may be subject to special tax rules. This summary is based on the tax laws and regulations of the United States and Japan, judicial decisions, published rulings and administrative pronouncements all as in effect on the date hereof, as well as on the current income tax convention between the United States and Japan (the "Treaty"), as described below, all of which are subject to change (possibly with retroactive effect), and to differing interpretations.

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

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

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

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

This summary does not address any aspects of U.S. federal tax law other than income taxation and does not discuss any aspects of Japanese taxation other than income taxation, as limited to national taxes, inheritance and

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

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

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

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

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

U.S. Federal Income Taxation

U.S. Holders

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

Taxation of Dividends

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

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

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

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

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

For U.S. foreign tax credit purposes, dividends included in gross income by a U.S. Holder in respect of shares of common stock or ADSs will constitute income from sources outside the United States, and will generally be “passive category income” or, in the case of certain U.S. Holders, “general category income.” 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.

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, 2024, and currently intends to continue its operations in such a manner that it will not become a PFIC in the future. Because the PFIC determination is made annually and the application of the PFIC rules to a corporation such as Toyota (which among other things is engaged in leasing and financing through several subsidiaries) is not entirely clear, no assurances can be made regarding determination of its PFIC status in the current or any future taxable year. If Toyota is determined to be a PFIC, U.S. Holders could be subject to additional U.S. federal income taxes on gain recognized with respect to the shares of common stock or ADSs and on certain distributions. In addition, an interest charge may apply to the portion of the U.S. federal income tax liability on such gains or distributions treated under the PFIC rules as having been deferred by the U.S. Holder. Moreover, dividends that a non-corporate U.S. Holder receives from Toyota will not be eligible for the reduced U.S. federal income tax rates on dividends described above if Toyota is a PFIC either in the taxable year of the dividend or the preceding taxable year. If a U.S. Holder owns shares of common stock or ADSs in any taxable year in which Toyota is a PFIC, such U.S. Holder generally would be required to file Internal Revenue Service ("IRS") Form 8621 (or other form specified by the U.S. Department of the Treasury) on an annual basis, subject to certain exceptions based on the value of PFIC stock held. Toyota will inform U.S. Holders if it believes that it will be classified as a PFIC in any taxable year.

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

Non-U.S. Holders

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

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

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

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

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

Backup Withholding and Information Reporting

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

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

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

In addition, certain U.S. Holders who are individuals that hold certain foreign financial assets (which may include shares of common stock or ADSs) are required to report information relating to such assets, subject to

certain exceptions. U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of shares of common stock or ADSs.

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

10.F DIVIDENDS AND PAYING AGENTS

Not applicable.

10.G STATEMENT BY EXPERTS

Not applicable.

10.H DOCUMENTS ON DISPLAY

Toyota files annual reports on Form 20-F and reports on Form 6-K with the SEC. You may access this information through the SEC's website (<https://www.sec.gov>). In addition, Toyota's reports, proxy statements and other information may be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005. Copies of the documents referred to herein may also be inspected at Toyota's offices by contacting Toyota at 1 Toyota-cho, Toyota City, Aichi Prefecture 471-8571, Japan, attention: Capital Strategy & Affiliated Companies, Finance Division, telephone number: +81-565-28-2121.

10.I SUBSIDIARY INFORMATION

Not applicable.

10.J ANNUAL REPORT TO SECURITY HOLDERS

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.

<u>Persons depositing or withdrawing shares must pay:</u>	<u>For:</u>
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	<ul style="list-style-type: none">• Delivery of ADSs, including those resulting from a distribution, sale or exercise of shares or rights or other property
\$0.05 (or less) per ADS	<ul style="list-style-type: none">• Surrender of ADSs for the purpose of withdrawal including if the deposit agreement terminates
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	<ul style="list-style-type: none">• Any cash distribution to ADS registered holders
\$0.05 (or less) per ADS per year	<ul style="list-style-type: none">• Distribution of securities or rights distributed to holders of deposited securities that are distributed by the Depositary to ADS registered holders
Registration fees	<ul style="list-style-type: none">• General depositary services
Fees and expenses of the Depositary	<ul style="list-style-type: none">• 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
Taxes and other governmental charges the Depositary or the custodian have to pay on any ADS or share underlying an ADS	<ul style="list-style-type: none">• Cable (including SWIFT) and facsimile transmissions (when expressly provided in the deposit agreement)• Converting foreign currency to U.S. dollars• As necessary
Any other charges payable by the Depositary, the custodian or their respective agents in connection with the servicing of the deposited securities	<ul style="list-style-type: none">• As necessary

Fees Incurred in Fiscal 2024

For fiscal 2024, the Depositary paid to Toyota, or paid to a third party at Toyota's instruction, an aggregate of \$904,137.07 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 2024. 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 Accounting Standards. 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 Accounting Standards, and that Toyota's receipts and expenditures are being made only in accordance with authorizations of Toyota's management and members of the board of directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Toyota's assets that could have a material effect on the financial statements.

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

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

Based on this evaluation, management concluded that Toyota's internal control over financial reporting was effective as of March 31, 2024.

PricewaterhouseCoopers Japan 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, 2024, as stated in its report included herein.

(c) ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

Toyota's independent registered public accounting firm, PricewaterhouseCoopers Japan 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 2024 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 Japan LLC has audited the financial statements of Toyota included in this annual report on Form 20-F. PricewaterhouseCoopers Aarata LLC merged with PricewaterhouseCoopers Kyoto and was renamed PricewaterhouseCoopers Japan LLC on December 1, 2023.

The following table presents the aggregate fees for professional services and other services rendered by PricewaterhouseCoopers Japan LLC and the various network and member firms of PricewaterhouseCoopers to Toyota in fiscal 2023 and fiscal 2024.

	Yen in millions	
	2023	2024
Audit Fees ⁽¹⁾	6,617	7,787
Audit-related Fees ⁽²⁾	83	106
Tax Fees ⁽³⁾	375	494
All Other Fees ⁽⁴⁾	177	20
Total	<u>7,251</u>	<u>8,407</u>

- (1) Audit Fees consist of fees billed for the annual audit services engagement and other audit services, which are those services that only the external auditor reasonably can provide, and include the services of annual audit, quarterly reviews and assessment and reviews of the effectiveness of internal controls over financial reporting of Toyota and its subsidiaries and affiliated companies; the services associated with SEC registration statements or other documents issued in connection with securities offerings such as comfort letters and consents; and consultations as to the accounting or disclosure treatment of transactions or events.
- (2) Audit-related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of its financial statements or that are traditionally performed by the external auditor, and mainly include services such as agreed-upon or expanded audit procedures; and financial statement audits of employee benefit plans.
- (3) Tax Fees include fees billed for tax compliance services, including services such as tax planning, advice and compliance of federal, state, local and international tax; the review of tax returns; assistance with tax audits and appeals; tax-only valuation services including transfer pricing; expatriate tax assistance and compliance.
- (4) All Other Fees primarily include fees billed for risk management advisory services; services providing information related to automotive market conditions; and other advisory services.

Policies and Procedures of the Audit & Supervisory Board

Below is a summary of the current policies and procedures of the audit & supervisory board for the pre-approval of audit and permissible non-audit services performed by Toyota's independent public accountants.

Under the policy, specified operating officers or managers submit a request for general pre-approval of audit and permissible non-audit services for the following fiscal year, which shall include details of the specific services and estimated fees for the services, to the audit & supervisory board, which reviews and determines whether or not to grant the request in advance. Upon the general pre-approval of the audit & supervisory board, the specified operating officers or managers are not required to obtain any specific pre-approval for audit and permissible non-audit services so long as those services fall within the scope of the general pre-approval provided.

The audit & supervisory board makes a further determination of whether or not to grant a request to revise the general pre-approval for the applicable fiscal year if such request is submitted by specified operating officers or managers. Such request may include (i) adding any audit or permissible non-audit services other than the ones listed in the general pre-approval and (ii) obtaining services that are listed in the general pre-approval but of

which the total fee amount exceeds the amount affirmed by the general pre-approval. The determination of whether or not to grant a request to revise the general pre-approval noted in the foregoing may alternatively be made by an audit & supervisory board member (full time), who is designated in advance by a resolution of the audit & supervisory board, in which case such audit & supervisory board member (full time) shall report such decision at the next meeting of the audit & supervisory board. The performance of audit and permissible non-audit services and the payment of fees are subject to review by the audit & supervisory board at least once every fiscal half year.

None of the audit related fees, tax fees or all other fees described in the table above were approved by the audit & supervisory board pursuant to the de minimis exception provided by paragraph(c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Toyota does not have an audit committee. Toyota is relying on the general exemption contained in Rule 10A-3(c)(3) under the Exchange Act, which provides an exemption from the NYSE’s listing standards relating to audit committees for foreign companies like Toyota that have an audit & supervisory board. Toyota’s reliance on Rule 10A-3(c)(3) does not, in its opinion, materially adversely affect the ability of its audit & supervisory board to act independently and to satisfy the other requirements of Rule 10A-3.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

The following table sets forth purchases of Toyota’s common stock by Toyota and its affiliated purchasers during fiscal 2024:

Period	(a) Total Number of Shares Purchased ⁽¹⁾	(b) Average Price Paid per Share (Yen) ⁽¹⁾	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
April 1, 2023 – April 30, 2023	565	1,842	—	—
May 1, 2023 – May 31, 2023	11,538,155	1,947	11,537,500	—
June 1, 2023 – June 30, 2023	5,948,295	2,002	5,947,000	—
July 1, 2023 – July 31, 2023	16,373,051	2,265	16,372,000	—
August 1, 2023 – August 31, 2023	9,677,037	2,377	9,676,000	—
September 1, 2023 – September 30, 2023	8,265,881	2,665	8,264,700	—
October 1, 2023 – October 31, 2023	11,239,482	2,625	11,239,000	—
November 1, 2023 – November 30, 2023	8,671,655	2,760	8,670,800	—
December 1, 2023 – December 31, 2023	8,090,341	2,674	8,088,900	—
January 1, 2024 – January 31, 2024	1,983,049	2,925	1,981,500	—
February 1, 2024 – February 29, 2024	4,886,446	3,358	4,885,600	—
March 1, 2024 – March 31, 2024	4,809,345	3,592	4,808,300	—
Total	91,483,302	—	91,471,300	—

(1) 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 “Item 10. Additional Information — 10.B 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 2024 is 12,002.

- (2) Toyota announced on May 10, 2023 that it would repurchase up to 120 million shares of its common stock between May 18, 2023 and October 31, 2023 at a total maximum purchase price of 150 billion yen, in order to return to shareholders the profits derived in fiscal 2023. Toyota further announced on November 1, 2023 that it would repurchase up to 60 million shares of its common stock between November 2, 2023 and April 30, 2024 at a total maximum purchase price of 100 billion yen in order to return to shareholders the profits derived in the first half of fiscal 2024.

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Significant Differences in Corporate Governance Practices between Toyota and U.S. Companies Listed on the NYSE

Pursuant to home country practices exemptions granted by the NYSE, Toyota is permitted to follow certain corporate governance practices complying with Japanese laws, regulations and stock exchange rules in lieu of the NYSE’s listing standards. The SEC approved changes to the NYSE’s listing standards related to corporate governance practices of listed companies (the “NYSE Corporate Governance Rules”) in November 2003, as further amended in November 2004. Toyota is exempt from the approved changes, except for requirements that (a) Toyota’s audit & supervisory board satisfies the requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), (b) Toyota must disclose significant differences in its corporate governance practices as compared to those followed by domestic companies under the NYSE listing standards, (c) Toyota’s principal executive officer must notify the NYSE in writing after any executive officer of Toyota becomes aware of any non-compliance with (a) and (b), and (d) Toyota must submit annual and interim written affirmations to the NYSE. Toyota’s corporate governance practices and those followed by domestic companies under the NYSE Corporate Governance Rules have the following significant differences:

1. Members of the Board of Directors. Toyota currently does not have any members of the board of directors who will be deemed an “independent director” as required under the NYSE Corporate Governance Rules for U.S. listed companies. Unlike the NYSE Corporate Governance Rules, the Companies Act does not require Japanese companies with an audit & supervisory board such as Toyota to have any independent directors on its board of directors. While the NYSE Corporate Governance Rules require that the non-management directors of each listed company meet at regularly scheduled executive sessions without management, Toyota currently has no non-management member on its board of directors. Unlike the NYSE Corporate Governance Rules, the Companies Act does not require, and accordingly Toyota does not have, an internal corporate organ or committee comprised solely of independent directors.

The Companies Act requires Toyota to have outside members of the board of directors under the Companies Act. Toyota currently has four 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. Each of the outside members of the board of directors of Toyota satisfies the “independent outside director” requirements under the independence standards of the Japanese stock exchanges. To ensure our outside members of the board of directors and outside audit & supervisory board members participate in decision-making from an independent standpoint and reflect the opinions of more diverse stakeholders in management, Toyota has clarified the unique roles of and expectations for Toyota’s outside members of the board of directors and outside audit & supervisory board members and revised the independence assessment criteria. The definition of “independent director/ audit & supervisory board member” and “independent outside director” reflecting such criteria is different from that of the definition of independent director under the NYSE Corporate Governance Rules.

The roles of and expectations for outside members of the board of directors and outside audit & supervisory board members are as follows.

(For both outside members of the board of directors and outside audit & supervisory board members)

- To believe in and uphold the Toyota Philosophy, have a high interest in our company’s business and people, and understand our company and its surrounding environment by having close dialogues with top management
- To contribute to decision-making for our company’s sustainable growth and medium- to long-term enhancement in our corporate value as well as to solutions to social issues

(For outside members of the board of directors)

- To contribute to greater added value of the board of directors’ decision-making while supervising business execution, utilizing their abundant experience and advanced expertise based on their recognition of diverse stakeholders’ opinions
- To provide advice and support on key issues and business strategies, etc., in addition to matters presented to the board of directors

(For outside audit & supervisory board members)

- To conduct audits from a fair and neutral standpoint, utilizing their abundant experience and advanced expertise

The independence assessment criteria of Toyota are as follows.

Outside members of the board of directors and outside audit & supervisory board members who satisfy the requirements stipulated by the Companies Act and do not fall into any of the following categories are deemed to be independent.

1. History of belonging to affiliated companies: Persons who are currently functioning as executive directors, members of the audit & supervisory board, operating officers, or employees of our company and its consolidated subsidiaries. Or those who functioned as executive directors, members of the audit & supervisory board, operating officers, or employees at any time during the last ten years.
2. Major business partners: Persons who are executing business in companies, etc. (executive directors, executive officers, operating officers, employees, or any equivalents; the same shall apply hereunder) where the amount of the transaction with our company and its consolidated subsidiaries is more than 2% of the consolidated net sales of their company or our company and its consolidated subsidiaries in any of the last three fiscal years.
3. Major lenders: Persons who are executing business in companies from which our company and its consolidated subsidiaries borrowed funds amounting to more than 2% of the consolidated total assets of our company and its consolidated subsidiaries in any of the last three fiscal years.
4. Highly paid experts: Consultants, accountants, or jurists who earned more than US\$120,000 a year directly from our company and its consolidated subsidiaries as remuneration (excluding that for the function of outside executives) in any of the last three fiscal years.
5. Large contribution: Persons who (or persons belonging to organizations that) received contributions amounting to more than US\$120,000 a year from our company and its consolidated subsidiaries in any of the last three fiscal years.
6. Major shareholders: Persons who are executing business in companies, etc., that are ranked tenth or higher in terms of the ownership ratio of our company's shares or for which our company is ranked tenth or higher in terms of the ownership ratio of their shares.
7. Affiliated audit firms: Persons who currently belong to or belonged to, at any time during the last ten years, the audit firms serving as accounting auditors of our company and its consolidated subsidiaries.
8. Close relatives: Spouses, or relatives within the second degree of kinship, of members of the board of directors and the audit & supervisory board, operating officers, key employees of our company and its consolidated subsidiaries, or persons falling into the above 1 to 6 (excluding non-key persons).
9. Mutual executive dispatch: Persons who are executing business in companies that are accepting one or more member(s) of the board of directors or the audit & supervisory board from our company and its consolidated subsidiaries.
10. Term of office: Persons whose term of office as an outside executive is longer than 12 years.

Persons who fall within any of the above-listed categories may be determined as independent, under the condition that our company discloses the reason for the determination when such persons satisfy the requirements for outside executives stipulated in the Companies Act and are substantially independent, and thus, a conflict of interest against general shareholders is deemed not to emerge.

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.

Pursuant to the Companies Act, Toyota's board of directors nominates and submits a proposal for the appointment of members of the board of directors for shareholder approval. The shareholders vote on such nomination at the general shareholders' meeting. The Companies Act requires that the limits or calculation formula of the remuneration, bonus and any other benefits in compensation for the execution of duties ("remuneration, etc.") of directors, the kind of remuneration, etc. (in case that the remuneration, etc. are other than cash (excluding shares and stock acquisition rights)) to be received by directors, and the limits of remuneration, etc. that are shares and stock acquisition rights to be granted to directors as well as the limits of remuneration, etc. to be paid to audit & supervisory board members must be determined by a resolution of the general shareholders' meeting, unless their remuneration, etc. is provided for in the articles of incorporation. The distribution of remuneration, etc., among each member of the board of directors is broadly delegated to the board of directors and the distribution of remuneration among each audit & supervisory board member is determined by consultation among the audit & supervisory board members.

3. Audit Committee. Toyota avails itself of paragraph (c)(3) of Rule 10A-3 of the Exchange Act, which provides a general exemption from the audit committee requirements to a foreign private issuer with an audit & supervisory board, subject to certain requirements which continue to be applicable under Rule 10A-3.

Pursuant to the requirements of the Companies Act, Toyota elects its audit & supervisory board members through a resolution adopted at a general shareholders' meeting. Toyota currently has six audit & supervisory board members, which exceeds the minimum number of audit & supervisory board members required pursuant to the Companies Act.

Unlike the NYSE Corporate Governance Rules, the Companies Act, among others, does not require audit & supervisory board members to establish an expertise in accounting or financial management nor are they required to present other special knowledge and experience. Therefore, none of Toyota's audit & supervisory board members has "an expertise in accounting or financial management" as set forth in the NYSE Corporate Governance Rules. The Japanese Corporate Governance Code indicates that persons with appropriate experience and skills as well as necessary knowledge of finance, accounting, and laws should be appointed as audit & supervisory board members, and in particular, one or more audit & supervisory board members who have sufficient knowledge of finance and accounting matters should be appointed. Toyota has appointed persons who are able to provide opinions and advice regarding management based on their broader experience and discretion beyond finance and accounting. Under the Companies Act, the audit & supervisory board may determine the auditing policies and methods of investigating the conditions of Toyota's business and assets, and may resolve other matters concerning the execution of the audit & supervisory board member's duties. The audit & supervisory board also prepares auditors' reports and gives consent to proposals of the nomination of audit & supervisory board members. Further, the audit & supervisory board makes decisions concerning proposals relating to the appointment and dismissal of accounting auditors; it also has the authority to dismiss the accounting auditor when certain matters specified under the Companies Act occur.

Toyota currently has three outside audit & supervisory board members under the Companies Act. Under the Companies Act, at least half of the audit & supervisory board members must be an “outside” audit & supervisory board member, which is any person who satisfies all of the following requirements:

- (a) the person has never been a member of the board of directors, accounting counselor (in the case that an accounting counselor is a legal entity, an employee of such entity who is in charge of its affairs), executive officer, manager or employee of Toyota or its subsidiaries during the ten year period before becoming an outside audit & supervisory board member;
- (b) if the person was an audit & supervisory board member of Toyota or any of its subsidiaries at any time during the ten year period before becoming an outside audit & supervisory board member, such person has not been a member of the board of directors, accounting counselor (in the case that an accounting counselor is a legal entity, an employee of such entity who is in charge of its affairs), executive officer, manager or employee of Toyota or any of its subsidiaries during the ten year period before becoming an audit & supervisory board member of Toyota or any of its subsidiaries; and
- (c) the person is not a spouse or relative within the second degree of kinship of any member of the board of directors or manager or other key employee of Toyota.

