TOYOTA FINANCIAL SERVICES

NICHTS IST UNMÖGLICH

>> Annual Report 2018

Annual Report of Toyota Kreditbank GmbH Group, Cologne,
for Financial Year 2018, 1 April 2017 – 31 March 2018

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Dear Sir or Madam,

We are proud to once again present a very satisfactory result for this financial year. Thanks to our future-oriented vehicles, our customer focus and our mission statement of continuous improvement, we have once again positioned ourselves successfully. This is confirmed by 10.38 million vehicles of the Toyota Group sold worldwide in 2017. For the fourth time in a row we have exceeded the 10 million mark of vehicles sold.

Times of change

In the future the challenges, such as increasing regulatory requirements, faster technological development and digitisation, the continuous change in markets and above all customer needs, will grow. The cost-increasing bank levy and buzzwords such as AnaCredit and IFRS 9 are matters we have to address and at the same time they illustrate the continuous change in regulatory requirements. Some new trends, such as flexible mobile solutions for private and business customers have begun to change the automotive sector fundamentally. Our task as a financial services provider will be to become more and more a comprehensive mobility provider. It is becoming ever more important to actively offer the customers a variety of solutions. Dealers and online services should be interlinked and we must provide our customers and dealers with an innovative multi-channel solution.

These diverse challenges and ongoing change primarily offer us an opportunity for the future positioning of our organisation. It is crucial that we react rapidly to these changes and take optimal action. Therefore, it is important that we optimise and digitise our internal processes as well as recognise future customer wishes and make them possible digitally.

Dynamic positioning

The Toyota Kreditbank Group is preparing strategically how best to meet new customer requirements. Based on these we are developing and positioning our new products and innovations. One of them is the Toyota Carpooling App. With this app, practical and environmentally friendly carpools can be formed within a company. We are also meeting customer wishes in the used car business. On our new website www.Toyota-kauft-dein-Auto.de customers in Germany can easily obtain a fair estimate of the value of their used car and can also contact our dealers for the sale. Most practically, an appointment can be made online. In addition, we offer customers a complete online process for used vehicle financing. In Spain, we have been particularly successful with continuing our TCM product “Pay per Drive”. In France we have also been able to successfully further develop the Trade Cycle Management (TCM) programme “La combinaison”.

To be able to provide further comprehensive mobility solutions we are pleased to welcome the newly founded Toyota Fleet Mobility GmbH as a partner. In future, it will provide mobility solutions in several European countries in the field of commercial operating lease. We are looking forward to working together!

Joining forces for success

In May 2018, TKG celebrated its 30th anniversary. Looking back, TKG has achieved a lot since its foundation in 1988. Not least, we have helped our customers to become mobile, with more than 1.7 million financed vehicles in Germany alone. We were also very pleased to be awarded the title “Best Automotive Bank” by “AUTOHAUS BankenMonitor” for the twelfth time, thanks to the very positive feedback of our dealers.

We would therefore like to explicitly thank our trading partners for these successes and also our European branches and subsidiaries which now have a substantial share in our overall business and have made a considerable contribution to these successes.

We look forward to continuing our cooperation with our partners and to a successful new business year. We are confident that together we will again enhance our performance and our results despite new and increasing challenges.