Such qualifications for an “outside” audit & supervisory board member are different from the audit committee independence requirement under the NYSE Corporate Governance Rules.

Each of the outside audit & supervisory board members of Toyota satisfies the “independent director/audit & supervisory board member” requirements under the regulations of the Japanese stock exchanges, as described above in “1. Members of the Board of Directors.”

4. Corporate Governance Guidelines. Unlike the NYSE Corporate Governance Rules, Toyota is not required to adopt 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.

ITEM 16J. INSIDER TRADING POLICIES

Toyota has adopted an insider trading policy that is reasonably designed to promote compliance with applicable insider trading laws, rules and regulations, and any listing standards applicable to Toyota. A copy is filed as Exhibit 19.1 to this annual report.

ITEM 16K. CYBERSECURITY

Cybersecurity Risk Management and Strategy

The process at TMC for managing cybersecurity risks is integrated into the TGRS, a company-wide risk management framework based on ISO and COSO. For instance, based on the TGRS, TMC identifies cybersecurity risks, determines their degree of significance, and sets priorities to enable an effective response. For a further discussion of TMC's company-wide risk management, see "Item 4. Information on TMC — 4.B. Business Overview — Climate Change-related Disclosures — Risk Management" in this annual report.

As part of TMC's cybersecurity risk management process, TMC has a cybersecurity team established within the information systems field that gathers information concerning cybersecurity-related trends and case examples relating to other companies from third parties such as governmental security agencies, cybersecurity companies and software vendors, and monitors cyberattacks from external sources. In addition, by being a member of the Automotive Information Sharing & Analysis Center (Auto-ISAC) in Japan and the U.S., TMC is able to learn promptly about problematic events that occur within the industry and puts the information to use to improve and implement cybersecurity measures. Furthermore, TMC also actively collaborates with outside experts to gain outside knowledge and uses it to improve security. TMC also is a member of the Nippon Computer Security Incident Response Team (CSIRT) Association, which shares information about incidents, vulnerabilities, and signs of attacks, among member companies.

The team also shares information about security threats with Toyota's overseas regional headquarters, which then share information within their own regions and implement countermeasures as necessary. Similarly, in the area of product security, the groups in charge of automotive security within the specialized team promotes automotive security initiatives throughout the entire automotive lifecycle in collaboration with the automotive development field, including product development with security-by-design and multi-layered protection in mind, in addition to compliance with international regulations and standards such as UNR155*¹ and ISO/SAE 21434*², and the collection and monitoring of threat and vulnerability information.

*¹ Regulations concerning cybersecurity, which were adopted at the World Forum for the Harmonization of Vehicle Regulations (WP.29) in June 2020

*² International standards concerning cyber security of electrical/electronic systems of automobiles

TMC also provides information security training for all of TMC's employees, including secondees and dispatched employees, such as through activities to raise awareness during "Information Security Reinforcement Months," educational or warning information displayed at the startup of individuals' personal computers, and unannounced training to test responses to targeted-attack-type emails.

In addition, third-party organizations with expertise in cybersecurity and risk management evaluate, based on such standards as those of the U.S National Institute of Standards and Technology Cybersecurity Framework (NIST CSF), NIST's Special Publications (SP) Series, ISO and International Electrotechnical Commission (IEC), the condition of the management and technical aspects of TMC's security measures for information technology, operational technology, products and other areas. TMC implements measures to address problems identified through these evaluations as needed, working to raise the level of security.

TMC has an ongoing process in place to monitor known access routes to its systems, block potential threats, and evaluate incidents as they are identified. This process also applies to the systems of certain subsidiaries as well as certain third-party distributors, suppliers, and service providers.

TMC has issued the All Toyota Security Guidelines (“ATSG”), which are guidelines for identifying and mitigating cybersecurity risks, to TMC’s consolidated subsidiaries, as well as third party dealers and rental or leasing agencies in Japan, requesting them to conduct self-inspections covering more than 100 items and enhance cybersecurity measures. In addition, the cybersecurity team carries out on-site audits by visiting the subsidiaries and other entities that the ATSG applies to, to check responses to the ATSG and the status of implementation of physical security measures at each company. TMC has also requested TMC’s key suppliers to enhance their cybersecurity measures based on the guidelines that are equivalent to the ATSG.

No material cybersecurity incident has occurred to Toyota to date. In fiscal 2024, Toyota did not identify cybersecurity risks from cybersecurity threats, including as a result of past cybersecurity incidents, that are reasonably likely to materially affect Toyota, including its business strategy, results of operations, or financial condition. However, despite the capabilities, processes, and other security measures we employ that we believe are designed to assess, identify, and mitigate the risk of cybersecurity incidents, we may not be aware of all vulnerabilities or might not accurately assess the risks of incidents, and such preventative measures cannot provide absolute security and may not be sufficient in all circumstances or mitigate all potential risks. For a further discussion of risks that may materially affect Toyota if a cybersecurity threat materializes and other matters, see “Risk Factors” in this annual report.

Cybersecurity Governance

TMC considers cybersecurity risk to be a particularly important risk within its risk management framework and one of the areas of focus for its board of directors, audit & supervisory board, and management. As part of the company-wide risk management process, in addition to developing the TGRS described above, TMC has established a governance and risk subcommittee that includes members of the board of directors and audit & supervisory board, as well as the Chief Information & Security Officer (“CISO”) as a member in charge of cybersecurity. The subcommittee discusses cybersecurity as one of the company-wide risks.

TMC’s cybersecurity team is led by the CISO and reports serious cybersecurity risks or incidents to the board of directors and the audit & supervisory board as they arise.

In addition, the members of the Information Security Management Meeting, which is held approximately four times a year, receives reports on and oversees the status of cybersecurity risks and incidents at TMC. This body, chaired by the CISO, is attended by responsible personnel assigned to each security area, such as confidential information management, information systems, and supply chain. Participants report and share information about security risks and the status of incidents.

Of such information, material matters are reported by the CISO to the board of directors and audit & supervisory board through the CRO, who is responsible for overall risk management.

In addition to the meeting mentioned above, the cybersecurity team is in close contact with full-time audit & supervisory board members, providing regular reports and receiving and responding to their inquiries about the state of TMC’s approach to cybersecurity and incident trends in the world.

TMC’s process for identifying, tracking and managing cybersecurity risks on a daily basis is primarily carried out by the cybersecurity team led by the CISO.

The cybersecurity team consists of professionals with cybersecurity expertise. Among the members, the CISO has gained experience in the development of in-vehicle software and on-board devices since joining TMC and has insights into information technologies such as software and cloud services. The CISO also gained experience in the field of cybersecurity since 2016, when he became an officer of Toyota’s Connected Company, and thus has knowledge of and insights into cybersecurity.

TMC has a process where cybersecurity incidents at TMC or TMC's group companies or suppliers is reported to an appropriate cybersecurity team in a timely manner as it occurs and escalated to the CISO according to the severity of the incident.

In addition, TMC has the Toyota Motor Corporation-Security Incident Response Team (TMC-SIRT), a response team including members of management, and has established a system to take appropriate and prompt action to resolve incidents. The TMC-SIRT does not only respond to cybersecurity incidents at TMC, but also provides support for incidents at TMC's subsidiaries in Japan and overseas and key suppliers in Japan as necessary to bring the situation under control.

The CISO is responsible for managing the cybersecurity risks and strategic processes described above, as well as overseeing the prevention, mitigation, detection, and remediation of cybersecurity incidents.

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
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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, 2024 and 2023, 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, 2024, 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, 2024, 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, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2024 in conformity with IFRS Accounting 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, 2024, based on criteria established in Internal Control—Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 15(b). Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to

the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Liabilities for the costs of recalls and other safety measures

As described in Notes 3 and 24 to the consolidated financial statements, the Company accrues for costs of recalls and other safety measures. As of March 31, 2024, estimated liabilities for the costs of recalls and other safety measures totaled ¥1,271,690 million and were included in liabilities for quality assurance in the consolidated statement of financial position. The Company generally measures the 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, 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 per unit 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 per unit and pattern of actual payment occurrence utilized in developing the estimate. In addition, the audit effort included the involvement of professionals with specialized skill 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. Professionals with specialized skill and knowledge were used to assist 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, 2024, ¥336,152 million of the allowance for credit losses corresponding to ¥25,489,945 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 half of the consolidated retail finance receivables as of March 31, 2024.

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) significant judgment was required 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 management's assumptions and adjustments; and 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 skill 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. Professionals with specialized skill and knowledge were used to assist in evaluating the reasonableness of the assumptions and adjustments determined by management.

/s/ PricewaterhouseCoopers Japan LLC

Nagoya, Japan

June 25, 2024

We have served as the Company's auditor since 2006.

TOYOTA MOTOR CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Yen in millions	
		March 31, 2023	March 31, 2024
Assets			
Current assets			
Cash and cash equivalents	6	7,516,966	9,412,060
Trade accounts and other receivables	7	3,586,130	3,789,429
Receivables related to financial services	8	8,279,806	11,057,269
Other financial assets	9	1,715,675	4,702,168
Inventories	10	4,255,614	4,605,368
Income tax receivable		218,704	116,886
Other current assets		886,885	1,031,098
Total current assets		26,459,781	34,714,279
Non-current assets			
Investments accounted for using the equity method	11	5,227,345	5,710,106
Receivables related to financial services	8	16,491,045	20,637,090
Other financial assets	9	10,556,431	11,390,559
Property, plant and equipment			
Land	12	1,426,370	1,441,811
Buildings	12	5,464,811	5,884,749
Machinery and equipment	12	14,796,619	16,469,032
Vehicles and equipment on operating leases	12	6,774,427	7,523,911
Construction in progress	12	846,866	1,040,188
Total property, plant and equipment, at cost	12	29,309,093	32,359,692
Less - Accumulated depreciation and impairment losses	12	(16,675,119)	(18,101,905)
Total property, plant and equipment, net	12	12,633,974	14,257,788
Right of use assets	13	491,368	532,835
Intangible assets	14	1,249,122	1,355,326
Deferred tax assets	15	387,427	502,230
Other non-current assets	23	806,687	1,014,083
Total non-current assets		47,843,399	55,400,017
Total assets		74,303,180	90,114,296

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, 2023	March 31, 2024
Liabilities				
Current liabilities				
Trade accounts and other payables	16		4,986,309	5,251,357
Short-term and current portion of long-term debt	17		12,305,639	15,406,284
Accrued expenses			1,552,345	1,863,760
Other financial liabilities	18		1,392,397	1,700,137
Income taxes payable			404,606	1,224,542
Liabilities for quality assurance	24		1,686,357	1,836,314
Other current liabilities			1,632,063	1,895,516
Total current liabilities			23,959,715	29,177,909
Non-current liabilities				
Long-term debt	17		17,074,634	21,155,496
Other financial liabilities	18		533,710	495,814
Retirement benefit liabilities	23		1,065,508	1,077,962
Deferred tax liabilities	15		1,802,346	2,219,638
Other non-current liabilities			603,052	748,139
Total non-current liabilities			21,079,251	25,697,049
Total liabilities			45,038,967	54,874,958
Shareholders' equity				
Common stock	25		397,050	397,050
Additional paid-in capital	25		498,728	491,802
Retained earnings	25		28,343,296	32,795,365
Other components of equity	25		2,836,195	4,503,756
Treasury stock	25		(3,736,562)	(3,966,982)
Total Toyota Motor Corporation shareholders' equity	25		28,338,706	34,220,991
Non-controlling interests			925,507	1,018,347
Total shareholders' equity			29,264,213	35,239,338
Total liabilities and shareholders' equity			74,303,180	90,114,296

The accompanying notes are an integral part of these consolidated financial statements

TOYOTA MOTOR CORPORATION
CONSOLIDATED STATEMENT OF INCOME

		Yen in millions		
Notes	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2024	
Sales revenues				
Sales of products	26	29,073,428	34,367,619	41,648,130
Financial services	26	2,306,079	2,786,679	3,447,195
Total sales revenues	26	31,379,507	37,154,298	45,095,325
Costs and expenses				
Cost of products sold		24,250,784	29,128,561	33,600,612
Cost of financial services		1,157,050	1,712,721	2,126,395
Selling, general and administrative		2,975,977	3,587,990	4,015,383
Total costs and expenses		28,383,811	34,429,273	39,742,390
Operating income		2,995,697	2,725,025	5,352,934
Share of profit (loss) of investments				
accounted for using the equity method	11	560,346	643,063	763,137
Other finance income	28	334,760	379,350	747,236
Other finance costs	28	(43,997)	(125,113)	(103,709)
Foreign exchange gain (loss), net		216,187	124,516	187,568
Other income (loss), net		(72,461)	(78,109)	17,918
Income before income taxes		3,990,532	3,668,733	6,965,085
Income tax expense	15	1,115,918	1,175,765	1,893,665
Net income		2,874,614	2,492,967	5,071,421
Net income attributable to				
Toyota Motor Corporation		2,850,110	2,451,318	4,944,933
Non-controlling interests		24,504	41,650	126,488
Net income		2,874,614	2,492,967	5,071,421
		Yen		
Earnings per share attributable to Toyota Motor Corporation				
Basic and Diluted	29	205.23	179.47	365.94

The accompanying notes are an integral part of these consolidated financial statements

TOYOTA MOTOR CORPORATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Yen in millions		
		For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2024
Net income		2,874,614	2,492,967	5,071,421
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	(49,242)	99,223	557,539
Remeasurements of defined benefit plans	25	136,250	65,153	46,328
Share of other comprehensive income of equity method investees	11,25	113,641	(77,148)	156,118
Total of items that will not be reclassified to profit (loss)		200,648	87,228	759,984
Items that may be reclassified subsequently to profit (loss)				
Exchange differences on translating foreign operations ...	25	902,844	676,042	1,178,875
Net changes in revaluation of financial assets measured at fair value through other comprehensive income	25	(154,174)	(115,738)	12,247
Share of other comprehensive income of equity method investees	11,25	193,811	180,181	165,996
Total of items that may be reclassified subsequently to profit (loss)		942,480	740,485	1,357,118
Total other comprehensive income, net of tax	25	1,143,129	827,713	2,117,103
Comprehensive income		4,017,742	3,320,681	7,188,523
Comprehensive income for the period attributable to				
Toyota Motor Corporation		3,954,350	3,251,090	6,999,828
Non-controlling interests		63,392	69,591	188,696
Comprehensive income		4,017,742	3,320,681	7,188,523

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, 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

For the year ended March 31, 2023

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, 2022		397,050	498,575	26,453,126	2,203,254	(3,306,037)	26,245,969	908,851	27,154,820
Comprehensive income									
Net income		—	—	2,451,318	—	—	2,451,318	41,650	2,492,967
Other comprehensive income, net of tax	25	—	—	—	799,772	—	799,772	27,941	827,713
Total comprehensive income		—	—	2,451,318	799,772	—	3,251,090	69,591	3,320,681
Transactions with owners and other									
Dividends paid	25	—	—	(727,980)	—	—	(727,980)	(84,986)	(812,966)
Repurchase of treasury stock	25	—	—	—	—	(431,099)	(431,099)	—	(431,099)
Reissuance of treasury stock	25	—	334	—	—	573	907	—	907
Equity transactions and other		—	(181)	—	—	—	(181)	32,052	31,871
Total transactions with owners and other		—	152	(727,980)	—	(430,526)	(1,158,353)	(52,934)	(1,211,287)
Reclassification to retained earnings	25	—	—	166,831	(166,831)	—	—	—	—
Balances at March 31, 2023		397,050	498,728	28,343,296	2,836,195	(3,736,562)	28,338,706	925,507	29,264,213

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, 2024

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, 2023		397,050	498,728	28,343,296	2,836,195	(3,736,562)	28,338,706	925,507	29,264,213
Comprehensive income									
Net income		—	—	4,944,933	—	—	4,944,933	126,488	5,071,421
Other comprehensive income, net of tax	25	—	—	—	2,054,895	—	2,054,895	62,208	2,117,103
Total comprehensive income . . .		—	—	4,944,933	2,054,895	—	6,999,828	188,696	7,188,523
Transactions with owners and other									
Dividends paid	25	—	—	(880,197)	—	—	(880,197)	(90,309)	(970,506)
Repurchase of treasury stock . . .	25	—	—	—	(231,069)	(231,069)	—	—	(231,069)
Reissuance of treasury stock . . .	25	—	263	—	—	649	911	—	911
Equity transactions and other . . .		—	(7,188)	—	—	—	(7,188)	(5,546)	(12,735)
Total transactions with owners and other		—	(6,926)	(880,197)	—	(230,420)	(1,117,543)	(95,856)	(1,213,398)
Reclassification to retained earnings	25	—	—	387,334	(387,334)	—	—	—	—
Balances at March 31, 2024		397,050	491,802	32,795,365	4,503,756	(3,966,982)	34,220,991	1,018,347	35,239,338

The accompanying notes are an integral part of these consolidated financial statements

TOYOTA MOTOR CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

Yen in millions			
Notes	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2024
Cash flows from operating activities			
Net income	2,874,614	2,492,967	5,071,421
Depreciation and amortization	1,821,880	2,039,904	2,087,066
Interest income and interest costs related to financial services, net	(354,102)	(694,331)	(713,506)
Share of profit (loss) of investments accounted for using the equity method	(560,346)	(643,063)	(763,137)
Income tax expense	1,115,918	1,175,765	1,893,665
Changes in operating assets and liabilities, and other	(1,130,667)	(1,502,482)	(3,975,836)
(Increase) decrease in trade accounts and other receivables	118,652	(532,432)	(859,239)
(Increase) decrease in receivables related to financial services	(1,213,234)	(1,760,288)	(3,398,434)
(Increase) decrease in inventories	(725,285)	(350,550)	(207,529)
(Increase) decrease in other current assets	71,314	(61,538)	(326,365)
Increase (decrease) in trade accounts and other payables	152,399	712,400	560,737
Increase (decrease) in other current liabilities	410,546	545,666	666,513
Increase (decrease) in retirement benefit liabilities	60,419	21,213	(161)
Other, net	(5,478)	(76,953)	(411,358)
Interest received	835,739	1,516,404	2,292,156
Dividends received	347,387	460,351	587,259
Interest paid	(418,043)	(593,216)	(1,148,392)
Income taxes paid, net of refunds	(809,763)	(1,297,224)	(1,124,322)
Net cash provided by (used in) operating activities	3,722,615	2,955,076	4,206,373
Cash flows from investing activities			
Additions to fixed assets excluding equipment leased to others	(1,197,266)	(1,450,196)	(1,846,447)
Additions to equipment leased to others	(2,286,893)	(1,907,356)	(2,867,660)
Proceeds from sales of fixed assets excluding equipment leased to others	37,749	56,436	154,985
Proceeds from sales of equipment leased to others	1,542,132	1,659,161	2,008,634
Additions to intangible assets	(346,085)	(348,280)	(334,287)
Additions to public and corporate bonds and stocks	(2,427,911)	(1,150,214)	(2,972,779)
Proceeds from sales of public and corporate bonds and stocks	282,521	393,982	1,201,405
Proceeds upon maturity of public and corporate bonds	1,920,116	939,747	1,049,963
Other, net	1,898,143	207,829	(1,392,565)
Net cash provided by (used in) investing activities	(577,496)	(1,598,890)	(4,998,751)
Cash flows from financing activities			
Increase (decrease) in short-term debt	17 (579,216)	239,689	401,740
Proceeds from long-term debt	17 8,122,678	9,276,918	12,057,349
Payments of long-term debt	17 (8,843,665)	(8,353,033)	(8,752,329)
Dividends paid to Toyota Motor Corporation common shareholders	25 (709,872)	(727,980)	(880,197)
Dividends paid to non-controlling interests	(51,723)	(84,986)	(90,309)
Reissuance (repurchase) of treasury stock	(404,718)	(431,099)	(231,069)
Other, net	—	24,310	(7,627)
Net cash provided by (used in) financing activities	(2,466,516)	(56,180)	2,497,558
Effect of exchange rate changes on cash and cash equivalents	334,195	103,305	189,914
Net increase (decrease) in cash and cash equivalents	1,012,798	1,403,311	1,895,094
Cash and cash equivalents at beginning of year	6 5,100,857	6,113,655	7,516,966
Cash and cash equivalents at end of year	6 6,113,655	7,516,966	9,412,060

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 IFRS Accounting Standards

Toyota's consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the IASB.

The consolidated financial statements were approved on June 25, 2024 by President, member of the Board of Directors Koji Sato and CFO, member of the Board of Directors Yoichi Miyazaki.

(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. Material 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. Material 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, they 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. When Toyota continues to retain control over a transferred financial asset in a situation in which it has neither transferred nor retained substantially all of its risk and economic value, 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

Finance lease receivables are related to new vehicle lease contracts. 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

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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.

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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.

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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.

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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. If the fair value of plan assets is in excess of the present value of defined benefit obligations, the amount of any asset to be recognized is limited to the present value of any economic benefits available in the form of refunds from the plan and reductions in the future contributions to the plan. 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.

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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 measures" 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.

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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 taxable 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.

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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 -

Toyota is currently evaluating the impact of the adoption of these standards and interpretations on Toyota's consolidated financial statements.

Standards	Standards names	Mandatory adoption (from fiscal years beginning on or after)	Reporting periods in which Toyota is scheduled to adopt the standards	Overview of new or amended standards and interpretations
IFRS 18	Presentation and disclosure in financial statements	January 1, 2027	Fiscal year ending March 31, 2028	Improved comparability in the statement of profit or loss (income statement) Enhanced transparency of management-defined performance measures More useful grouping of information in the financial statements

4. Significant accounting judgments and estimates

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards 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”)

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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 Accounting Standards 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)

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, 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

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As of and for the year ended March 31, 2023

	Yen in millions				
	Automotive	Financial services	All other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Sales revenues					
Revenues from external customers	33,776,870	2,786,679	590,749	—	37,154,298
Inter-segment revenues and transfers . . .	43,131	22,968	634,194	(700,293)	—
Total	33,820,000	2,809,647	1,224,943	(700,293)	37,154,298
Operating expenses	31,639,363	2,372,131	1,121,492	(703,713)	34,429,273
Operating income	2,180,637	437,516	103,451	3,420	2,725,025
Total assets	26,321,858	35,525,441	2,946,994	9,508,887	74,303,180
Investments accounted for using the equity method	4,717,231	92,903	272,752	144,460	5,227,345
Depreciation and amortization	1,205,687	799,156	35,062	—	2,039,904
Capital expenditures	1,688,114	1,786,373	38,748	(17,015)	3,496,219

As of and for the year ended March 31, 2024

	Yen in millions				
	Automotive	Financial services	All other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Sales revenues					
Revenues from external customers	41,080,731	3,447,195	567,399	—	45,095,325
Inter-segment revenues and transfers . . .	185,473	37,003	800,766	(1,023,242)	—
Total	41,266,204	3,484,198	1,368,164	(1,023,242)	45,095,325
Operating expenses	36,644,729	2,914,175	1,192,923	(1,009,437)	39,742,390
Operating income	4,621,475	570,023	175,241	(13,805)	5,352,934
Total assets	29,351,344	43,834,183	3,011,363	13,917,406	90,114,296
Investments accounted for using the equity method	5,114,364	110,308	282,888	202,546	5,710,106
Depreciation and amortization	1,268,479	784,013	34,574	—	2,087,066
Capital expenditures	2,011,361	2,763,931	103,242	(30,492)	4,848,042

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, 2022, 2023 and 2024 are ¥10,020,460 million, ¥11,101,175 million and ¥15,790,074 million, respectively.

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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, 2023	March 31, 2024
Assets		
(Non-Financial Services Businesses)		
Current assets		
Cash and cash equivalents	5,548,398	6,892,817
Trade accounts and other receivable	3,594,057	3,768,520
Other financial assets	849,779	3,864,242
Inventories	4,255,614	4,605,368
Other current assets	749,078	805,940
Total current assets	<u>14,996,926</u>	<u>19,936,887</u>
Non-current assets		
Property, plant and equipment	7,729,000	8,680,731
Other	17,337,727	19,123,829
Total non-current assets	<u>25,066,727</u>	<u>27,804,560</u>
Total assets	<u>40,063,653</u>	<u>47,741,447</u>
(Financial Services Business)		
Current assets		
Cash and cash equivalents	1,968,568	2,519,244
Trade accounts and other receivable	286,960	382,007
Receivables related to financial services	8,279,806	11,057,269
Other financial assets	1,680,242	1,575,059
Other current assets	362,660	352,918
Total current assets	<u>12,578,237</u>	<u>15,886,497</u>
Non-current assets		
Receivables related to financial services	16,491,045	20,637,090
Property, plant and equipment	4,904,975	5,577,058
Other	1,551,183	1,733,539
Total non-current assets	<u>22,947,204</u>	<u>27,947,687</u>
Total assets	<u>35,525,441</u>	<u>43,834,183</u>
(Elimination)		
Elimination of assets	(1,285,914)	(1,461,335)
(Consolidated)		
Total assets	<u><u>74,303,180</u></u>	<u><u>90,114,296</u></u>

Note: Assets in non-financial services include unallocated corporate assets.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions	
	March 31, 2023	March 31, 2024
Liabilities		
(Non-Financial Services Businesses)		
Current liabilities		
Trade accounts and other payables	4,689,034	4,890,913
Short-term and current portion of long-term debt	1,170,114	929,662
Accrued expenses	1,446,697	1,750,221
Income taxes payable	361,000	1,185,678
Other current liabilities	3,266,095	3,583,929
Total current liabilities	10,932,939	12,340,403
Non-current liabilities		
Long-term debt	1,553,622	1,938,535
Retirement benefit liabilities	1,047,430	1,058,742
Other non-current liabilities	1,867,028	2,545,491
Total non-current liabilities	4,468,080	5,542,768
Total liabilities	15,401,019	17,883,171
(Financial Services Business)		
Current liabilities		
Trade accounts and other payables	547,511	651,381
Short-term and current portion of long-term debt	11,583,602	14,890,892
Accrued expenses	128,994	148,767
Income taxes payable	43,607	38,864
Other current liabilities	1,841,562	2,219,104
Total current liabilities	14,145,275	17,949,008
Non-current liabilities		
Long-term debt	15,627,943	19,356,672
Retirement benefit liabilities	18,078	19,220
Other non-current liabilities	1,135,862	1,131,501
Total non-current liabilities	16,781,883	20,507,393
Total liabilities	30,927,158	38,456,401
(Elimination)		
Elimination of liabilities	(1,289,211)	(1,464,614)
(Consolidated)		
Total liabilities	45,038,967	54,874,958
Shareholders' equity		
(Consolidated) Total Toyota Motor Corporation shareholders' equity	28,338,706	34,220,991
(Consolidated) Non-controlling interests	925,507	1,018,347
(Consolidated) Total shareholders' equity	29,264,213	35,239,338
(Consolidated) Total liabilities and shareholders' equity	74,303,180	90,114,296

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, 2022	For the year ended March 31, 2023	For the year ended March 31, 2024
(Non-Financial Services Businesses)			
Sales revenues	29,104,564	34,409,011	41,832,663
Cost of revenues	24,250,860	29,132,715	33,763,076
Selling, general and administrative	2,518,182	2,990,316	3,278,135
Operating income	2,335,522	2,285,980	4,791,453
Other income (loss), net	998,001	943,777	1,608,345
Income before income taxes	3,333,522	3,229,757	6,399,798
Income tax expense	944,594	1,040,864	1,741,885
Net income	2,388,928	2,188,893	4,657,913
Net income attributable to			
Toyota Motor Corporation	2,369,399	2,152,509	4,540,311
Non-controlling interests	19,529	36,384	117,602
(Financial Services Business)			
Sales revenues	2,324,026	2,809,647	3,484,198
Cost of revenues	1,178,509	1,741,117	2,145,694
Selling, general and administrative	488,517	631,014	768,481
Operating income	657,001	437,516	570,023
Other income (loss), net	16	(5,013)	1,762
Income before income taxes	657,017	432,503	571,786
Income tax expense	171,327	134,903	151,785
Net income	485,690	297,600	420,000
Net income attributable to			
Toyota Motor Corporation	480,716	292,334	411,114
Non-controlling interests	4,974	5,266	8,886
(Elimination)			
Elimination of net income	(4)	6,475	(6,492)
(Consolidated)			
Net income	2,874,614	2,492,967	5,071,421
Net income attributable to			
Toyota Motor Corporation	2,850,110	2,451,318	4,944,933
Non-controlling interests	24,504	41,650	126,488

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, 2022	For the year ended March 31, 2023	For the year ended March 31, 2024
(Non-Financial Services Businesses)			
Cash flows from operating activities			
Net income	2,388,928	2,188,893	4,657,913
Depreciation and amortization	1,060,079	1,240,749	1,303,053
Share of profit (loss) of investments accounted for using the equity method	(552,515)	(633,324)	(752,779)
Income tax expense	944,594	1,040,864	1,741,885
Changes in operating assets and liabilities, and other	(572,082)	463,871	120,731
Interest received	100,118	234,945	454,713
Dividends received	342,646	454,752	582,022
Interest paid	(40,780)	(28,206)	(104,008)
Income taxes paid, net of refunds	(544,887)	(1,280,341)	(1,033,448)
Net cash provided by (used in) operating activities	<u>3,126,101</u>	<u>3,682,203</u>	<u>6,970,082</u>
Cash flows from investing activities			
Additions to fixed assets excluding equipment leased to others	(1,186,900)	(1,439,724)	(1,815,239)
Additions to equipment leased to others	(151,456)	(147,792)	(153,324)
Proceeds from sales of fixed assets excluding equipment leased to others	36,219	54,572	152,830
Proceeds from sales of equipment leased to others	45,183	44,195	47,557
Additions to intangible assets	(335,436)	(333,295)	(317,606)
Additions to public and corporate bonds and stocks	(1,904,588)	(503,977)	(2,639,166)
Proceeds from sales of public and corporate bonds and stocks and upon maturity of public and corporate bonds	1,989,345	892,814	1,757,282
Other, net	1,856,069	236,351	(1,386,377)
Net cash provided by (used in) investing activities	<u>348,436</u>	<u>(1,196,856)</u>	<u>(4,354,045)</u>
Cash flows from financing activities			
Increase (decrease) in short-term debt	(164,899)	142,688	66,953
Proceeds from long-term debt	513,371	474,535	533,333
Payments of long-term debt	(1,818,653)	(637,982)	(634,215)
Dividends paid to Toyota Motor Corporation common shareholders	(709,872)	(727,980)	(880,197)
Dividends paid to non-controlling interests	(49,629)	(79,782)	(85,991)
Reissuance (repurchase) of treasury stock	(404,718)	(431,099)	(231,069)
Other, net	—	21,458	(7,570)
Net cash provided by (used in) financing activities	<u>(2,634,401)</u>	<u>(1,238,161)</u>	<u>(1,238,756)</u>
Effect of exchange rate changes on cash and cash equivalents	185,237	1,690	(32,862)
Net increase (decrease) in cash and cash equivalents	<u>1,025,373</u>	<u>1,248,876</u>	<u>1,344,419</u>
Cash and cash equivalents at beginning of year	<u>3,274,149</u>	<u>4,299,522</u>	<u>5,548,398</u>
Cash and cash equivalents at end of year	<u><u>4,299,522</u></u>	<u><u>5,548,398</u></u>	<u><u>6,892,817</u></u>

TOYOTA MOTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions		
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2024
(Financial Services Business)			
Cash flows from operating activities			
Net income	485,690	297,600	420,000
Depreciation and amortization	761,801	799,156	784,013
Interest income and interest costs related to financial services, net	(360,837)	(703,971)	(734,880)
Share of profit (loss) of investments accounted for using the equity method	(7,831)	(9,739)	(10,357)
Income tax expense	171,327	134,903	151,785
Changes in operating assets and liabilities, and other	(623,051)	(1,958,779)	(4,100,301)
Interest received	742,364	1,291,100	1,858,816
Dividends received	4,740	5,599	5,236
Interest paid	(384,006)	(574,650)	(1,065,757)
Income taxes paid, net of refunds	(264,876)	(16,883)	(90,874)
Net cash provided by (used in) operating activities	<u>525,321</u>	<u>(735,664)</u>	<u>(2,782,318)</u>
Cash flows from investing activities			
Additions to fixed assets excluding equipment leased to others	(10,366)	(10,472)	(31,208)
Additions to equipment leased to others	(2,135,437)	(1,759,564)	(2,714,336)
Proceeds from sales of fixed assets excluding equipment leased to others	1,530	1,865	2,155
Proceeds from sales of equipment leased to others	1,496,949	1,614,965	1,961,077
Additions to intangible assets	(10,650)	(14,985)	(16,680)
Additions to public and corporate bonds and stocks	(523,323)	(646,237)	(333,613)
Proceeds from sales of public and corporate bonds and stocks and upon maturity of public and corporate bonds	213,291	440,915	494,085
Other, net	113,635	(30,385)	14,732
Net cash provided by (used in) investing activities	<u>(854,370)</u>	<u>(403,898)</u>	<u>(623,788)</u>
Cash flows from financing activities			
Increase (decrease) in short-term debt	(488,495)	171,293	339,666
Proceeds from long-term debt	7,800,854	8,892,261	11,620,147
Payments of long-term debt	(7,142,750)	(7,868,820)	(8,221,432)
Dividends paid to non-controlling interests	(2,094)	(5,204)	(4,318)
Other, net	—	2,853	(57)
Net cash provided by (used in) financing activities	<u>167,516</u>	<u>1,192,382</u>	<u>3,734,005</u>
Effect of exchange rate changes on cash and cash equivalents	148,958	101,615	222,776
Net increase (decrease) in cash and cash equivalents	<u>(12,575)</u>	<u>154,436</u>	<u>550,675</u>
Cash and cash equivalents at beginning of year	<u>1,826,707</u>	<u>1,814,133</u>	<u>1,968,568</u>
Cash and cash equivalents at end of year	<u>1,814,133</u>	<u>1,968,568</u>	<u>2,519,244</u>
(Consolidated)			
Effect of exchange rate changes on cash and cash equivalents	334,195	103,305	189,914
Net increase (decrease) in cash and cash equivalents	<u>1,012,798</u>	<u>1,403,311</u>	<u>1,895,094</u>
Cash and cash equivalents at beginning of year	<u>5,100,857</u>	<u>6,113,655</u>	<u>7,516,966</u>
Cash and cash equivalents at end of year	<u>6,113,655</u>	<u>7,516,966</u>	<u>9,412,060</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(4) Geographic information

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

As of and for the year ended March 31, 2023

	Yen in millions					Inter-segment Elimination/ Unallocated Amount	Consolidated
	Japan	North America	Europe	Asia	Other		
Sales revenues							
Revenues from external customers	9,122,282	13,509,027	4,097,537	7,076,922	3,348,530	—	37,154,298
Inter-segment revenues and transfers	8,460,914	334,874	176,198	967,984	123,663	(10,063,633)	—
Total	17,583,196	13,843,901	4,273,735	8,044,906	3,472,193	(10,063,633)	37,154,298
Operating expenses	15,681,733	13,918,637	4,216,276	7,330,455	3,240,832	(9,958,659)	34,429,273
Operating income (loss)	1,901,463	(74,736)	57,460	714,451	231,362	(104,974)	2,725,025
Total assets	23,241,334	26,024,734	6,813,474	7,908,520	4,726,373	5,588,745	74,303,180
Non-current assets	5,658,859	6,255,561	1,042,726	1,031,057	565,377	—	14,553,580

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of and for the year ended March 31, 2024

	Yen in millions						
	Japan	North America	Europe	Asia	Other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Sales revenues							
Revenues from external customers	10,193,556	17,624,268	5,503,738	7,604,269	4,169,494	—	45,095,325
Inter-segment revenues and transfers	10,827,165	318,805	178,026	1,126,479	220,292	(12,670,767)	—
Total	21,020,721	17,943,072	5,681,764	8,730,749	4,389,785	(12,670,767)	45,095,325
Operating expenses	17,536,451	17,436,753	5,293,668	7,865,158	4,191,441	(12,581,079)	39,742,390
Operating income	3,484,270	506,319	388,096	865,591	198,345	(89,687)	5,352,934
Total assets	24,711,142	31,886,959	8,749,680	9,096,282	6,167,902	9,502,332	90,114,296
Non-current assets	5,827,404	7,374,724	1,407,680	1,190,348	686,104	—	16,486,260

"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, 2022, 2023 and 2024 are ¥10,020,460 million, ¥11,101,175 million and ¥15,790,074 million, respectively.

(5) Sales revenues by location of external customers

In addition to the disclosure requirements under IFRS Accounting Standards, Toyota discloses this information in order to provide financial statements users with valuable information.

	Yen in millions		
	For the years ended March 31,		
	2022	2023	2024
Japan	6,425,184	6,742,304	7,399,192
North America	10,953,472	13,578,084	17,694,375
Europe	3,495,785	3,970,857	5,396,610
Asia	6,017,646	7,150,555	7,742,141
Other	4,487,420	5,712,497	6,863,007
Total	31,379,507	37,154,298	45,095,325

"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,	
	2023	2024
Cash and deposits	5,948,297	6,245,257
Negotiable certificate of deposit and other	1,568,669	3,166,803
Total	<u>7,516,966</u>	<u>9,412,060</u>

7. Trade accounts and other receivables

Trade accounts and other receivables consist of the following:

	Yen in millions	
	March 31,	
	2023	2024
Accounts and notes receivables	2,757,412	2,672,434
Other receivables	870,398	1,149,679
Allowance for doubtful accounts	(41,679)	(32,684)
Total	<u>3,586,130</u>	<u>3,789,429</u>

Trade accounts and other receivables which are unconditional rights to considerations are classified as financial assets measured at amortized cost. Receivables from contracts with customers correspond to “Accounts and notes receivables” and the balance as of April 1, 2022 is ¥2,466,398 million.

The changes in the allowance for doubtful accounts consist of the following:

	Yen in millions	
	For the years ended March 31,	
	2023	2024
Allowance for doubtful accounts at beginning of year	110,793	121,628
Provision for doubtful accounts, net of reversal	8,844	4,708
Write-offs	(3,496)	(3,759)
Other	5,487	(472)
Allowance for doubtful accounts at end of year	<u>121,628</u>	<u>122,105</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.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

8. Finance receivables

Finance receivables consist of the following:

	Yen in millions	
	March 31,	
	2023	2024
Retail	20,201,004	25,489,945
Finance leases	2,503,369	3,143,424
Wholesale and other dealer loans	3,461,421	5,005,766
Total	<u>26,165,794</u>	<u>33,639,135</u>
Deferred origination costs	359,743	439,613
Less - Unearned income	(1,418,272)	(1,970,115)
Less - Allowance for credit losses		
Retail	(274,871)	(336,152)
Finance leases	(36,920)	(46,909)
Wholesale and other dealer loans	(24,622)	(31,213)
Total finance receivables, net	<u>24,770,851</u>	<u>31,694,359</u>
Current assets	8,279,806	11,057,269
Non-current assets	<u>16,491,045</u>	<u>20,637,090</u>
Total finance receivables, net	<u>24,770,851</u>	<u>31,694,359</u>

Finance receivables were geographically distributed as follows: in North America 56.9%, in Europe 14.0%, in Asia 12.0%, in Japan 6.3% and in Other 10.8% as of March 31, 2023, and in North America 57.1%, in Europe 14.5%, in Asia 11.3%, in Japan 6.2% and in Other 10.9% as of March 31, 2024.

Finance receivables are classified as financial assets measured at amortized cost.