Christian Ruben
Managing Director

Axel Nordieker
Managing Director

George Juganar
Managing Director

Ivo Ljubica
General Executive

Tateyuki Sawada
General Executive

Christian Ruben, Axel Nordieker, George Juganar, Ivo Ljubica, Tateyuki Sawada

Toyota Kreditbank GmbH, Cologne - Consolidated figures

Assets		31/03/2018 EUR	31/03/2017 EUR
1	Liquid funds		
a	Cash	44,004.30	26,877.19
b	Deposits with central banks	290,101,331.80	177,343,716.71
	thereof with German Federal Bank		
	EUR 268,363,191.39 (31/03/2017: TEUR 139,600)		
		290,145,336.10	177,370,593.90
2	Receivables due from banks		
a	on demand	158,573,145.48	157,653,681.94
b	other receivables	42,219,801.89	17,000,000.00
		200,792,947.37	174,653,681.94
3	Customer receivables	7,648,030,606.30	7,037,881,918.88
	thereof		
	- secured by mortgages EUR 0.00 (31/03/2017: TEUR 0)		
	- Municipal loans EUR 0.00 (31/03/2016: TEUR 0)		
4	Bonds and other interest bearing securities		
	Bonds and securities by other issuers	66,422,441.08	78,918,783.37
5	Investments	1.00	1.00
	thereof		
	- in banks EUR 0.00 (31/03/2017: TEUR 0)		
	- in financial services institutes EUR 0.00 (31/03/2017: TEUR 0)		
6	Leasing assets	1,568,283,436.09	1,181,139,016.76
7	Intangible fixed assets		
	Purchased concessions, industrial and similiar rights and assets, and licenses in such rights and assets	7,443,834.24	7,826,800.71
8	Tangible fixed assets	12,096,579.24	12,342,701.69
9	Other assets	91,869,949.85	110,111,883.83
10	Prepaid expenses and deferred charges	23,638,847.68	17,015,137.53
11	Assets arising from the overfunding of pension obligations	308,486.00	99,262.00
Total of assets		**9,909,032,464.95**	**8,797,359,781.61**

Equity and Liabilites		31/03/2018 EUR	31/03/2017 EUR
1	Liabilities to banks		
a	on demand	36,517,250.47	30,334,692.23
b	with fixed term or notice periods	3,191,248,212.30	2,960,971,803.23
		3,227,765,462.77	2,991,306,495.46
2	Liabilities to customers		
	other liabilities		
a	due on demand	103,709,675.07	85,500,023.05
b	with fixed term or notice periods	3,751,205,498.96	3,082,470,119.20
		3,854,915,174.03	3,167,970,142.25
3	Notes payables		
	Securitised liabilities	672,394,077.33	649,040,932.85
4	Other liabilities	304,251,525.74	293,359,811.33
5	Deferred income	706,326,938.00	632,014,558.65
6	Accruals and provisions		
a	Provision for pensions and similar obligations	18,878,923.85	17,221,278.75
b	Tax accruals	29,035,890.82	18,328,464.35
c	Other accruals	106,243,320.59	80,208,171.62
		154,158,135.26	115,757,914.72
7	Subordinated liabilities	28,679,361.12	39,904,761.05
8	Equity		
a	Contributed capital		
	Share capital	30,000,000.00	30,000,000.00
	minus not required pending deposits	0.00	0.00
b	Capital surplus	397,037,161.35	358,486,161.35
c	Revenue reserve	551,701,297.68	485,481,313.35
d	Group net income for the year	63,931,266.08	91,219,984.30
e	Currency translation differences	-82,127,934.41	-57,182,293.70
		960,541,790.70	908,005,165.30
Total of equity and liabilities		**9,909,032,464.95**	**8,797,359,781.61**

1. Contingent liabilities

Liability for guarantee	7,973,305.47	49,602,932.42

2. Other obligations

Irrevocable credit commitments	1,777,151,969.09	443,855,982.82

Toyota Kreditbank GmbH, Cologne - Consolidated figures
Consolidated Profit and Loss Statement Year Ended 31 March 2018