The contractual maturity of retail receivables, future lease payments to be received for finance leases, the contractual maturity of wholesale receivables and other dealer loans are as follows:

	Yen in millions		
	March 31, 2023		
	Retail	Finance leases	Wholesale and other dealer loans
Within 1 year	5,822,035	736,347	2,101,711
Between 1 and 2 years	4,599,678	534,414	402,642
Between 2 and 3 years	3,930,516	402,625	266,593
Between 3 and 4 years	3,013,894	196,046	142,888
Between 4 and 5 years	1,737,460	64,676	145,964
Later than 5 years	1,097,422	13,540	401,622
Total	<u>20,201,004</u>	<u>1,947,649</u>	<u>3,461,421</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions		
	March 31, 2024		
	Retail	Finance leases	Wholesale and other dealer loans
Within 1 year	7,063,873	961,583	3,587,124
Between 1 and 2 years	5,791,490	673,115	441,004
Between 2 and 3 years	5,034,539	505,715	223,112
Between 3 and 4 years	3,864,320	265,727	185,210
Between 4 and 5 years	2,334,787	96,648	142,215
Later than 5 years	1,400,936	17,703	427,100
Total	<u>25,489,945</u>	<u>2,520,492</u>	<u>5,005,766</u>

Finance leases receivables consist of the following:

	Yen in millions	
	March 31,	
	2023	2024
Lease payments	1,947,649	2,520,492
Estimated unguaranteed residual values	555,720	622,932
Total	<u>2,503,369</u>	<u>3,143,424</u>
Deferred origination costs	18,587	20,999
Less - Unearned income	(224,761)	(320,223)
Less - Allowance for credit losses	(36,920)	(46,909)
Finance leases receivables, net	<u>2,260,275</u>	<u>2,797,291</u>

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,	
	2023	2024
Financial assets measured at amortized cost		
Time deposits	206,494	1,606,834
Other	766,455	824,448
Financial assets measured at fair value through profit or loss		
Public and corporate bonds	193,816	221,743
Stocks	168,214	212,393
Derivatives	610,340	552,921
Other	496,052	553,174
Financial assets measured at fair value through other comprehensive income		
Public and corporate bonds	6,409,119	8,279,783
Stocks	3,413,780	3,829,893
Other	7,838	11,537
Total	<u>12,272,107</u>	<u>16,092,727</u>
Current assets	1,715,675	4,702,168
Non-current assets	10,556,431	11,390,559
Total	<u>12,272,107</u>	<u>16,092,727</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 ¥2,192,934 million and ¥2,190,436 million as of March 31, 2023 and 2024, 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, 2023 and 2024 are as follows:

Issue	Yen in millions	
	March 31,	
	2023	2024
KDDI CORPORATION	1,296,639	1,134,370
MS&AD Insurance Group Holdings, Inc.	216,053	427,950
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	320,073	363,131
Mitsubishi UFJ Financial Group, Inc.	126,754	232,760
Renesas Electronics Corporation	143,543	200,330

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,	
	2023	2024
Total fair value	69,028	346,154
Accumulated other comprehensive income, net	35,124	247,475

10. Inventories

Inventories consist of the following:

	Yen in millions	
	March 31,	
	2023	2024
Products	2,317,143	2,796,831
Work in process	530,915	496,471
Raw materials	1,239,535	1,117,950
Supplies and other	168,021	194,116
Total	<u>4,255,614</u>	<u>4,605,368</u>

11. Investments accounted for using the equity method

Equity in associates and joint ventures is as follows:

	Yen in millions	
	March 31,	
	2023	2024
Associates	4,169,573	4,616,598
Joint ventures	1,057,773	1,093,508
Total	<u>5,227,345</u>	<u>5,710,106</u>

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,		
	2022	2023	2024
Net income			
Associates	324,480	326,931	478,405
Joint ventures	235,866	316,132	284,732
Total	<u>560,346</u>	<u>643,063</u>	<u>763,137</u>
Other comprehensive income, net of tax			
Associates	241,264	99,737	269,753
Joint ventures	66,187	3,295	52,361
Total	<u>307,451</u>	<u>103,033</u>	<u>322,114</u>
Comprehensive income			
Associates	565,744	426,669	748,158
Joint ventures	302,053	319,428	337,093
Total	<u>867,798</u>	<u>746,096</u>	<u>1,085,251</u>

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, 2022	1,361,791	5,284,620	13,982,362	6,781,229	565,528	27,975,530
Additions	14,990	75,098	433,393	1,916,239	934,847	3,374,566
Sales or disposal	(14,680)	(76,482)	(599,825)	(2,516,466)	(13,684)	(3,221,137)
Reclassification from construction in progress	50,494	88,625	480,805	167	(620,091)	—
Foreign currency translation adjustments	10,458	67,274	437,649	524,175	13,503	1,053,058
Other	3,317	25,676	62,235	69,083	(33,236)	127,075
Balance as of March 31, 2023	<u>1,426,370</u>	<u>5,464,811</u>	<u>14,796,619</u>	<u>6,774,427</u>	<u>846,866</u>	<u>29,309,093</u>
Additions	5,217	136,241	581,930	2,893,569	1,075,590	4,692,547
Sales or disposal	(14,729)	(39,296)	(545,829)	(2,974,283)	(4,771)	(3,578,908)
Reclassification from construction in progress	5,691	138,013	776,356	236	(920,295)	—
Foreign currency translation adjustments	27,296	153,948	919,653	812,366	56,654	1,969,916
Other	(8,033)	31,032	(59,696)	17,596	(13,856)	(32,956)
Balance as of March 31, 2024	<u><u>1,441,811</u></u>	<u><u>5,884,749</u></u>	<u><u>16,469,032</u></u>	<u><u>7,523,911</u></u>	<u><u>1,040,188</u></u>	<u><u>32,359,692</u></u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Accumulated depreciation and impairment losses)

	Yen in millions					
	Land	Buildings	Machinery and equipment	Vehicles and equipment on operating leases	Construction in progress	Total
Balance as of April 1, 2022	(6,379)	(3,375,598)	(10,762,953)	(1,503,668)	(292)	(15,648,890)
Depreciation	—	(148,981)	(921,037)	(856,921)	—	(1,926,939)
Impairment losses	(393)	(10,517)	(17,358)	—	(2,846)	(31,114)
Sales or disposal	150	63,448	559,467	860,708	—	1,483,773
Foreign currency translation adjustments	(178)	(39,793)	(334,617)	(96,936)	(2)	(471,526)
Other	(513)	(17,746)	(53,167)	(8,928)	(71)	(80,423)
Balance as of March 31, 2023	<u>(7,313)</u>	<u>(3,529,186)</u>	<u>(11,529,666)</u>	<u>(1,605,744)</u>	<u>(3,210)</u>	<u>(16,675,119)</u>
Depreciation	—	(139,999)	(974,181)	(842,931)	—	(1,957,111)
Impairment losses	—	(208)	(18,862)	—	—	(19,069)
Sales or disposal	579	34,067	498,703	962,901	3	1,496,254
Foreign currency translation adjustments	(825)	(84,432)	(666,255)	(162,784)	2,810	(911,486)
Other	574	(34,029)	(29,354)	29,549	(2,112)	(35,373)
Balance as of March 31, 2024	<u>(6,985)</u>	<u>(3,753,786)</u>	<u>(12,719,614)</u>	<u>(1,619,009)</u>	<u>(2,510)</u>	<u>(18,101,905)</u>

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,	
	2023	2024
Vehicles	6,759,024	7,471,187
Equipment	15,403	52,724
	<u>6,774,427</u>	<u>7,523,911</u>
Less - Accumulated depreciation	<u>(1,605,744)</u>	<u>(1,619,009)</u>
Vehicles and equipment on operating leases, net	<u>5,168,683</u>	<u>5,904,902</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents future lease payments to be received for vehicles and equipments on operating leases:

	Yen in millions	
	March 31,	
	2023	2024
Within 1 year	885,757	1,003,221
Between 1 and 2 years	497,218	678,342
Between 2 and 3 years	216,227	314,496
Between 3 and 4 years	59,004	77,715
Between 4 and 5 years	21,022	28,267
Later than 5 years	10,484	13,619
Total future rentals	<u>1,689,712</u>	<u>2,115,660</u>

The future lease payments to be received 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,	
	2023	2024
Types of original assets		
Land	64,717	60,388
Buildings	333,698	341,408
Other	92,953	131,040
Total	<u>491,368</u>	<u>532,835</u>

The increase in the right of use assets for the years ended on March 31, 2023 and 2024 were ¥116,298 million and ¥101,534 million, respectively.

The breakdown of main gains and losses on lessee's leases is as follows:

	Yen in millions	
	March 31,	
	2023	2024
Depreciation of right of use assets		
Land	5,217	9,699
Buildings	42,408	69,962
Other	36,566	42,038
Total	<u>84,191</u>	<u>121,698</u>
Interest expense on lease liabilities	5,429	6,152
Short-term leases	97,025	103,544
	<u>186,645</u>	<u>231,394</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the years ended March 31, 2023 and 2024, the total cash outflows for lessee leases were ¥172,112 million and ¥188,677 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,	
	2023	2024
Within 1 year	74,780	83,145
Between 1 and 5 years	179,026	190,511
Later than 5 years	254,096	244,107
Future lease payment, total	507,902	517,763
Less - Interest expense	(51,781)	(55,195)
Present value of lease payment, total	456,120	462,568
Current liabilities	66,870	73,456
Non-current liabilities	389,250	389,112
Present value of lease payment, total	456,120	462,568

14. Intangible assets

The carrying value of intangible assets is as follows:

	Yen in millions	
	March 31,	
	2023	2024
Capitalized development costs	669,612	638,337
Software and other	579,510	716,989
Total	1,249,122	1,355,326

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The changes in cost and accumulated amortization of intangible assets are as follows:

(Cost)

	Yen in millions		
	<u>Capitalized development costs</u>	<u>Software and other</u>	<u>Total</u>
Balance as of April 01, 2022	1,141,234	827,232	1,968,466
Additions	—	40,655	40,655
Internally developed	181,634	98,040	279,674
Sales or disposal	(164,898)	(38,473)	(203,372)
Foreign currency translation adjustments	1,465	20,886	22,351
Other	—	17,056	17,056
Balance as of March 31, 2023	<u>1,159,435</u>	<u>965,395</u>	<u>2,124,830</u>
Additions	—	109,051	109,051
Internally developed	124,788	136,107	260,895
Sales or disposal	(230,512)	(133,477)	(363,989)
Foreign currency translation adjustments	4,622	42,104	46,726
Other	—	20,715	20,715
Balance as of March 31, 2024	<u><u>1,058,334</u></u>	<u><u>1,139,895</u></u>	<u><u>2,198,228</u></u>

(Accumulated amortization)

	Yen in millions		
	<u>Capitalized development costs</u>	<u>Software and other</u>	<u>Total</u>
Balance as of April 01, 2022	(477,472)	(299,028)	(776,500)
Amortization	(164,512)	(112,965)	(277,477)
Sales or disposal	152,161	37,901	190,062
Foreign currency translation adjustments	—	(10,533)	(10,533)
Other	—	(1,261)	(1,261)
Balance as of March 31, 2023	<u>(489,823)</u>	<u>(385,886)</u>	<u>(875,708)</u>
Amortization	(160,686)	(129,956)	(290,642)
Sales or disposal	230,512	117,841	348,353
Foreign currency translation adjustments	—	(22,633)	(22,633)
Other	—	(2,272)	(2,272)
Balance as of March 31, 2024	<u><u>(419,997)</u></u>	<u><u>(422,905)</u></u>	<u><u>(842,902)</u></u>

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,	
	2023	2024
Deferred tax assets		
Defined benefit plan liabilities	120,007	100,770
Accrued expenses and liabilities for quality assurance	662,425	724,325
Other accrued employees' compensation	127,668	138,219
Operating loss carryforwards for tax purposes	191,906	50,214
Allowance for doubtful accounts and credit losses	94,639	103,860
Property, plant and equipment and other assets	252,441	296,739
Other	463,250	569,648
Total deferred tax assets	<u>1,912,336</u>	<u>1,983,775</u>
Deferred tax liabilities		
Changes in fair value of financial instruments measured in other comprehensive income	(737,156)	(1,015,448)
Undistributed earnings of foreign subsidiaries	(39,496)	(42,365)
Undistributed earnings of associates and joint ventures	(1,076,742)	(1,176,045)
Basis difference of acquired assets	(78,206)	(82,852)
Capitalized development costs	(201,120)	(189,496)
Lease transactions	(972,158)	(897,291)
Other	(222,378)	(297,686)
Total deferred tax liabilities	<u>(3,327,255)</u>	<u>(3,701,183)</u>
Net deferred tax assets and liabilities	<u>(1,414,919)</u>	<u>(1,717,408)</u>

Of the changes in deferred tax assets and deferred tax liabilities for the years ended March 31, 2022, 2023 and 2024, 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,		
	2022	2023	2024
Defined benefit plan liabilities	4,203	802	(4,333)
Accrued expenses and liabilities for quality assurance	(40,761)	26,942	40,626
Other accrued employees' compensation	(968)	(2,745)	6,925
Operating loss carryforwards for tax purposes	38,119	116,344	(133,776)
Allowance for doubtful accounts and credit losses	(4,902)	4,474	(551)
Property, plant and equipment and other assets	(9,795)	24,850	11,518
Undistributed earnings of foreign subsidiaries	(33,349)	12,391	(2,869)
Undistributed earnings of associates and joint ventures	(71,405)	(63,520)	(43,526)
Basis difference of acquired assets	(11,270)	(12,075)	1,152
Capitalized development costs	(9,708)	4,003	12,824
Lease transactions	103,098	(487,702)	186,196
Other	111,603	44,144	88,582
Total	<u>74,864</u>	<u>(332,091)</u>	<u>162,768</u>

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,	
	2023	2024
Deductible temporary difference	968,060	1,292,277
Carryforwards of tax losses	712,357	762,196
Carryforwards of tax credit	115,809	95,462
Total	<u>1,796,225</u>	<u>2,149,935</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,	
	2023	2024
Within 5 years	75,839	7,791
Between 5 and 10 years	313,895	357,421
Later than 10 years	322,623	396,984
Total	<u>712,357</u>	<u>762,196</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,	
	2023	2024
Within 5 years	10,018	4,764
Between 5 and 10 years	18,107	3,680
Later than 10 years	87,684	87,018
Total	<u>115,809</u>	<u>95,462</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, 2023 and 2024, the temporary differences totaled ¥4,367,250 million and ¥4,630,892 million, respectively, and Toyota estimates an additional deferred tax liability of ¥202,488 million and ¥232,645 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, 2022, 2023 and 2024 consists of the following:

	Yen in millions		
	For the years ended March 31,		
	2022	2023	2024
Current income tax expense:			
TMC and domestic subsidiaries	672,077	758,772	1,432,299
Foreign subsidiaries	518,705	84,902	624,134
Total current	<u>1,190,782</u>	<u>843,674</u>	<u>2,056,433</u>
Deferred income tax expense (benefit):			
TMC and domestic subsidiaries	42,131	27,783	(42,906)
Foreign subsidiaries	(116,995)	304,308	(119,862)
Total deferred	<u>(74,864)</u>	<u>332,091</u>	<u>(162,768)</u>
Total income tax expense	<u>1,115,918</u>	<u>1,175,765</u>	<u>1,893,665</u>

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, 2022, 2023 and 2024. 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,		
	2022	2023	2024
Statutory tax rate	30.9%	30.9%	30.9%
Increase (reduction) in taxes resulting from:			
Non-deductible expenses	0.6	0.8	0.3
Tax-exempt income	(0.3)	(0.4)	(0.2)
Deferred tax liabilities on undistributed earnings of foreign subsidiaries	1.3	1.1	0.6
Effects of investments accounted for using the equity method	(4.3)	(5.4)	(3.4)
Deferred tax liabilities on undistributed earnings of associates and joint ventures	2.6	3.1	2.1
Change in unrecognized deferred tax assets	3.7	6.3	0.4
Tax credits	(2.7)	(3.5)	(2.1)
The difference between the statutory tax rate in Japan and that of foreign subsidiaries	(3.1)	(1.5)	(2.0)
Unrecognized tax benefits adjustments	(0.3)	0.4	—
Other	<u>(0.3)</u>	<u>0.3</u>	<u>0.6</u>
Average effective tax rate	<u>28.0%</u>	<u>32.0%</u>	<u>27.2%</u>

(3) Impact of Application of the Pillar Two Model Rules

Toyota applies the temporary exception regarding the requirements of IAS 12 on deferred tax related to the Pillar Two Model Rules. Consequently, any deferred tax assets or liabilities related to the Pillar Two Model Rules are not recognized or disclosed.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Toyota conducts business in jurisdictions that have established tax laws for the application of the Pillar Two Model Rules.

In Japan, under the Tax Reform Act of 2023, a corporate tax related to global minimum taxation has been implemented for each fiscal year as part of the legalization of the Income Inclusion Rules within the Pillar Two Model Rules. For fiscal years beginning on or after April 1, 2024, top-up taxation will be applied to Japanese parent companies until the effective tax rate of their subsidiaries reaches the minimum tax rate of 15%.

Although additional taxation under the Pillar Two Model Rules has not yet been applied in fiscal 2024, even if it were to be applied in fiscal 2024, the financial impact would not be material.

16. Trade accounts and other payables

Trade accounts and other payables consists of the following:

	Yen in millions	
	March 31,	
	2023	2024
Accounts and notes payables	3,819,334	3,828,068
Other payables	1,166,974	1,423,289
Total	4,986,309	5,251,357

Trade accounts and other payables are classified as financial liabilities measured at amortized cost.

17. Financial liabilities

(1) Financial liabilities

Financial liabilities consist of the following:

	Yen in millions							As of March 31, 2023
	As of April 1, 2022	Cash flow	Non-cash changes				Other	
			Acquisitions	Reclassification	Changes in foreign currency exchange rates	Changes in fair value		
Current liabilities								
Short-term debt	4,104,858	239,689	—	—	231,700	—	13,926	4,590,173
Current portion of long-term debt	7,026,845	(8,283,375)	—	8,380,467	467,956	—	56,704	7,648,596
Current portion of long-term lease liabilities	56,136	(69,658)	—	39,311	1,424	—	39,657	66,870
Current liabilities	11,187,839	(8,113,344)	—	8,419,778	701,080	—	110,286	12,305,639
Non-current liabilities								
Long-term debt	14,943,727	9,276,918	—	(8,380,467)	836,348	—	8,858	16,685,384
Long-term lease liabilities	364,792	—	116,298	(39,311)	9,277	—	(61,807)	389,250
Class share	—	—	—	—	—	—	—	—
Non-current liabilities	15,308,519	9,276,918	116,298	(8,419,778)	845,626	—	(52,949)	17,074,634
Total	26,496,358	1,163,574	116,298	—	1,546,706	—	57,337	29,380,273
Derivatives	7,221	77,098	—	—	(5,202)	(141,475)	—	(62,359)

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions							As of March 31, 2024
	As of April 1, 2023	Cash flow	Acquisitions	Reclassification	Non-cash changes			
					Changes in foreign currency exchange rates	Changes in fair value	Other	
Current liabilities								
Short-term debt	4,590,173	401,740	—	—	519,138	—	(23,093)	5,487,959
Current portion of long-term debt	7,648,596	(8,673,349)	—	9,974,103	896,377	—	(858)	9,844,870
Current portion of long-term lease liabilities	66,870	(78,981)	—	77,698	3,295	—	4,573	73,456
Class share	—	—	—	—	—	—	—	—
Current liabilities	<u>12,305,639</u>	<u>(8,350,589)</u>	<u>—</u>	<u>10,051,801</u>	<u>1,418,811</u>	<u>—</u>	<u>(19,378)</u>	<u>15,406,284</u>
Non-current liabilities								
Long-term debt	16,685,384	12,057,349	—	(9,974,103)	1,933,312	—	64,442	20,766,384
Long-term lease liabilities	389,250	—	101,534	(77,698)	20,766	—	(44,740)	389,112
Non-current liabilities	<u>17,074,634</u>	<u>12,057,349</u>	<u>101,534</u>	<u>(10,051,801)</u>	<u>1,954,078</u>	<u>—</u>	<u>19,702</u>	<u>21,155,496</u>
Total	<u>29,380,273</u>	<u>3,706,760</u>	<u>101,534</u>	<u>—</u>	<u>3,372,889</u>	<u>—</u>	<u>324</u>	<u>36,561,780</u>
Derivatives	(62,359)	95,572	—	—	(4,792)	(68,999)	—	(40,578)

Short-term and long-term debt is classified as financial liabilities measured at amortized cost.

(2) Short-term debt

The breakdown of “Short-term debt” is as follows:

	Yen in millions	
	2023	2024
Short-term debt (Principally from bank)		
[Weighted average interest rate		
2023 2.02%		
2024 2.27%]	916,725	1,387,832
Commercial paper		
[Weighted average interest rate		
2023 3.81%		
2024 4.53%]	3,673,447	4,100,127
	<u>4,590,173</u>	<u>5,487,959</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(3) Long-term debt

The breakdown of “Long-term debt” is as follows:

	Yen in millions	
	March 31,	
	2023	2024
Unsecured loans		
(Principally from bank)		
[2023		
Weighted average interest 3.18%		
Due 2023 to 2042		
2024		
Weighted average interest 3.68%		
Due 2024 to 2042]	5,719,366	6,781,268
Secured loans		
(Principally financial receivables securitization)		
[2023		
Weighted average interest 3.82%		
Due 2023 to 2034		
2024		
Weighted average interest 4.64%		
Due 2024 to 2034]	5,266,411	6,458,570
Medium-term notes of consolidated subsidiaries		
[2023		
Weighted average interest 2.72%		
Due 2023 to 2048		
2024		
Weighted average interest 3.58%		
Due 2024 to 2048]	10,561,816	14,272,962
Unsecured bonds of the parent		
[2023		
Weighted average interest 1.29%		
Due 2023 to 2037		
2024		
Weighted average interest 1.92%		
Due 2024 to 2037]	1,127,650	1,221,345
Unsecured bonds of consolidated subsidiaries		
[2023		
Weighted average interest 2.54%		
Due 2023 to 2028		
2024		
Weighted average interest 2.75%		
Due 2024 to 2029]	1,621,444	1,811,271
Secured bonds of consolidated subsidiaries		
[2023		
Weighted average interest 6.53%		
Due 2023 to 2026		

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions	
	March 31,	
	2023	2024
2024		
Weighted average interest 7.86%		
Due 2024 to 2029]	37,294	65,837
	24,333,981	30,611,253
Less - Current portion due within one year	(7,648,596)	(9,844,870)
	16,685,384	20,766,384

As of March 31, 2023 and 2024, the currencies of long-term debt are 53% and 53% in US dollars, 11% and 10% in Japanese yen, 13% and 13% in Euros, 6% and 5% in Australian dollars, 3% and 4% in Canadian dollars, 14% and 15% 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,	
	2023	2024
Property, plant and equipment	1,498,448	1,574,373
Other assets	5,459,877	6,731,856
Total	6,958,325	8,306,230

Other assets principally consist of securitized finance receivables.

Standard agreements with certain banks include provisions that collateral (including sums on deposit with such banks) or guarantees will be furnished upon the banks' request and that any collateral furnished, pursuant to such agreements or otherwise, will be applicable to all present or future indebtedness to such banks.

(5) Interest expenses

The interest expenses for the fiscal year ended March 31, 2023 and 2024 are ¥651,979 million and ¥1,213,021 million, respectively. Interest expenses related to the financial business is included in "cost of financial services" in the consolidated statement of income.

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,	
	2023	2024
Financial liabilities measured at amortized cost		
Deposits received	1,015,094	1,205,723
Other	454,756	558,039
Financial liabilities measured at fair value through profit or loss		
Derivatives	456,257	432,189
Total	1,926,107	2,195,951
Current liabilities	1,392,397	1,700,137
Non-current liabilities	533,710	495,814
Total	1,926,107	2,195,951

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.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The carrying amount after impairment of the financial assets presented in the consolidated financial statements, as well as guarantee obligations and loan commitments that are set forth in the notes to the consolidated financial statements, are the maximum exposure to the credit risk of Toyota's financial assets that do not take into account the value of the acquired collateral. The allowance for credit exposures of loan commitments and financial agreements is measured in the same way that the allowance for retail receivables is measured.

Retail receivables and financial lease receivables are being secured by vehicles as collateral. Wholesale receivables and other dealer loans are secured by placing appropriate property as collateral. Also, during the reporting period, there is no change in the policy regarding collateral.

The net changes in the allowance for credit losses relating to the retail receivables are as follows:

	Yen in millions			
	For the year ended March 31, 2023			
	Expected credit loss for 12 months	Lifetime expected credit loss		Total
Financial receivable not credit-impaired		Credit-impaired financial receivable		
Allowance for credit loss at beginning of year	88,125	99,465	42,514	230,104
Provision for credit loss, net of reversal	26,490	59,627	89,456	175,573
Charge-offs	—	—	(91,215)	(91,215)
Other	(18,895)	(34,225)	13,530	(39,591)
Allowance for credit loss at end of year	<u>95,720</u>	<u>124,867</u>	<u>54,284</u>	<u>274,871</u>

	Yen in millions			
	For the year ended March 31, 2024			
	Expected credit loss for 12 months	Lifetime expected credit loss		Total
Financial receivable not credit-impaired		Credit-impaired financial receivable		
Allowance for credit loss at beginning of year	95,720	124,867	54,284	274,871
Provision for credit loss, net of reversal	34,386	64,742	142,299	241,427
Charge-offs	—	—	(150,458)	(150,458)
Other	(19,062)	(41,819)	31,193	(29,688)
Allowance for credit loss at end of year	<u>111,044</u>	<u>147,790</u>	<u>77,318</u>	<u>336,152</u>

“Other” primarily includes reversal of allowance for credit loss due to the collection of retail receivables.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The table below shows the retail receivables segregated into aging categories based on the numbers of the days outstanding:

	Yen in millions			
	March 31, 2023			
		Lifetime expected credit loss		
	Expected credit loss for 12 months	Financial receivable not credit-impaired	Credit-impaired financial receivable	Total
Current	17,905,331	1,275,170	—	19,180,501
Past due less than 90 days	331,040	542,999	21,469	895,509
Past due 90 days or more	—	416	124,580	124,995
Total	<u>18,236,371</u>	<u>1,818,584</u>	<u>146,049</u>	<u>20,201,004</u>

	Yen in millions			
	March 31, 2024			
		Lifetime expected credit loss		
	Expected credit loss for 12 months	Financial receivable not credit-impaired	Credit-impaired financial receivable	Total
Current	22,750,132	1,526,798	—	24,276,931
Past due less than 90 days	318,524	694,558	23,761	1,036,843
Past due 90 days or more	—	4,598	171,574	176,172
Total	<u>23,068,656</u>	<u>2,225,954</u>	<u>195,335</u>	<u>25,489,945</u>

The net changes in the allowance for credit losses relating to the finance lease receivables are as follows:

	Yen in millions	
	For the years ended March 31,	
	2023	2024
Allowance for credit loss at beginning of year	36,985	36,920
Provision for credit loss, net of reversal	14,926	23,617
Charge-offs	(7,233)	(7,676)
Other	(7,757)	(5,952)
Allowance for credit loss at end of year	<u>36,920</u>	<u>46,909</u>

“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,	
	2023	2024
Current	2,437,467	3,057,602
Past due less than 90 days	46,296	60,316
Past due 90 days or more	19,606	25,506
Total	<u>2,503,369</u>	<u>3,143,424</u>

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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, 2023			
	Expected credit loss for 12 months	Lifetime expected credit loss		Total
Financial receivable not credit-impaired		Credit-impaired financial receivable		
Allowance for credit loss at beginning of year	14,349	5,092	5,396	24,836
Provision for credit loss, net of reversal	3,517	1,780	551	5,847
Charge-offs	—	—	—	—
Other	(3,225)	(2,289)	(547)	(6,062)
Allowance for credit loss at end of year	<u>14,640</u>	<u>4,582</u>	<u>5,399</u>	<u>24,622</u>

	Yen in millions			
	For the year ended March 31, 2024			
	Expected credit loss for 12 months	Expected credit loss for the entire period		Total
Financial receivable not credit-impaired		Credit-impaired financial receivable		
Allowance for credit loss at beginning of year	14,640	4,582	5,399	24,622
Provision for credit loss, net of reversal	6,362	2,539	1,130	10,031
Charge-offs	—	—	(204)	(204)
Other	(3,521)	(1,191)	1,475	(3,236)
Allowance for credit loss at end of year	<u>17,481</u>	<u>5,931</u>	<u>7,801</u>	<u>31,213</u>

“Other” primarily includes reversal of allowance for credit loss due to the collection of wholesale receivables and other dealer loans.

Toyota charges off the credit - impaired finance receivables when Toyota considers that all or part of it will not be collected. The amount of receivables related to financial services which has been charged off but subject to ongoing collection activity was not significant for the years ended March 31, 2023 and 2024.

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, 2023 and 2024 are as follows.

The wholesale and other dealer loan receivables portfolio segment is segregated into following credit qualities below based on internal risk assessments by dealers.

Performing: Account not classified as either

Credit Watch, At Risk or Default
 Credit 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

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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, 2023			
		Lifetime expected credit loss		
	Expected credit loss for 12 months	Financial receivable not credit-impaired	Credit-impaired financial receivable	Total
Wholesale and other dealer loan				
Performing	3,300,629	—	—	3,300,629
Credit Watch	47,184	69,086	—	116,270
At Risk	—	29,780	6,708	36,487
Default	—	—	8,034	8,034
Loan commitments	10,704,882	65,053	572	10,770,507
Financial guarantee contracts	3,536,796	37,260	—	3,574,056
Total	<u>17,589,491</u>	<u>201,179</u>	<u>15,314</u>	<u>17,805,983</u>

	Yen in millions			
	March 31, 2024			
		Lifetime expected credit loss		
	Expected credit loss for 12 months	Financial receivable not credit-impaired	Credit-impaired financial receivable	Total
Wholesale and other dealer loan				
Performing	4,741,270	—	—	4,741,270
Credit Watch	61,078	132,721	—	193,799
At Risk	—	45,231	4,258	49,489
Default	—	—	21,209	21,209
Loan commitments	11,129,604	115,327	781	11,245,712
Financial guarantee contracts	3,200,368	36,964	—	3,237,333
Total	<u>19,132,321</u>	<u>330,243</u>	<u>26,247</u>	<u>19,488,811</u>

For the year ended March 31, 2023 and 2024, 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 medium-term notes, 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.

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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, 2023

	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	916,725	(941,708)	(941,708)	—	—	—
Commercial paper	3,673,447	(3,765,973)	(3,765,973)	—	—	—
Long-term debt	24,333,981	(25,829,430)	(8,067,346)	(10,527,952)	(5,609,531)	(1,624,601)
Lease liabilities	456,120	(507,902)	(74,780)	(102,258)	(76,769)	(254,096)
Total	<u>29,380,273</u>	<u>(31,045,012)</u>	<u>(12,849,807)</u>	<u>(10,630,210)</u>	<u>(5,686,300)</u>	<u>(1,878,696)</u>
Derivative financial liabilities						
Interest derivative	296,438	(315,269)	(41,958)	(155,214)	(109,599)	(8,498)
Currency derivative						
In	—	835,459	58,806	187,514	589,139	—
Out	159,819	(1,017,589)	(90,525)	(220,701)	(706,363)	—
Total	<u>456,257</u>	<u>(497,400)</u>	<u>(73,678)</u>	<u>(188,401)</u>	<u>(226,823)</u>	<u>(8,498)</u>
Total	<u>29,836,530</u>	<u>(31,542,412)</u>	<u>(12,923,485)</u>	<u>(10,818,611)</u>	<u>(5,913,123)</u>	<u>(1,887,194)</u>

As of March 31, 2024

	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	1,387,832	(1,398,947)	(1,398,947)	—	—	—
Commercial paper	4,100,127	(4,222,660)	(4,222,660)	—	—	—
Long-term debt	30,611,253	(33,286,908)	(10,862,374)	(13,051,900)	(6,770,969)	(2,601,665)
Lease liabilities	462,568	(517,763)	(83,145)	(115,664)	(74,847)	(244,107)
Total	<u>36,561,780</u>	<u>(39,426,278)</u>	<u>(16,567,126)</u>	<u>(13,167,564)</u>	<u>(6,845,816)</u>	<u>(2,845,772)</u>
Derivative financial liabilities						
Interest derivative	238,503	(237,685)	(74,298)	(103,424)	(54,923)	(5,040)
Currency derivative						
In	—	1,127,763	150,390	433,343	362,638	181,391
Out	193,686	(1,370,175)	(222,251)	(519,535)	(427,529)	(200,860)
Total	<u>432,189</u>	<u>(480,098)</u>	<u>(146,158)</u>	<u>(189,617)</u>	<u>(119,815)</u>	<u>(24,508)</u>
Total	<u>36,993,969</u>	<u>(39,906,376)</u>	<u>(16,713,284)</u>	<u>(13,357,180)</u>	<u>(6,965,631)</u>	<u>(2,870,280)</u>

As described above, Toyota raises funds through the issuance of medium-term notes, corporate bonds, and commercial paper. These funding mechanisms comply with the regulations of each respective country, and Toyota qualifies as an eligible issuer. Depending on the individual debt registration statement, this allows us to issue medium-term notes without a predetermined issuance limit, or to raise funds within a specified issuance limit.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The unused amount of funding with established issuance limits is as follows:

	Yen in millions	
	March 31,	
	2023	2024
Medium-term notes	5,215,965	4,837,619
Corporate bonds	1,162,511	1,639,953
Commercial paper	1,153,342	1,241,053
Total	7,531,818	7,718,625

As of March 31, 2023 and 2024, Toyota has unused amounts of commitment lines from financial institutions of ¥4,541,233 million and ¥5,507,761 million, respectively.

As of March 31, 2023 and 2024, the balance of credit limits and other non-contractual credit facilities with major banks is ¥104,000 million and ¥47,000 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, 2023 and 2024 is as follows:

	Yen in millions			
	VaR			
	Year-end	Average	Maximum	Minimum
For the year ended March 31, 2023	381,600	393,175	418,900	369,800
For the year ended March 31, 2024	411,300	403,025	413,800	389,000

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.

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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,	
	2023	2024
Impact on income before income taxes	(42,476)	(49,799)
Impact on other comprehensive income, before tax effect	(238,820)	(221,420)

(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, 2023, and 2024 is ¥321,472 million and ¥364,120 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.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(2) Fair value and gain and losses of derivatives

The fair values of the derivatives as of March 31, 2023 and 2024 are as follows:

	Yen in millions	
	March 31,	
	2023	2024
Derivative assets		
Derivative financial instruments not designated as hedging instruments:		
Interest rate and currency swap		
Current assets		
- Other financial assets	163,777	180,657
Non-current assets		
- Other financial assets	404,593	355,245
Total	568,371	535,901
Foreign exchange forward and option contracts		
Current assets		
- Other financial assets	41,969	17,006
Non-current assets		
- Other financial assets	—	14
Total	41,969	17,019
Total derivative assets	610,340	552,921
	Yen in millions	
	March 31,	
	2023	2024
Derivative financial liabilities		
Derivative financial instruments not designated as hedging instruments:		
Interest rate and currency swap		
Current liabilities		
- Other financial liabilities	(47,044)	(91,120)
Non-current liabilities		
- Other financial liabilities	(383,184)	(286,396)
Total	(430,228)	(377,516)
Foreign exchange forward and option contracts		
Current liabilities		
- Other financial liabilities	(26,029)	(54,086)
Non-current liabilities		
- Other financial liabilities	—	(588)
Total	(26,029)	(54,673)
Total derivative liabilities	(456,257)	(432,189)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The amount of underlying notional of derivatives as of March 31, 2023 and 2024 are as follows:

	Yen in millions	
	March 31,	
	2023	2024
Derivative financial instruments not designated as hedging instruments:		
Interest rate and currency swap	25,999,796	31,825,306
Foreign exchange forward and option contracts	3,176,566	4,217,529
Total	29,176,362	36,042,835

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, 2022, 2023 and 2024 were ¥773 million, ¥(129,782) million and ¥(267,190) 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.

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, 2023 and 2024 is ¥12,623 million and ¥13,166 million, respectively. The aggregate fair value amount of assets that are already posted as cash collateral as of March 31, 2023 and 2024 is ¥111,249 million and ¥98,840 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 ¥13,166 million as of March 31, 2024. See Note 22 for details.

21. Fair value measurements

(1) Definition of fair value hierarchy

In accordance with IFRS Accounting Standards, 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

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(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)

Public and corporate bonds include government bonds. Japanese bonds and foreign bonds, including U.S., European and other bonds, represent 30% and 70% (as of March 31, 2023) and 29% and 71% (as of March 31, 2024) 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 86% (as of March 31, 2023) and 85% (as of March 31, 2024) 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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.

The fair values of the Loans Based on Securitization are 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 cases where these valuations utilize unobservable inputs, the fair value of the Loans Based on Securitization is classified as Level 3.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(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, 2023			
	Level 1	Level 2	Level 3	Total
Other financial assets:				
Financial assets measured at fair value through profit or loss				
Public and corporate bonds	98,458	88,989	6,369	193,816
Stocks	—	—	168,214	168,214
Derivative financial instruments	—	610,340	—	610,340
Other	334,071	161,981	—	496,052
Total	<u>432,529</u>	<u>861,310</u>	<u>174,583</u>	<u>1,468,422</u>
Financial assets measured at fair value through other comprehensive income				
Public and corporate bonds	3,976,333	2,405,823	26,963	6,409,119
Stocks	3,214,720	—	199,060	3,413,780
Other	7,838	—	—	7,838
Total	<u>7,198,891</u>	<u>2,405,823</u>	<u>226,023</u>	<u>9,830,736</u>
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative financial instruments	—	(456,257)	—	(456,257)
Total	<u>—</u>	<u>(456,257)</u>	<u>—</u>	<u>(456,257)</u>
	Yen in millions			
	March 31, 2024			
	Level 1	Level 2	Level 3	Total
Other financial assets:				
Financial assets measured at fair value through profit or loss				
Public and corporate bonds	105,367	106,169	10,208	221,743
Stocks	—	—	212,393	212,393
Derivative financial instruments	—	552,921	—	552,921
Other	288,071	265,103	—	553,174
Total	<u>393,438</u>	<u>924,193</u>	<u>222,601</u>	<u>1,540,232</u>
Financial assets measured at fair value through other comprehensive income				
Public and corporate bonds	4,245,238	4,013,583	20,962	8,279,783
Stocks	3,641,197	—	188,696	3,829,893
Other	11,537	—	—	11,537
Total	<u>7,897,972</u>	<u>4,013,583</u>	<u>209,658</u>	<u>12,121,213</u>
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative financial instruments	—	(432,189)	—	(432,189)
Total	<u>—</u>	<u>(432,189)</u>	<u>—</u>	<u>(432,189)</u>

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(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, 2023 and 2024:

	Yen in millions			
	For the year ended March 31, 2023			
	Public and corporate bonds	Stocks	Derivative financial instruments	Total
Balance at beginning of year	21,852	319,294	—	341,146
Total gains (losses)				
Net income (loss)	(71)	9,551	—	9,481
Other comprehensive income (loss)	—	(10,881)	—	(10,881)
Purchases and issuances	—	15,999	—	15,999
Sales and settlements	(3,716)	(14,055)	—	(17,771)
Transfer to (from) Level 3	5,471	(1,639)	—	3,832
Others	9,795	49,004	—	58,800
Balance at end of year	33,332	367,274	—	400,606
Unrealized gains or losses included in profit or loss on assets held at March 31	(63)	9,551	—	9,489
Total	(63)	9,551	—	9,489
	Yen in millions			
	For the year ended March 31, 2024			
	Public and corporate bonds	Stocks	Derivative financial instruments	Total
Balance at beginning of year	33,332	367,274	—	400,606
Total gains (losses)				
Net income (loss)	28	22,254	—	22,282
Other comprehensive income (loss)	—	(6,803)	—	(6,803)
Purchases and issuances	4,910	27,768	—	32,678
Sales and settlements	(6,155)	(971)	—	(7,126)
Transfer to (from) Level 3	21	—	—	21
Others	(967)	(8,432)	—	(9,399)
Balance at end of year	31,170	401,089	—	432,259
Unrealized gains or losses included in profit or loss on assets held at March 31	(40)	22,254	—	22,214
Total	(40)	22,254	—	22,214

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.