		2017/18 EUR	2016/17 EUR
1	Interest income		
a	lending and money market transactions	355,368,426.20	331,888,520.26
	- thereof		
	negative interest on receivables EUR 692,001.20		
	(31/03/2017: TEUR 383)		
b	fixed-income securities and government ledger bonds	1,189,346.19	1,277,836.15
		356,557,772.39	333,166,356.41
2	Interest expense	94,162,377.59	96,180,711.50
	- thereof		
	negative interest on liabilities EUR 2,961,658.31:		
	(31/03/2017 TEUR 1,753)		
		262,395,394.80	236,985,644.91
3	Income from investments	0.00	0.00
4	Commission income	75,800,939.71	66,985,971.57
5	Commission expense	122,382,535.55	106,329,822.38
		-46,581,595.84	-39,343,850.81
6	Other operating income	376,987,850.34	324,295,760.03
7	General administrative expenses		
a	Personnel costs		
aa	Wages and salaries	45,783,992.49	44,993,379.87
ab	Social security expenses	12,547,526.99	12,065,645.44
	of which pension cost		
	EUR 1,533,436.92 (31/03/2017: TEUR 2,270)		
b	Other administrative expense	81,744,360.84	70,437,885.25
		140,075,880.32	127,496,910.56
8	Depreciation and amortisation of intangible and tangible fixed assets, including leasing assets	282,460,974.05	234,889,868.65
9	Other operating expenses	30,860,350.61	15,851,631.23
10	Bad debts written off and allowances on receivables and securities, together with increases to accruals in respect of lending business	29,254,687.46	27,447,777.33
11	Income from write-ups to investments, shares in affiliated companies and shares treated as investment securities	0.00	1,912,844.44
12	**Profit from ordinary business activities**	**110,149,756.86**	**118,164,210.80**

		2017/18 EUR	2016/17 EUR
13	Extraordinary expenses	0.00	0.00
14	Income taxes	45,078,101.34	39,285,794.88
15	Other taxes (to the extent not included in item (9) above)	1,140,389.44	1,016,450.40
16	**Group profit for year**	**63,931,266.08**	**77,861,965.52**
17	Group profit carry forward	0.00	13,358,018.78
18	**Group net income for the year**	**63,931,266.08**	**91,219,984.30**
	Tax rate	**41.4%**	**33.5%**

Notes to the consolidated financial statements of Toyota Kreditbank GmbH for the financial year 2017/2018

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1. General information
Toyota Kreditbank GmbH is a limited liability company with its registered office in Cologne and is registered with the District Court of Cologne under the number HRB 18068. The consolidated financial statements for the period ended 31 March 2018 of Toyota Kreditbank GmbH have been prepared in accordance with the regulations of the Handelsgesetzbuch (German Commercial Code) and the requirements of the German Accounting Regulation for Banks and Financial Institutions (RechKredV), taking account of the specific requirements of the Limited Liability Company Law (GmbHG). The structure corresponds to the form requirements for banks as specified in section 2 et seq. RechKredV.

2. Group reporting entity
Besides the parent company, Toyota Kreditbank GmbH, the consolidated financial statements for the year ended 31 March 2018 include the following German and foreign subsidiaries:

— Toyota Leasing GmbH, Cologne
— Toyota Bank Polska Spolka Akcýjna, Warsaw, Poland
— Toyota Leasing Polska Sp. z o.o., Warsaw, Poland
— AO Toyota Bank, Moscow, Russia
— Koromo S.A., Luxembourg

Toyota Kreditbank GmbH holds 100 % of the shares of Toyota Leasing GmbH and Toyota Bank Polska Spolka Akcýjna.

Toyota Bank Polska Spolka Akcýjna holds 100% of the shares of Toyota Leasing Polska Sp. z o.o.

Toyota Kreditbank GmbH directly holds 99.9% of the shares of AO Toyota Bank, with the remainder held by Toyota Leasing GmbH.

Koromo S.A., Luxembourg, is a special purpose entity. The shares of the special purpose entity are held by three Dutch foundations, each of which has an investment of TEUR 33 in the company's equity. Toyota Kreditbank GmbH executed an ABS transaction with Koromo S.A., Luxembourg, during the financial year 2014/2015 and securitised some of its portfolio of instalment credit receivables.