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“Others” includes foreign currency translation adjustments for the year ended March 31, 2023 and 2024.

(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, 2023				
		Fair value				
	Carrying amount	Level 1	Level 2	Level 3	Total	
Receivables related to financial services	24,770,851	—	—	24,741,916	24,741,916	
Interest-bearing liabilities						
Long-term debt (Including current portion)	24,333,981	—	18,598,205	5,149,410	23,747,616	
		Yen in millions				
		March 31, 2024				
		Fair value				
	Carrying amount	Level 1	Level 2	Level 3	Total	
Receivables related to financial services	31,694,359	—	—	31,787,879	31,787,879	
Interest-bearing liabilities						
Long-term debt (Including current portion)	30,611,253	—	23,941,863	6,261,858	30,203,722	

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, 2023			
	Gross amounts of recognized financial assets and financial liabilities	Amounts not offset		Net amount	
		Financial instruments	Collateral of financial instruments		
Other financial assets Derivatives	610,340	(196,423)	(206,087)	207,830	
Other financial liabilities Derivatives	456,257	(196,423)	(97,794)	162,040	

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	Yen in millions			
	March 31, 2024			
	Gross amounts of recognized financial assets and financial liabilities	Amounts not offset		Net amount
	Financial instruments	Collateral of financial instruments		
Other financial assets Derivatives	552,921	(94,647)	(130,363)	327,911
Other financial liabilities Derivatives	432,189	(94,647)	(52,497)	285,045

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.

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.

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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.

(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,			
	2023		2024	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Present value of defined benefit obligations:				
Benefit obligations at beginning of year	2,077,151	1,487,644	1,964,655	1,423,263
Current service cost	87,452	55,000	80,133	45,581
Interest cost	14,816	57,079	21,666	73,014
Remeasurements:				
Changes in demographic assumptions	2,707	30,743	850	1,337
Changes in financial assumptions	(120,279)	(258,990)	(74,816)	(16,818)
Other	(9,673)	18,248	(2,926)	2,222
Past service cost	(1,419)	3,405	418	(18)
Plan participants' contributions	1,523	3,575	1,143	3,835
Benefits paid	(87,624)	(60,614)	(90,283)	(64,789)
Effect of changes in exchange rates and other . . .	—	87,173	(2,501)	183,389
Benefit obligations at end of year	<u>1,964,655</u>	<u>1,423,263</u>	<u>1,898,339</u>	<u>1,651,016</u>
Fair value of plan assets:				
Plan assets at beginning of year	1,844,819	1,224,656	1,840,586	1,109,394
Interest income	13,576	48,386	21,377	73,033
Remeasurement				
Actual return on plan assets, excluding interest income	(8,619)	(216,474)	266,101	(30,407)
Employer contributions	32,682	16,421	47,459	18,252
Plan participants' contributions	1,523	3,575	1,143	3,835
Benefits paid	(43,397)	(34,017)	(47,610)	(34,845)
Effect of changes in exchange rates and other . . .	—	66,849	(579)	145,656
Plan assets at end of year	<u>1,840,586</u>	<u>1,109,394</u>	<u>2,128,476</u>	<u>1,284,918</u>
The impact of minimum funding requirement and asset ceiling	—	—	268,228	—
Net defined benefit liability (asset)	<u>124,069</u>	<u>313,869</u>	<u>38,092</u>	<u>366,098</u>

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The funded defined benefit obligations and the unfunded defined benefit obligations are as follows:

	Yen in millions			
	March 31,			
	2023		2024	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Funded defined benefit obligations	1,466,825	1,076,433	1,415,507	1,250,773
Plan assets	(1,840,586)	(1,109,394)	(2,128,476)	(1,284,918)
The impact of minimum funding requirement and asset ceiling	—	—	268,228	—
Subtotal	(373,761)	(32,961)	(444,741)	(34,145)
Unfunded defined benefit obligations	497,830	346,830	482,833	400,243
Total	124,069	313,869	38,092	366,098

The net defined benefit liability (asset) recognized in the consolidated statement of financial position are comprised of the following:

	Yen in millions			
	March 31,			
	2023		2024	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Retirement benefit liabilities	642,774	422,734	597,641	480,320
Other non-current assets (Retirement benefit assets)	(518,705)	(108,865)	(559,550)	(114,222)
Net amount recognized	124,069	313,869	38,092	366,098

(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,			
	2023		2024	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
	Discount rate	1.1%	5.0%	1.4%

(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.

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The following table summarizes the fair value of classes of plan assets.

	Yen in millions					
	March 31, 2023					
	Japanese plans			Foreign plans		
	Quoted prices in active markets			Quoted prices in active markets		
	Available	Not available	Total	Available	Not available	Total
Stocks	440,946	—	440,946	177,564	—	177,564
Government bonds	108,570	15	108,585	121,568	—	121,568
Bonds (other)	—	84,234	84,234	—	185,395	185,395
Commingled funds	—	492,915	492,915	—	394,228	394,228
Insurance contracts	—	209,261	209,261	—	—	—
Other	295,452	209,193	504,645	14,520	216,118	230,638
Total	<u>844,968</u>	<u>995,618</u>	<u>1,840,586</u>	<u>313,652</u>	<u>795,742</u>	<u>1,109,394</u>

	Yen in millions					
	March 31, 2024					
	Japanese plans			Foreign plans		
	Quoted prices in active markets			Quoted prices in active markets		
	Available	Not available	Total	Available	Not available	Total
Stocks	604,210	—	604,210	151,669	—	151,669
Government bonds	135,912	3	135,915	278,982	—	278,982
Bonds (other)	—	92,568	92,568	—	271,917	271,917
Commingled funds	—	521,388	521,388	—	399,742	399,742
Insurance contracts	—	236,216	236,216	—	—	—
Other	288,891	249,288	538,180	17,899	164,708	182,607
Total	<u>1,029,013</u>	<u>1,099,463</u>	<u>2,128,476</u>	<u>448,550</u>	<u>836,367</u>	<u>1,284,918</u>

“Other” consists of cash equivalents, other private placement investment funds and other assets.

(5) The impact of minimum funding requirement and asset ceiling

The impact of minimum funding requirement and asset ceiling is as follows:

	Yen in millions			
	For the years ended March 31,			
	2023		2024	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Beginning balance of the fiscal year	—	—	—	—
Interest income	—	—	—	—
Remeasurements:				
Change in asset ceiling excluding interest income	—	—	268,228	—
Translation adjustments	—	—	—	—
Ending balance of the fiscal year	<u>—</u>	<u>—</u>	<u>268,228</u>	<u>—</u>

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(6) 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,			
	2023		2024	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
0.5% decrease	153,466	237,478	144,307	119,443
0.5% increase	(131,275)	(234,242)	(118,737)	(113,734)

(7) Impact on future cash flow

Contributions to plan assets by TMC and some of its consolidated subsidiaries are determined by various factors such as employee salary levels and years of service, funded status of plan assets, and actuarial calculations. In addition, according to the rules of the defined benefit corporate pension law, the corporate pension fund system recalculates the amount of the balance every five years with the end date of the reporting period as the base date so that financial balance can be maintained in the future. TMC and some of its consolidated subsidiaries may make a necessary contribution if the reserve amount is below the minimum reserve amount.

In the following year (the year ending March 31, 2025), Toyota expects to contribute ¥45,860 million for Japanese plans and ¥16,493 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
2025	87,572	69,611
2026	89,462	75,552
2027	92,801	80,562
2028	97,610	86,599
2029	95,501	90,578
From 2030 to 2034	462,384	508,984
Total	925,330	911,886

(8) 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.

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(9) 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, 2022, 2023 and 2024 are ¥3,550,882 million, ¥3,985,518 million and ¥4,385,112 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.

The net change in liabilities for quality assurance above for the years ended March 31, 2022, 2023 and 2024 consist of the following:

	Yen in millions		
	For the years ended March 31,		
	2022	2023	2024
Liabilities for quality assurance at beginning of year	1,482,872	1,555,711	1,686,357
Additional provisions	362,180	400,419	489,967
Utilization	(278,094)	(229,623)	(340,872)
Reversals	(32,124)	(59,758)	(37,664)
Other	20,877	19,608	38,526
Liabilities for quality assurance at end of year	<u>1,555,711</u>	<u>1,686,357</u>	<u>1,836,314</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, 2022, 2023 and 2024.

	Yen in millions		
	For the years ended March 31,		
	2022	2023	2024
Liabilities for recalls and other safety measures at beginning of year . . .	1,093,689	1,171,213	1,194,156
Additional provisions	245,542	231,874	288,278
Utilization	(165,482)	(178,124)	(188,902)
Reversals	(9,389)	(35,643)	(31,248)
Other	6,853	4,836	9,406
Liabilities for recalls and other safety measures at end of year	<u>1,171,213</u>	<u>1,194,156</u>	<u>1,271,690</u>

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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,	
	2023	2024
Toyota Motor Corporation Shareholders' equity	28,338,706	34,220,991
Short-term and long-term debt	29,380,273	36,561,780

(2) Number of shares

As of March 31, 2022, 2023 and 2024, the total number of authorized shares of TMC's common stock was 50,000,000,000.

The changes in the shares of common stock issued are as follows:

	For the years ended March 31,		
	2022	2023	2024
Common stock issued:			
Balance at beginning of year	3,262,997,492	16,314,987,460	16,314,987,460
Changes during the year	13,051,989,968	—	—
Balance at end of year	16,314,987,460	16,314,987,460	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 2,536,685,916, 2,749,807,731 and 2,840,815,433 as of March 31, 2022, 2023 and 2024, 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

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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 ¥13,434,394 million and ¥16,723,895 million as of March 31, 2023 and 2024, 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, 2024 include ¥3,686,124 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, 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

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

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For the year ended March 31, 2023

Repurchase of treasury stock

1) 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	44,114,900 shares
Total purchase price for repurchase of shares	¥95,392 million

2) Repurchasing of treasury stock resolved at the Board of Directors meeting held on May 11, 2022 and November 1, 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	169,429,000 shares
Total purchase price for repurchase of shares	¥335,685 million

For the year ended March 31, 2024

Repurchase of treasury stock

1) Repurchasing of treasury stock resolved at the Board of Directors meeting held on May 10, 2023

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	64,590,700 shares
Total purchase price for repurchase of shares	¥150,000 million

2) Repurchasing of treasury stock resolved at the Board of Directors meeting held on November 1, 2023

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.

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Details of matters relating to repurchase -

Number of common shares repurchased	26,880,600 shares
Total purchase price for repurchase of shares	¥81,037 million

(5) Other components of equity

Other components of equity are as follows:

	Yen in millions			
	Net changes in revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange differences on translating foreign operations	Total
Balance at April 01, 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
Other comprehensive income, net of tax	(105,435)	82,020	851,129	827,713
Reclassification to retained earnings ...	(94,233)	(72,598)	—	(166,831)
Other comprehensive income for the period attributable to non-controlling interests	(1,300)	(9,422)	(17,219)	(27,941)
Balance at March 31, 2023	933,702	—	1,902,493	2,836,195
Other comprehensive income, net of tax	716,048	56,434	1,344,621	2,117,103
Reclassification to retained earnings ...	(341,709)	(45,625)	—	(387,334)
Other comprehensive income for the period attributable to non-controlling interests	(7,186)	(10,809)	(44,213)	(62,208)
Balance at March 31, 2024	1,300,855	—	3,202,901	4,503,756

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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, 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	<u>1,106,184</u>	<u>36,945</u>	<u>1,143,129</u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions		
	For the year ended March 31, 2023		
	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	144,160	(44,936)	99,223
Net changes	144,160	(44,936)	99,223
Remeasurements of defined benefit plans			
Amount incurred during the year	112,151	(46,998)	65,153
Net changes	112,151	(46,998)	65,153
Shares of other comprehensive income of equity method investees			
Amount incurred during the year	(77,148)	—	(77,148)
Net changes	(77,148)	—	(77,148)
Items that may be reclassified subsequently to profit (loss)			
Exchange differences on translating foreign operations			
Amount incurred during the year	676,042	—	676,042
Reclassification to profit (loss)	—	—	—
Net changes	676,042	—	676,042
Net changes in revaluation of financial assets measured at fair value through other comprehensive income			
Amount incurred during the year	(165,477)	49,738	(115,738)
Reclassification to profit (loss)	—	—	—
Net changes	(165,477)	49,738	(115,738)
Shares of other comprehensive income of equity method investees			
Amount incurred during the year	180,181	—	180,181
Reclassification to profit (loss)	—	—	—
Net changes	180,181	—	180,181
Total other comprehensive income	869,909	(42,196)	827,713

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions		
	For the year ended March 31, 2024		
	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	806,365	(248,826)	557,539
Net changes	<u>806,365</u>	<u>(248,826)</u>	<u>557,539</u>
Remeasurements of defined benefit plans			
Amount incurred during the year	57,616	(11,289)	46,328
Net changes	<u>57,616</u>	<u>(11,289)</u>	<u>46,328</u>
Shares of other comprehensive income of equity method investees			
Amount incurred during the year	156,118	—	156,118
Net changes	<u>156,118</u>	<u>—</u>	<u>156,118</u>
Items that may be reclassified subsequently to profit (loss)			
Exchange differences on translating foreign operations			
Amount incurred during the year	1,178,875	—	1,178,875
Reclassification to profit (loss)	—	—	—
Net changes	<u>1,178,875</u>	<u>—</u>	<u>1,178,875</u>
Net changes in revaluation of financial assets measured at fair value through other comprehensive income			
Amount incurred during the year	33,256	(10,459)	22,797
Reclassification to profit (loss)	(15,267)	4,717	(10,550)
Net changes	<u>17,989</u>	<u>(5,742)</u>	<u>12,247</u>
Shares of other comprehensive income of equity method investees			
Amount incurred during the year	182,576	—	182,576
Reclassification to profit (loss)	(16,579)	—	(16,579)
Net changes	<u>165,996</u>	<u>—</u>	<u>165,996</u>
Total other comprehensive income	<u><u>2,382,959</u></u>	<u><u>(265,856)</u></u>	<u><u>2,117,103</u></u>

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(7) Dividends

The paid dividend amounts are as follows:

For the year ended March 31, 2022

<u>Resolution</u>	<u>Type of shares</u>	<u>Total amount of dividends (yen in millions)</u>	<u>Dividend per share (yen)</u>	<u>Record date</u>	<u>Effective date</u>
The Board of Directors Meeting on May 12, 2021	Common shares	377,453	135.00	March 31, 2021	May 28, 2021
The Board of Directors Meeting on November 4, 2021	Common shares	332,419	120.00	September 30, 2021	November 25, 2021

On October 1, 2021, TMC effected a five-for-one stock split of its common stock to shareholders. “Dividend per share” presents the amount prior to the stock split.

For the year ended March 31, 2023

<u>Resolution</u>	<u>Type of shares</u>	<u>Total amount of dividends (yen in millions)</u>	<u>Dividend per share (yen)</u>	<u>Record date</u>	<u>Effective date</u>
The Board of Directors Meeting on May 11, 2022	Common shares	385,792	28.00	March 31, 2022	May 27, 2022
The Board of Directors Meeting on November 1, 2022	Common shares	342,187	25.00	September 30, 2022	November 22, 2022

For the year ended March 31, 2024

<u>Resolution</u>	<u>Type of shares</u>	<u>Total amount of dividends (yen in millions)</u>	<u>Dividend per share (yen)</u>	<u>Record date</u>	<u>Effective date</u>
The Board of Directors Meeting on May 10, 2023	Common shares	474,781	35.00	March 31, 2023	May 26, 2023
The Board of Directors Meeting on November 1, 2023	Common shares	405,416	30.00	September 30, 2023	November 22, 2023

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, 2024

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, 2024	Common shares	606,338	45.00	March 31, 2024	May 24, 2024

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		
	2022	2023	2024
Sales of products			
Automotive			
Vehicles	23,739,442	28,394,256	35,249,865
Parts and components for production	1,504,215	1,710,422	1,596,111
Parts and components for after service	2,407,143	2,866,196	3,166,586
Other	881,193	805,995	1,068,169
Total automotive	28,531,993	33,776,870	41,080,731
All other	541,436	590,749	567,399
Total sales of products	29,073,428	34,367,619	41,648,130
Financial services	2,306,079	2,786,679	3,447,195
Total sales revenues	31,379,507	37,154,298	45,095,325

The majority of sales of products are revenues recognized from contracts with customers under IFRS 15 “Revenue from Contracts with Customers” (“IFRS 15”), and receivables related to such revenues are recognized as “Trade accounts and other receivables”.

The breakdown of income from leases included in financial service revenues is as follows:

	Yen in millions		
	For the years ended March 31,		
	2022	2023	2024
Finance leases			
Financial income related to net lease investment	134,512	164,820	208,257
Operating leases	1,093,545	1,169,018	1,207,719
Total	1,228,057	1,333,838	1,415,975

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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, 2022, 2023 and 2024 ¥138,718 million, ¥166,220 million and ¥187,035 million of financial service revenues were accounted for under IFRS 15.

(2) Contract liabilities

Contract liabilities consist of the following:

	Yen in millions		
	April 1, 2022	March 31,	
		2023	2024
Contract liabilities	989,959	1,068,212	1,392,390

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, 2023 and 2024, the amounts transferred from contract liabilities at the beginning of the fiscal year to sales revenue were ¥529,016 million and ¥577,917 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 ¥834,624 million and ¥1,038,630 million as of March 31, 2023 and 2024, 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, 2023, the unsatisfied performance obligations related to insurance revenues were ¥352,239 million, and Toyota expected to recognize as revenue ¥101,392 million in fiscal 2024, and ¥250,847 million thereafter. As of March 31, 2024, the unsatisfied performance obligations related to insurance revenues were ¥433,218 million, and Toyota expects to recognize as revenue ¥125,303 million in fiscal 2025, and ¥307,914 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,		
	2022	2023	2024
Research and development expenditures incurred during the year	1,124,262	1,241,686	1,202,373
Amount capitalized	(200,512)	(181,634)	(124,788)
Amortization of capitalized development costs	167,926	164,512	160,686
Total	<u>1,091,675</u>	<u>1,224,564</u>	<u>1,238,271</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,		
	2022	2023	2024
Other finance income			
Interest income			
Financial assets measured at amortized cost	16,920	101,737	289,035
Financial assets measured at fair value through other comprehensive income	84,592	132,365	165,653
Dividend income			
Financial assets measured at fair value through other comprehensive income	94,833	109,308	127,178
Other	138,416	35,939	165,370
Total	<u>334,760</u>	<u>379,350</u>	<u>747,236</u>
Other finance costs			
Interest expense			
Financial liabilities measured at amortized cost	(32,458)	(47,356)	(64,733)
Other	(11,539)	(77,757)	(38,975)
Total	<u>(43,997)</u>	<u>(125,113)</u>	<u>(103,709)</u>

The increase in “Other finance income—Other” was due mainly to an increase during fiscal 2024 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>Thousands of shares</u>	<u>Yen</u>
	<u>Net income attributable to Toyota Motor Corporation</u>	<u>Weighted-average common shares</u>	<u>Earnings per share attributable to Toyota Motor Corporation</u>
For the year ended March 31, 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>
For the year ended March 31, 2023			
Net income attributable to Toyota Motor Corporation	2,451,318	_____	_____
Basic earnings per share attributable to Toyota Motor Corporation	2,451,318	13,658,382	179.47
Effect of dilutive securities			
Model AA Class Shares	—	—	_____
Diluted earnings per share attributable to Toyota Motor Corporation	<u>2,451,318</u>	<u>13,658,382</u>	<u>179.47</u>
For the year ended March 31, 2024			
Net income attributable to Toyota Motor Corporation	4,944,933	_____	_____
Basic earnings per share attributable to Toyota Motor Corporation	4,944,933	13,512,848	365.94
Effect of dilutive securities			
Model AA Class Shares	—	—	_____
Diluted earnings per share attributable to Toyota Motor Corporation	<u>4,944,933</u>	<u>13,512,848</u>	<u>365.94</u>

In addition to the disclosure requirements under IFRS Accounting Standards, 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>
	<u>Toyota Motor Corporation shareholders' equity</u>	<u>Common shares issued and outstanding at the end of the year (excluding treasury stock)</u>	<u>Toyota Motor Corporation shareholders' equity per share</u>
As of March 31, 2023	28,338,706	13,565,180	2,089.08
As of March 31, 2024	34,220,991	13,474,172	2,539.75

“Diluted earnings per share attributable to Toyota Motor Corporation” equals “Basic earnings per share attributable to Toyota Motor Corporation” for the years ended March 31, 2023 and 2024, because there were no potential dilutive shares during such periods.