All of the bonds issued by the purchasing special purpose entity to refinance these transactions were acquired by Toyota Kreditbank GmbH. As a result of the sale of receivables to the special purpose entity and the parallel acquisition of bonds by the bank, the innate credit risk attached to the receivables rests with Toyota Kreditbank GmbH. The receivable balances continue to be credit receivables for the bank in substance and therefore are retained on the balance sheet on the line "Customer receivables". For this reason, Koromo S.A. is included as a subsidiary in the consolidated financial statements of Toyota Kreditbank GmbH in accordance with § 290 (2) no. 4 HGB.

All subsidiaries are fully consolidated.

3. Consolidation principles
The consolidated financial statements have been prepared uniformly using the accounting policies of Toyota Kreditbank GmbH described below. Where necessary, the financial statements of the included companies have been adjusted to bring them into line with the classification regulations used by the parent company.

The cost of investment in the consolidated subsidiaries, Toyota Leasing GmbH, Toyota Bank Polska Spolka Akcýjna, Toyota Leasing Polska Sp. z o.o. and AO Toyota Bank has been consolidated pursuant to Art. 66 (3) sentence 4 EGHG using the German book value method in accordance with § 301 (1) sentence 2 no. 1 HGB (old version).

Since the carrying amount of the investments in affiliated companies corresponded in all cases to relevant equity, no differences (i.e. goodwill) arose on consolidation.

The equity capital of the three Dutch foundations is presented in the consolidated financial statements within other liabilities due to the restricted liability function of these entities (and not as minority interests).

Intragroup receivables, payables, prepaid and deferred items as well as income and expenses between consolidated entities are eliminated.

Inter-company profits and losses, which would have had to be eliminated in accordance with section 304 (1) HGB, did not occur in the year under report.

4. Accounting policies, foreign currency translation
Customer receivables resulting from instalment credit and lease financing business are stated including interest and charges for the remaining term. Other customer receivables and receivables **due from banks** as well as **other assets** are stated at their nominal amounts.

Specific allowances are recognised to cover foreseeable risks resulting from **customer receivables.** The general bad debt allowance takes account of the general credit risk relating to all business lines. Where deemed prudent and appropriate, general allowances are also recognised over and above the amounts allowed for tax purposes.

In the case of receivables from retail customers, specific allowances are recognised for contracts allocated to a default risk category or for which there has been a delay in payment in excess of a defined period. The level of the specific allowance is determined on the basis of expected cash flows from each contract, taking account of cash flows achieved in the past and collateral held. Specific allowances are recognised on dealership financing receivables on the basis of a case-by-case assessment. In this context, the Group has defined a set of default criteria as the starting point for such case-by-case assessments. General allowances are recognised on a contract-by-contract basis, taking account of the likelihood of default and the expected loss. For the purposes of determining the probability of default and the expected loss, the Group takes account, at a minimum, of the parameters which it also uses to measure equity coverage of default risks using an internal ratings-based approach (IRBA) used by Toyota Kreditbank GmbH. Parameters derived from the locally used rating systems are used for the foreign subsidiaries.

The shares made available to the subsidiary Toyota Bank Polska Spolka Akcýjna, Warsaw, Poland, by Visa Inc., Wilmington, USA, in exchange for other shares are measured at a "memo value" using the rolled-forward book value method.

Bonds and other fixed-interest-bearing securities are classified as current assets and measured in accordance with the strict lowest value principle pursuant to § 340e (1) sentence 2 HGB in conjunction with § 253 (4) HGB.

Leasing assets relate primarily to leased-out vehicles. Leasing assets are stated at acquisition cost less accumulated scheduled depreciation and impairment losses. The provision for potential residual value risks has been offset against leased assets on the assets side of the balance sheet.

As a general rule, leasing assets are depreciated straight line down to their agreed residual value over the term of the lease. Leasing assets of the Norwegian and Swedish branches are depreciated on a straight-line basis over the assets' useful lives. Depending on their terms, the leasing contracts are treated either as operating leases or as finance leases and the underlying assets are accordingly shown either as leasing assets or as customer receivables.

Software at cost of purchase less scheduled straight-line amortisation over three to five years is shown under **intangible assets.**

Tangible fixed assets are stated at cost less scheduled depreciation. Assets are all depreciated on a straight-line basis over their expected useful lives. The impairment loss previously recorded in accordance with § 7 (5) no. 1 EStG on the buildings owned by Toyota Kreditbank GmbH was retained in accordance with Art. 67 (4) sentence 1 EGHGB.

Liabilities are stated at their expected settlement amount, including accrued interest.

Deferred income comprises interest and fees arising primarily from the instalment credit business and the lease financing business. It is released to income under the so-called "Rule-of-78 method". This item is also used to show special leasing payments from leasing business. By way of analogy with leasing instalments, these are released on a straight-line basis over the term of the contract.

Accruals and provisions are recognised for all identified risks and for liabilities of uncertain timing and amount and are measured at their expected settlement amount. Other provisions and accruals with a remaining term of more than one year are discounted to their present value using the average market interest rate for the past seven years (corresponding to their remaining term) in accordance with § 253 (2) sentence 1 HGB.

Pension provisions at 31 March 2018 are calculated for HGB purposes using the projected unit credit method based on a discount rate of 3.57% p.a., and assumed future salary and pension increases of 2.00% p.a. and 2.00% p.a. respectively. The 2005 mortality tables issued by Prof. Dr. Klaus Heubeck are used as the basis of calculation. Amounts were discounted in the financial year under report, using the average market interest rate for the past 10 years. The difference in the carrying amount of the provision based on using the average market interest rate for the past financial 10 years rather than the past 7 financial years is TEUR 3,283.

Toyota Kreditbank GmbH has set up Contractual Trust Arrangements whereby assets designated to fulfil pension obligations have been separated from other assets and transferred to trustees. Assets which cannot be accessed by other creditors and have been designated as being held exclusively to settle pension obligations, are offset at the balance sheet date against the relevant obligations relating to fund-performance-based commitments in accordance with § 246 (2) sentence 2 HGB. Any surplus of plan assets over obligations is reported in the line item "Surplus of pension and similar plan assets over liabilities". Pension obligations resulting from previous arrangements and guaranteed pensions are presented within the line item "Provisions and similar obligations". In these cases, there are no separate plan assets.

The provision for pre-retirement part-time working arrangements was measured at 31 March 2018 in the HGB balance sheet using the projected unit credit method and a discount rate of 1.60%.

The financial statements of Group subsidiaries denominated in a foreign currency are converted into euro at 31 March 2018 in accordance with § 308a HGB. The translation difference arising is reported within the Group entity as the currency translation difference on equity.

Foreign currency assets and liabilities are translated in accordance with § 256a HGB (in conjunction with § 340h HGB). The requirements of § 256a HGB are not applied if valuation units are created pursuant to § 254 HGB as hedges of foreign currency items.

During the financial year under review, Toyota Kreditbank carried receivables as well as payables with negative interest rates. Negative interest on receivables is disclosed separately within the line item "Interest income" and negative interest on payables is disclosed separately within the line item "Interest expenses". In both cases, the figures involved are not significant for the purposes of assessing the Toyota Kreditbank Group's earnings performance for the year.

The **loss provisioning** expense is reported in the income statement net of recoveries.

Deferred taxes are calculated on timing differences between the HGB carrying amounts and tax bases of assets, liabilities and deferred items which are expected to reverse in subsequent years.

Deferred tax liabilities at 31 March 2018 result mainly from differences relating to the classification of leasing contracts, the useful lives applied to leasing assets and the depreciation/amortisation periods applied. Deferred tax assets arise at 31 March 2018 mainly for Germany, the branch in Spain and the subsidiary in Poland. The timing differences at 31 March 2018 relate mostly to the different carrying amounts of leasing assets, provisions and write-downs.