30. Contractual commitments and contingent liabilities

(1) Contractual commitments

Contractual commitments relating to purchase of property, plant and equipment, other assets, and services are ¥522,336 million and ¥4,712,085 million as of March 31, 2023 and 2024.

(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, 2024, 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 ¥3,600,631 million and ¥3,310,990 million as of March 31, 2023 and 2024. Liabilities for guarantees totaling ¥16,759 million and ¥11,851 million have been provided as of March 31, 2023 and 2024. 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. The actions against Toyota in Brazil and Argentina are being litigated.

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. Toyota received an unfavorable judgment both in the court of first instance on April 7, 2022 and in the appeal court on March 27, 2023. The judgments included a finding that there was a perceived reduction in vehicle value of certain vehicle models. Toyota disagrees with the judgments and has filed an application for a further 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 Toyota should record in the consolidated financial statements as a result of the aforementioned

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

judgments, Toyota has considered various factors including the legal and factual circumstances of the case, the contents of the judgments, 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.

In April 2020, Toyota reported possible anti-bribery violations related to a Thai subsidiary to the SEC and the Department of Justice ("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 August 31, 2024.

31. Details of company organization

(1) Major subsidiaries

Toyota primarily conducts business in the automotive industry. Toyota also conducts business in finance and other industries.

Toyota's major subsidiaries are as follows:

Automobiles are mainly manufactured by TMC, Hino Motors Ltd. and Daihatsu Motor Co., Ltd., but some of them are outsourced in Japan. Toyota Motor Manufacturing Kentucky, Inc. and others manufacture overseas.

Auto parts are manufactured by TMC and others. These products are sold through dealers such as TOYOTA Mobility Tokyo Inc. in Japan, and through dealers such as Toyota Motor Sales, U.S.A., Inc. overseas.

In the financing business, Toyota Finance Corporation and others provide sales finance services in Japan and Toyota Motor Credit Corporation and others overseas.

Other business consists of information technology-related businesses and other businesses.

(2) Structured entities

(i) Consolidated structured entities

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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, ¥5,037,203 million and ¥6,257,786 million receivables related to financial services, ¥5,245,195 million and ¥6,371,509 million secured debt were included in Toyota's consolidated financial statements as of March 31, 2023 and 2024, 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 ¥17,217 million and ¥92,875 million as of March 31, 2023 and 2024, respectively. The carrying value of the special purpose entities totaled ¥784,826 million and ¥1,911,621 million as of March 31, 2023 and 2024, 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,	
	2023	2024
Trade accounts and other receivables		
Associates	447,400	464,728
Joint ventures	85,275	145,077
Total	532,674	609,805
Trade accounts and other payables		
Associates	1,459,209	1,423,147
Joint ventures	695	9,668
Total	1,459,904	1,432,815

	Yen in millions		
	For the years ended March 31,		
	2022	2023	2024
Sales revenues			
Associates	1,948,681	2,821,963	3,137,067
Joint ventures	413,703	722,278	662,202
Total	2,362,384	3,544,240	3,799,268
Cost of products sold (purchases)			
Associates	7,946,788	9,891,804	12,426,770
Joint ventures	308	59,703	75,042
Total	7,947,095	9,951,507	12,501,811

Dividends from associates and joint ventures accounted for under the equity method are ¥349,632 million and ¥460,008 million for the years ended March 31, 2023 and 2024, respectively. In addition, Toyota does not engage in transactions with associates and joint ventures outside of the normal course of business.

(2) Transactions with other related parties

For the year ended March 31, 2024, TMC acquired shares of TMC's consolidated subsidiary, Woven by Toyota, Inc., from Akio Toyoda, Chairman of the Board of Directors of TMC, for a total acquisition price of ¥5,169 million.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(3) Compensation of key management

The compensation for the directors and audit & supervisory board members of TMC is as follows:

	Yen in millions		
	For the years ended March 31,		
	2022	2023	2024
Base compensation	1,083	1,226	1,107
Bonus	196	397	1,054
Share compensation	772	808	1,862
Total	2,051	2,430	4,024

33. Supplemental cash flow information

“Other, net” in cash flows from investing activities includes a net decrease in time deposits of ¥307,970 million and a net increase in time deposits of ¥1,395,707 million for the year ended March 31, 2023 and 2024, respectively.

34. Significant subsequent events

Repurchase of shares -

At the Meeting of the Board of Directors held on May 8, 2024, TMC resolved to repurchase its common shares pursuant to Article 156 of the Companies Act of Japan (the “Companies Act”) as applied to Article 165, Paragraph 3 of the Companies Act, as set forth below.

Reason for repurchasing shares

TMC will flexibly repurchase its common stock while considering factors such as the price level of its common stock. In addition, TMC will use such means to respond to requests for the sale of its own shares as needed in the future.

Details of matters relating to repurchase

Class of stock to be repurchased	Common stock of TMC
Number of shares to be repurchased	410,000,000 shares (maximum)
Total purchase price for repurchase of shares	¥1,000,000 million (maximum)
Period of repurchase	From May 9, 2024 to April 30, 2025

Retirement of treasury stock -

At the Meeting of the Board of Directors held on May 8, 2024, TMC resolved to retire its treasury stock pursuant to Article 178 of the Companies Act. TMC has completed the retirement of treasury stock on May 9, 2024.

Reason for retiring treasury stock

To relieve concerns regarding the dilution of TMC’s share value due to disposition of treasury stock in the future.

TOYOTA MOTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Details of matters relating to retirement

Class of stock retired	Common stock of TMC
Number of shares retired	520,000,000 shares
Date of retirement	May 9, 2024

ITEM 19. EXHIBITS

Index to Exhibit

- 1.1 Amended and Restated Articles of Incorporation of the Registrant (English translation) (incorporated by reference to Exhibit 1.1 to Toyota’s Annual Report on Form 20-F for the fiscal year ended March 31, 2022, filed with the SEC on June 23, 2022 (file no. 001-14948))
- 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, 2023, filed with the SEC on June 30, 2023 (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 depository, 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 (incorporated by reference to Exhibit 2.5 to Toyota’s Annual Report on Form 20-F for the fiscal year ended March 31, 2022, filed with the SEC on June 23, 2022 (file no. 001-14948))
- 8.1 List of Principal Subsidiaries (See “Organizational Structure” in “Item 4. Information on the Company”)
- 11.1 Code of Ethics of the Registrant applicable to its members of the board of directors and operating officers, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions (English translation) (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
- 15.1 Consent of Independent Registered Public Accounting Firm
- 19.1 Insider Trading Policy of the Registrant
- 97.1 Clawback Policy of the Registrant
- 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,
 2024, 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 25, 2024

For reference purpose only

(TRANSLATION)

**REGULATIONS OF
THE BOARD OF DIRECTORS
OF
TOYOTA MOTOR CORPORATION**

Established: February 27, 1952
As last amended on June 3, 2024
(Aa004-29)

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 3, 2024.

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 senior professional / senior management (*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:

<u>Classifications</u>	<u>Items</u>	<u>Relevant Articles of Applicable Law</u>
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
	Issuance of new shares	Article 201
	Disposition of the Company’s own shares	Article 201

<u>Classifications</u>	<u>Items</u>	<u>Relevant Articles of Applicable Law</u>
	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
	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:	<p>Business Plan (profit planning, Hoshin Guideline, etc.)</p> <p>Important business alliances and important joint ventures</p> <p>Launching of new projects</p> <p>Short-form and simplified corporate splits</p> <p>Short-form and simplified share exchanges</p> <p>Simplified acquisition of an entire business of another company</p> <p>Approval of interim and quarterly accounts</p> <p>Approval of consolidated accounts (including interim and quarterly accounts)</p> <p>Decision on filing a lawsuit or an appeal, or closing an important dispute</p> <p>Other important matters</p>
Personnel affairs; organization:	<p>Assumption of office of executives in other companies (excluding the company's subsidiaries, in the case of new offices in listed companies only) by Members of the Board of Directors (excluding Outside Members of the Board of Directors), Operating Officers, and the head of group, in-house company and any other organization similar thereto</p> <p>Assumption of office of executives in important associations (in the case of new offices only) by Members of the Board of Directors (excluding Outside Members of the Board of Directors), Operating Officers, and the head of group, in-house company and any other organization similar thereto</p> <p>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</p> <p>Treatment and discipline relating to Members of the Board of Directors and Operating Officers</p> <p>Appointment and removal of Operating Officers</p> <p>Appointment and removal of Senior Technical Executive (<i>gikan</i>) and Advisor (<i>komon</i>)</p> <p>Approval of Operating Officers' competing transactions</p> <p>Approval of Operating Officers' transactions for their own account</p> <p>Approval of Operating Officers' transactions involving conflict of interests</p> <p>Changes in important working conditions</p> <p>Other important matters</p>
Production; Sales; Technology development:	<p>Long-term or annual production, shipment or sales plans</p> <p>Long-term or annual equipment plans</p> <p>Licensing, acquisition or transfer of important intellectual property rights</p> <p>Other important matters</p>
Group management:	<p>Incorporation, dissolution, acquisition and transfer of subsidiaries</p> <p>Important group managerial matters</p> <p>Other important matters</p>
Others:	<p>Other important managerial matters</p> <p>(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)</p>

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 introduction / change of vehicle models 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
6 Donations (excluding those via Japan Automobile Manufacturers Association, Inc.)	2,000,000,000 Yen or more per transaction 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

<u>Items</u>	<u>Standard</u>
(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
<hr/>	
(*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 exclusion items of “Capital investment”	Transactions to change the structure of business (establishment of new plants, etc), or more than 1% of consolidated net worth amount (minimum amount in the past three years) per transaction are mandatory.

Appendix 2

<u>Items</u>	<u>Standard</u>
(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

<u>Items</u>	<u>Standard</u>
(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) 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

<u>Items</u>	<u>Standard</u>
(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

<u>Items</u>	<u>Standard</u>
(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)

Items

Standard

(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.

(1) Report of the execution status of business:

Improve contents of report to the supervision side while enhancing the decision-making process by operating officers

- (1) Progress of important investment in new businesses and risk taking status shall be reported as appropriate
- (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)
- (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.)

CERTIFICATIONS

I, Koji Sato, 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-15I 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 25, 2024

/s/ Koji Sato

Koji Sato
Chief Executive Officer, Member of the Board of Directors
Toyota Motor Corporation

CERTIFICATIONS

I, Yoichi Miyazaki, 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 25, 2024

/s/ Yoichi Miyazaki

Yoichi Miyazaki
Chief Financial Officer, 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, 2024 (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/ Koji Sato

Name: Koji Sato
Title: Chief Executive Officer, Member of the Board of Directors

Date: June 25, 2024

By: _____ /s/ Yoichi Miyazaki

Name: Yoichi Miyazaki
Title: Chief Financial Officer, Member of the Board of Directors

Date: June 25, 2024

(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.)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form F-3 (No. 333-265811) of Toyota Motor Corporation of our report dated June 25, 2024 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Japan LLC
Nagoya, Japan
June 25, 2024

Internal Rules Relating to
Insider Trading Regulations

<< Please keep the following points in mind when purchasing or selling shares or other securities >>

- (1) Please consult with the Secretarial Division before purchasing or selling shares or other securities of the Company or its listed subsidiaries.
- (2) Please inform the securities company where you purchase or sell shares or other securities that you are an “officer of Toyota Motor Corporation.”

Amended March 2022

Secretariat, Secretarial Division
Capital Strategy & Affiliated Companies Finance Division
Legal Department

Introduction – Background to Insider Trading Regulations

- **Insider trading** is the act of a company insider or any other related party to **trade shares or other securities** using knowledge of non-public material facts etc. known only to company insiders (i.e., facts that are likely to have an impact on the stock price of the company if the facts are made public), that is, by **taking advantage of the information gap between the company insider and general investors** (for the definitions and description related to insider trading, see the following pages and beyond).
- The 2013 amendments to the Financial Instruments and Exchange Act (the “FIEA”), which took effect in April 2014, introduced new regulations that prohibit any company insider from disclosing non-public material facts etc. of the company (communicating information) or recommending the purchase and sale of shares and other securities of the company (recommending trades) to a third party for such purposes as having the third party gain profits, even if the company insiders themselves do not engage in insider trading, as those acts would encourage insider trading.
- Insider trading is strictly regulated by law in many countries around the world as an extremely malicious act (i.e., crime) (and of course in Japan, the U.S. and the United Kingdom, where Toyota’s stock is listed). Moreover, insider trading **usually results in not only criminal and administrative penalties** for the trader and the company to which the trader belongs, **but also various social and moral sanctions** (the name of the company may be spoken of for years in a disgraceful manner, as in the “Company XX case”). Similarly, even a mere “suspicion” of insider trading can cause significant damage to the trader and the company to which the trader belongs.
- The primary reason for prohibiting insider trading is to **“ensure transparency and fairness in the securities markets.”** Since the securities market is a place to collect funds widely from the public and conduct open and fair transactions, transparency and fairness are strongly required. In order to ensure market transparency, fairness, and confidence in the market, it is essential to strictly regulate insider trading, which is an act of deception against general investors.
- Therefore, we ask that you read these “Internal Rules” carefully, understand the purpose and outline of the insider trading regulations accurately, and when trading shares or other securities, comply with laws and regulations and follow appropriate procedures.

1. Insider Trading

Insider trading is the act of a “company insider etc.” to “purchase or sell etc.” “shares or other securities” of a listed company etc. with knowledge of “material facts etc.” relating to the listed company etc.’s business etc. before such material facts etc. are “made public” (insider trading is prohibited because if a company insider uses “material facts etc.,” the company insider may do so at advantage over general investors, which is unfair and inequitable). “Persons affiliated with a tender offeror etc.” are also prohibited from purchasing or selling etc. shares of a (listed) target company with knowledge of a “fact of a tender offer etc.” before such fact is “made public.” The act of a person who is in possession of material facts etc. providing material facts etc. (communicating information) or recommending purchase or sale etc. of securities to a third party (recommending trades) before such material facts etc. are made public for purposes of having a third party gain profits or avoid losses through causing them to purchase or sell etc. shares or other securities is also prohibited by insider trading regulations.

2. Company Insiders etc.

Under the FIEA, insider trading regulations apply if a person who falls under the category of “company insiders etc.” becomes aware of prescribed “material facts etc.” in relation to his or her duties. In other words, only the persons who have a certain relationship with the company are subject to insider trading regulations.

For “company insiders etc.,” please see the table below.

Company insider	①	An officer or employee of a listed company (including its parent and subsidiaries; hereinafter the same)
	②	A shareholder or similar right holder owning 3% or more of the issued shares of a listed company
	③	A person who has statutory authority over a listed company (e.g., public official who has authority to grant licenses and approvals to the listed company)
	④	A person who has concluded, or is in negotiations to conclude, a contract with a listed company (including an officer or employee of such a person, if such a person is a corporation)
	⑤	[If ② or ④ is a corporation] Another officer or employee who belongs to the same corporation
Former company insider	A person who has ceased to be a company insider within one year (only with respect to the information that the person came to know while the person was a company insider)	
Information recipient	A person who has received information directly from a company insider or a former company insider [If the information recipient has received information in the course of his or her duty and belongs to a corporation] Another officer or employee who belongs to the same corporation	

Furthermore, the following persons are also subject to the insider trading regulations.

- ① A person who is affiliated with a tender offeror etc. (including officers and employees of the target company and a person who was affiliated with a tender offeror etc. (i.e., who has ceased to be a person who is affiliated with a tender offeror etc. within the past six months)
- ② An officer or employee of a listed investment corporation (J-REIT) that has issued investment securities and its asset management company and an investor investing in those investment securities and a person who has ceased to be such officer, employee or investor within the past year
- ③ A person who has received information from a person set forth in ① and ② above

3. Material Facts etc.

Under the FIEA, the act of purchasing or selling etc. shares or other securities with knowledge of non-public ‘material facts’ or ‘facts of a tender offer etc.’ (collectively, “material facts etc.”) constitutes a violation of the insider trading regulations. “Material facts” include the following (note that the following is not an exhaustive list; see also the “Criteria for information that should be treated as a material fact under the insider trading regulations” in the attached “Criteria for information that should be treated as a material fact by the Disclosure Committee”).

Item	Numeric criterion
(1) Damage resulting from natural disasters or business operations	<ul style="list-style-type: none"> • If the amount of damage is expected to account for 3% or more of net assets as of the end of the most recent fiscal year
(2) Business alliance (or dissolution of business alliance)	<p>(e.g., establishing a new joint venture)</p> <ul style="list-style-type: none"> ① If the Company's sales are expected to increase by 10% or more per year from the most recently ended fiscal year within three fiscal years ② If the new joint venture's sales multiplied by the Company's investment ratio are expected to account for 10% or more of the Company's sales for the most recently ended fiscal year within three fiscal years ③ If the new joint venture's total assets multiplied by the Company's investment ratio as of the end of any of the three fiscal years are expected to account for 30% or more of the Company's net assets as of the end of the most recently ended fiscal year
(3) Solicitation of persons subscribing shares and stock acquisition rights (including bonds with stock acquisition rights)	<ul style="list-style-type: none"> • If the total payment value is expected to be 100 million yen or more
(4) Information on financial results (and revised earnings forecast)	<p>(e.g., compared to the most recently disclosed earnings forecast)</p> <ul style="list-style-type: none"> (a) Sales: increase or decrease by 10% or more (b) Ordinary income: increase or decrease by 30% or more with an increase or decrease in the greater of net assets or shareholders' equity as of the end of the previous period by 5% or more (c) Net income: increase or decrease by 30% or more with an increase or decrease in the greater of net assets or shareholders' equity as of the end of the previous period by 2.5% or more
(5) Increase or decrease of dividends	<ul style="list-style-type: none"> • The amount of the dividend increases or decreases by 20% or more from the previous period (both full year and interim).
(6) Merger, company split, and transfer/acquisition of business	<ul style="list-style-type: none"> ① If sales for the current or following fiscal year are expected to increase or decrease by 10% or more from the most recently ended fiscal year ② If total assets are expected to increase or decrease by 30% or more of net assets as of the end of the most recently ended fiscal year (excluding mergers with a wholly owned subsidiary and acquisitions of business from a wholly owned subsidiary)

Item	Numeric criterion
(7) Share split	<ul style="list-style-type: none"> • If the number of shares increased as a result of a stock split account for 10% or more
(8) Dissolution of a subsidiary	<ul style="list-style-type: none"> ① If total assets presented in the consolidated financial statements are expected to decrease by 30% or more of net assets as of the end of the most recently ended fiscal year ② Sales presented in the consolidated financial statements for the current and following fiscal years are expected to decrease by 10% or more from the most recently ended fiscal year

- * Please note that, in addition to the facts listed above and in Appendix, the material facts concerning the operations, business, or assets of the listed company, and which would naturally encourage or discourage an ordinary investor to purchase or sell shares or other securities of the company if the ordinary investor becomes aware of such facts, are widely considered to be “material facts” (so-called the basket clause).

(Note) The Company will in principle determine whether a fact constitutes or does not constitute a “material facts etc.” in accordance with the FIEA as described above. However, under U.S. and UK law, there are no clear criteria for this, and determination is made on a case-by-case basis according to the abstract criteria of whether the fact has a material impact on investors’ investment decisions or whether the fact has a material impact on the price of the company’s securities in the market.

- * It also constitutes insider trading if a person who is affiliated with a tender offeror etc. (including a person who was formerly affiliated with a tender offeror etc. and an information recipient) purchases or sells shares of a (listed) target company with knowledge of ① the fact that the target company will be subject to a tender offer and/or ② the fact that a tender offer to purchase the shares of that listed target company which are equivalent to 5% or more of the total voting rights of that company will be made (① and ② are collectively referred to as the “fact of a tender offer etc.”) before the publication of such facts.

4. Publication

The Company deems “material facts etc.” to have been made public when 24 hours* have elapsed from any of the following times.

- ① When a representative director or a person who has been delegated by a representative director (e.g., general manager of the Public Affairs Division) officially announces material facts etc. to at least two media outlets (e.g., general newspaper publishers and Japan Broadcasting Corporation (NHK))
- ② When the Company notifies material facts etc. to the financial instruments exchanges on which it is listed (e.g., Tokyo Stock Exchange (“TSE”)), and the material facts are made public on the websites of the financial instruments exchanges via TDnet (timely disclosure network system operated by TSE)
- ③ When annual securities reports, semiannual securities reports, extraordinary reports and other similar reports containing the matters related to material facts etc. are submitted to the Prime Minister and made public on EDINET (electronic corporate disclosure system operated by the Financial Services Agency).

- * As the Company’s stock is also listed on the stock exchanges in New York and London, we place importance on ensuring that material information is fully disseminated in the overseas

markets, and in consideration of the time difference between the Japan market and the London and New York markets, the time of lifting the trading restrictions is set at “24 hours after each publication/announcement,” which is stricter than the rules under the FIEA*. However, when either the London Stock Exchange or the New York Stock Exchange is closed for business (e.g., holiday or trading halt), we may ask you to refrain from trading even after 24 hours have elapsed.

* <Reference>

Under the FIEA, information is deemed to have been made public at any of the following times.

- ① When the period of 12 hours, which is for the disclosed material facts to be made known, has elapsed since a representative director or another officer or a person who has been delegated by a representative director or another officer officially announced material facts to at least two media outlets (e.g., general newspaper publishers and Japan Broadcasting Corporation (NHK))
- ② When the Company notifies material facts to the financial instruments exchanges on which it is listed (e.g., Tokyo Stock Exchange (“TSE”)), and subsequently the material facts are made public by the financial instruments exchanges using electronic or magnetic means (e.g., via TDnet) pursuant to the provisions of the Cabinet Office Order
- ③ When annual securities reports, semiannual securities reports, extraordinary reports and other similar reports containing the matters related to material facts are made available for public inspection (including via EDINET)

5. Shares and Other Securities

“Shares and other securities” include the following securities.

- a. Shares, stock acquisition rights, bonds with share options, and other similar securities listed in Japan
- b. Bonds with stock acquisition rights and other similar securities issued overseas by companies listed in Japan
- c. Unlisted share options, bonds, and other similar securities issued by companies listed in Japan
- d. Shares, ADSs*, bonds with stock acquisition rights, and other similar securities listed overseas

* ADSs, or American depository shares, are a type of shares traded primarily on the U.S. securities market. In Toyota’s case, one ADS is equivalent to 10 shares of common stock of the Company, and the purchasers of ADSs are issued ADRs, or American depository receipts (indicating that they are beneficial owner of shares).

The securities subject to insider trading regulations also include depository receipts (DRs) that represent rights in listed shares and other securities, securities that represent options on listed shares and other securities (covered warrants), exchangeable bonds with an option to exchange the bonds for the stock of a listed company other than the issuer (EB bonds), beneficiary certificates of investment trusts that invest only in shares and other securities, and investment securities of investment corporations.

6. Purchase and Sale etc.

“Purchase and sale etc.” mean a purchase, sale, or other transfer or acquisition for value (whether in or out of a financial instruments exchange market). “Purchase and sale etc.” include not only a purchase and sale but also transactions such as exchange, payment in lieu, and contribution in kind, as long as ownership is transferred for value. In addition, securities index futures, securities options, foreign market securities futures, and securities over-the-counter derivatives transactions are also subject to insider trading regulations.

7. Acts of Communicating Information and Recommending Trades to Third Parties

The following acts are prohibited as the acts of communicating information and recommending trades to a third party, which encourage insider trading.

- ① A “company insider etc.”
- ② who is in possession of non-public “material facts etc.” of a listed company,
- ③ for purposes of having a third party gain profits or avoid losses,
- ④ provides “material facts etc.” (communicating information) or recommends purchase or sale of securities to a third party (recommending trades).

* Any acts that are conducted for legitimate business purposes are basically exempt from insider trading regulations as they are typically not conducted for the purpose of having a third party gain profits or avoid losses. Such exempted acts include information exchange and sharing within the company that is necessary in the course of business, investor relations (IR) activities for investors to provide information on the company’s operating and financial condition, and general recommendations to invest in the company as part of such IR activities.

Note that even if information is communicated in the course of legitimate business and the act is not subject to insider trading regulations, you should act carefully by, for instance, limiting the scope of communicating and sharing material facts etc. and the scope of information recipients to the minimum necessary.

< Internal Rules Applicable to Officers >

- ▼ These rules apply to the Company's directors, audit & supervisory board members, operating officers, executive fellows, and those who are equivalent to these members ("officers").

(1) Black-out period

You must not conduct "purchase and sale etc." of any "shares or other securities" of the Company during the period between the end of each annual/quarterly accounting period of the Company and the "publication" of the financial results (approximately five weeks from the 1st of April, July, October and January of each year, respectively).

(2) Prior consultation with Secretarial Division

If you intend to "purchase or sell etc." "shares or other securities" of the Company or its (listed) subsidiary during the period other than the period set out in (1) above, you must consult with the Secretarial Division in advance and obtain confirmation that there are no problems before conducting such "purchase or sale etc."

(The Secretarial Division that has received such consultation will ask the Disclosure Committee Secretariat whether there are "material facts etc.", and the Disclosure Committee Secretariat will record the history of such inquiry and maintain record for five years from the response to such inquiry.)

If there are "material facts etc." of the Company, even officers who are not in the possession of the "material facts etc." must refrain from "purchasing and sell etc." of "shares and other securities" of the Company. (However, with respect to "material facts etc." concerning information on daily purchases during the share repurchase period, such policy of refraining from trading will not apply to the officers other than the CFO and the officer in charge of accounting.)

- * Please also consult with the Secretarial Division if there are any concern with respect to the "purchase or sale etc." of "shares or other securities" of a group company, affiliated company, business partner, or any other relevant company (e.g., you have come to know material information about such company).

(3) Duty to report trading (directors and audit & supervisory board members only)

If you have "purchased or sold etc." "shares or other securities" of the Company, you must submit a report on such purchase or sale to the Prime Minister by the 15th day of the following month. If such "purchase or sale etc." is conducted through a securities company, you will submit the report through such securities company.

- * Even if you conducted trading outside of Japan (e.g., you purchased ADSs of the Company in the U.S.), you must report it to the Prime Minister.

(4) Policy of refraining from short-term purchasing and selling

You will refrain from selling "shares or other securities" of the Company within six months after purchasing them or from purchasing such "shares or other securities" within six months after selling them, as you may be subject to a claim for return of profits by the Company or shareholders.

(5) Prohibition of insider trading of "shares and other securities" of another company

If you have come to know a "material facts etc." about another (listed) company, you must not "purchase or sell etc." "shares or other securities" of that company until the "material facts etc." is made public.

(6) Prohibition of insider trading by co-habiting family members

If you have come to know a “material facts etc.” about the Company, its subsidiary, or another (listed) company, you must not allow your co-habiting family members to “purchase or sell etc.” “shares or other securities” of that company until the “material facts etc.” is “made public.”

(7) Rules for double hatting

If you also serve as an officer of another (listed) company and intend to “purchase or sell etc.” “shares or other securities” of that company, you will do so in accordance with the rules of that company.

(8) Trading after resignation as officer

If you have resigned as officer of the Company (or another (listed) company), you must not “purchase or sell etc.” “shares or other securities” of that company until the “material facts etc.” of that company that you came to know during your term of office is “made public”; provided, however, that this will not apply if one year has elapsed since your resignation.

(9) Registration as insider

If you have come to know a “material facts etc.” that needs to be “made public,” you will be informed that you fall under the category of insiders and the date and time of the information to be made public at the responsibility of the department in charge. You will also be registered as an insider*¹ handling such “material facts etc.”*².

The insider list will list your title, name, and registration date by type of “material facts etc.”

The insider list must be retained by the Disclosure Committee Secretariat for at least five years from the date on which it was prepared or last updated and must be submitted promptly upon request by the relevant UK authority.

*¹ Officers and employees of the Company and its subsidiaries who obtains the material fact in the course of their duties, as well as those who provide services under an employment or other contract with the Company and have obtained material internal information.

*² §2 of the Disclosure Rules and Transparency Rules (hereinafter in this Note 2, the “Rules”) of the Financial Conduct Authority (the “FCA”) requires the companies whose shares are listed on a stock exchange in the U.K. (the Company is listed on the London Stock Exchange) to prepare, retain, submit, and otherwise maintain the insider list.

[Overview of the requirements]

- ① An issuer must ensure that it prepares a list of insiders containing the identity of each person having access to inside information (including service providers), the reason why such person is on the insider list, and the date on which the insider list was created and updated. (Rules § 2.8.1 R and Rules § 2.8.3 R)
- ② An insider list must be promptly updated when there is a change in the reason why a person is already on the list, and when any person who falls under the category of insiders is added to, registered in or deleted from the insider list. (Rules § 2.8.4 R)
- ③ An issuer must keep the insider list (for at least five years from the date on which it is drawn up or updated, whichever is the latest). (Rules § 2.8.5 R)
- ④ If so requested, an issuer must provide to the FCA as soon as possible an insider list. (Rules § 2.8.2 R)

- ⑤ An issuer must take the necessary measures to ensure that its employees with access to inside information and any persons who fall under the category of insiders acknowledge the legal and regulatory duties entailed and are aware of the sanctions attaching to the misuse or improper circulation of such information. (Rules § 2.8.9 R and Rules § 2.8.10 R)

* Penalties: Knowingly committed violations may be subject to sanctions or publication of the violation. (Rules § 1.5.3)

(Note) The above rules will not apply to the acquisition of shares through the exercise of stock acquisition rights under a **stock option** agreement; provided, however, that the above rules will apply to the sale of shares actually acquired through the exercise of stock acquisition rights.

< Internal Rules Applicable to Employees etc. >

- ▼ Employees and other workers of the Company and its subsidiaries (meaning those who are engaged in the business of the Company and its subsidiaries, regardless of whether they have any employment or contractual relationship with the Company or its subsidiaries, or regardless of their position or title. Therefore, these terms include part time employees, temporary employees, secondees and loaned employees, in addition to employees. These employees and other workers are hereinafter referred to as “employees etc.”) are also subject to insider trading regulations. Therefore, the Company has established rules for employees etc. concerning the following matters and ensures that they are fully aware of them. Please note that if a supervisor/manager who is aware of a subordinate engaging in insider trading fails to take appropriate action, the supervisor/manager may be subject to the same penalties as the violator under U.S. law.
- ▼ The Company has also required its overseas affiliated entities to have similar internal rules in accordance with the laws of the countries where they are located.

- (1) If you have come to know a “material facts etc.” about the Company, its subsidiary or another (listed company), you must not “purchase or sell etc.” “shares or other securities” of that company until such “material facts etc.” are “made public.”
- (2) If you have come to know a “material facts etc.” about the Company, its subsidiary or another (listed company), you must not share it with third parties unless that is necessary in the course of business.
- (3) If a department is to handle a “material facts etc.” of the Company, its subsidiary or another (listed) company, the head (general manager) of the department will register the persons handling the “material facts etc.*” and submit an insider list to the Disclosure Committee Secretariat and will also ensure information management and the matters set out in (1) and (2) above.

* Persons handling a material fact etc.: officers and employees etc of the Company or its subsidiaries (companies stated as belonging to the corporate group of the Company in the most recent annual securities report etc. of the Company) (meaning those who are engaged in the business of the Company or its subsidiaries, regardless of whether they have any employment or contractual relationship with the Company or its subsidiaries, or regardless of their position or title. Therefore, these terms include part time employees, temporary employees, secondees and loaned employees, in addition to employees.) who have come to know a material facts etc. in the course of their duties, as well as the persons who have concluded, or are in negotiations to conclude, a contract with the Company, and who have come to know a material facts etc. in the course of concluding or negotiating the contract (e.g., business partners, business alliance partners, attorneys, certified public accountants, certified public tax accountants, and consultants)

(Note) Please be aware that if an employee etc. who is subject to the Company’s Rules of Employment violates (1) or (2) above, it also constitutes a violation of the Company’s Rules of Employment.

★ Rules of Employment § 11, item (xvi) (Matters to Comply with)

“You must not use a secret learned in the course of business to purchase or sell shares or other securities directly or indirectly during your employment or after leaving the Company, before the secret is made public.”

★ Rules of Employment § 75, item (xvi) (Disciplinary Dismissal)

“If you use a secret learned in the course of business to purchase or sell shares or other securities directly or indirectly before the secret is made public.”

(Note) The Company's Confidentiality Management Regulation also contain a provision prohibiting insider trading.

★ Confidentiality Management Regulation § 28 (2) Prohibition of Insider Trading Set Forth in the Financial Instruments and Exchange Act

“Employees etc. who have come to know a confidential matter must not engage in insider trading set forth in the Financial Instruments and Exchange Act. The persons responsible for confidentiality management or the persons engaged in confidentiality management in the departments involved in the material facts set forth in the Financial Instruments and Exchange Act which have not been made public must take measures such as registering and managing those involved in such material fact.”

TOYOTA MOTOR CORPORATION
DODD-FRANK CLAWBACK POLICY

The Board of Directors (the “Board”) of TOYOTA MOTOR CORPORATION (the “Company”) has adopted this Dodd-Frank Clawback Policy (this “Policy”) in accordance with the applicable provisions of The New York Stock Exchange Listed Company Manual (the “Clawback Rules”), promulgated pursuant to the final rules adopted by the Securities and Exchange Commission enacting the clawback standards under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Executive Compensation Meeting (the “Meeting”) is designated to administer this Policy. Capitalized terms not otherwise defined in this Policy have the meanings given to them under the Clawback Rules, which are attached to this Policy as Appendix A.

Recovery of Erroneously Awarded Incentive Compensation. The Company shall comply with the Clawback Rules and reasonably promptly recover Erroneously Awarded Compensation Received by current or former Executive Officers of the Company (“Covered Individuals”) in the event the Company is required to prepare an accounting restatement due to the Company’s material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. The Meeting may determine not to recover Erroneously Awarded Compensation pursuant to this Policy in circumstances where non-enforcement is expressly permitted by the Clawback Rules, including where recovery would violate the laws of Japan in effect before November 28, 2022.

Covered Individuals. The Meeting shall determine the Company’s Covered Individuals.

Covered Compensation. This Policy applies to the Incentive-based Compensation Received by a Covered Individual: (1) after such Covered Individual began service as an Executive Officer; (2) who served as an Executive Officer at any time during the performance period for that Incentive-based Compensation; (3) while the Company has a class of securities listed on a national securities exchange or a national securities association; and (4) during the three completed fiscal years immediately preceding the date that the Company is required to prepare an accounting restatement as described above (or during any transition period, that results from a change in the Company’s fiscal year, within or immediately following those three completed fiscal years, as determined in accordance with the Clawback Rules). Notwithstanding the foregoing, this Policy shall not apply to Incentive-based Compensation Received by a Covered Individual prior to the effective date of this Policy.

The amount of Incentive-based Compensation subject to this Policy is the Erroneously Awarded Compensation, which is the amount of Incentive-based Compensation Received by a Covered Individual that exceeds the amount of Incentive-based Compensation that otherwise would have been Received by the Covered Individual had it been determined based on the restated amount (or otherwise determined in accordance with the Clawback Rules), and will be computed without regard to any taxes paid by the Covered Individual (or withheld from the Incentive-based Compensation). The Meeting shall make all determinations regarding the amount of Erroneously Awarded Compensation.

Method of Recovery. The Meeting shall determine, in its sole discretion, the manner in which any Erroneously Awarded Compensation shall be recovered. Methods of recovery may include, but are not limited to: (1) seeking direct repayment from the Covered Individual; (2) reducing (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement pursuant to which the incentive-based compensation was paid) the amount that would otherwise be payable to the Covered Individual under any compensation, bonus, incentive, equity and other benefit plan, agreement, policy or arrangement maintained by the Company or any of its affiliates; (3) cancelling any award (whether cash- or equity-based) or portion thereof previously granted to the Covered Individual; or (4) any combination of the foregoing.

No-Fault Basis. This Policy applies on a no-fault basis, and Covered Individuals will be subject to recovery under this Policy without regard to their personal culpability.

Other Company Arrangements. This Policy shall be in addition to, and not in lieu of, any other clawback, recovery or recoupment policy maintained by the Company from time to time, as well as any clawback, recovery or recoupment provision in any of the Company's plans, awards or individual agreements (including the clawback, recovery and recoupment provisions in the Company's equity award agreements) (collectively, "Other Company Arrangement") and any other rights or remedies available to the Company, including termination of employment; provided, however, that there is no intention to, nor shall there be, any duplicative recoupment of the same compensation under more than one policy, plan, award or agreement. In addition, no Other Company Arrangement shall serve to restrict the scope or the recoverability of Erroneously Awarded Compensation under this Policy or in any way limit recovery in compliance with the Clawback Rules.

No Indemnification. Notwithstanding anything to the contrary set forth in any policy, arrangement, bylaws, charter, certificate of incorporation or plan of the Company or any individual agreement between a Covered Individual and the Company or any of its affiliates, no Covered Individual shall be entitled to indemnification from the Company or any of its affiliates for the amount that is or may be recovered by the Company pursuant to this Policy; provided, however, that to the extent expense advancement or reimbursement is available to a Covered Individual, this Policy shall not serve to prohibit such advancement or reimbursement.

Administration; Interpretation. The Meeting shall interpret and construe this Policy consistent with the Clawback Rules and applicable laws and regulations and shall make all determinations necessary, appropriate or advisable for the administration of this Policy. Any determinations made by the Meeting shall be final, binding and conclusive on all affected individuals. As required by the Clawback Rules, the Company shall provide public disclosures related to this Policy and any applicable recoveries of Erroneously Awarded Compensation. To the extent this Policy conflicts or is inconsistent with the Clawback Rules, the Clawback Rules shall govern. In no event is this Policy intended to be broader than, or require recoupment in addition to, that required pursuant to the Clawback Rules.

Amendment or Termination of this Policy. The Board reserves the right to amend this Policy at any time and for any reason, subject to applicable law and the Clawback Rules. To the extent that the Clawback Rules cease to be in force or cease to apply to the Company, this Policy shall also cease to be in force.

Approved and Adopted: November 29, 2023