Deferred taxes are measured on the basis of a combined income tax rate which covers corporation tax, municipal trade tax and solidarity surcharge. Deferred taxes relating to the foreign branches of Toyota Kreditbank GmbH and to the foreign subsidiaries are measured using the tax rates applicable in the relevant tax jurisdiction.

Deferred tax liabilities were offset against deferred tax assets at an overall Group level. A surplus of deferred tax assets over deferred tax liabilities is not recognised on the basis of the accounting option available in § 274 (1) sentence 2 HGB.

The market values of **derivative financial instruments** have been determined using IT-based valuation methods (discounted cash flow method). Fair values are determined by the treasury department of Toyota Kreditbank GmbH. Derivative financial instruments are not recognised since they are always used as hedging instruments in valuation units. Only the accrued interest is shown in the balance sheet.

In compliance with IDW RS BFA 3, any net obligation relating to transactions with interest-related financial instruments allocated to the banking book are calculated using an income statement-based approach. Under this method, an overall assessment is made of all interest-bearing assets and liabilities (including derivatives), taking account of all risk-related and administrative costs expected to be incurred until the transactions have been processed in full. The calculation took account of specific refinancing opportunities available in each relevant accounting period. There was no net obligation at 31 March 2018 and accordingly it was not necessary to recognise a provision at that date.

Interest rate swaps are used to manage the general interest rate risk in the banking book. Interest rate risks are monitored at a banking book level and risks quantified using a value-a-risk (VaR) model. The VaR model is used to demonstrate that the interest rate derivatives have a risk-reducing impact.

5. Explanatory Notes to the balance sheet

5.1 Cash reserve

In addition to the balance with the Deutsche Bundesbank, cash balances with central banks related to the National Bank of Poland amounting to TEUR 8,684 (31 March 2017: TEUR 7,750) and to the Central Bank of Russia amounting to TEUR 13,054 (31 March 2017: TEUR 29,994).

Cash on hand amounting to TEUR 44 (31 March 2017: TEUR 27) and balances with central banks amounting to TEUR 290,101 (31 March 2017: TEUR 177,344) correspond to cash funds reported in the consolidated cash flow statement.

The cash reserve includes foreign currency amounts of TEUR 21,738 (31 March 2017: TEUR 37,744).

5.2 Receivables from banks

Amounts due from banks have the following **remaining terms:**

		31/03/2018	31/03/2017
up to three months	TEUR	32,213	37,856
more than three months and up to one year	TEUR	7	14,098
more than one year and up to five years	TEUR	10,000	10,000
more than five years	TEUR	0	0

Receivables due from banks include foreign currency amounts totalling TEUR 29,837 (31 March 2017: TEUR 24,943).

5.3 Receivables from customers

The line item comprises instalment credits from the financing business, lease receivables, dealer financing credits and residual-value receivables payable on a daily basis. The receivables are reported net of specific and general allowances.

The figure stated for receivables from customers includes an amount of TEUR 14,702 (31 March 2017: TEUR 18,098) for receivables due from affiliated companies.

Analysed by remaining terms, receivables from customers show the following composition:

		31/03/2018	31/03/2017
up to three months	TEUR	1,189,965	1,239,117
more than three months and up to one year	TEUR	1,357,215	1,272,032
more than one year and up to five years	TEUR	4,707,934	4,201,968
more than five years	TEUR	392,917	323,235

There are no receivables with an indefinite remaining term.

Customer receivables include foreign currency amounts of TEUR 2,632,234 (31 March 2017: TEUR 2,554,534).

5.4 Bonds and other fixed interest bearing securities

Issuer	Terms begin	Maturity	Nominal amount million	Interest rate
Republic of Poland	08/12/2014	25/01/2019	PLN 30.0 (EUR 7.1)	WIBOR6M
Republic of Poland	19/06/2015	25/01/2020	PLN 90.0 (EUR 21.4)	WIBOR6M
Republic of Poland	17/11/2016	25/11/2022	PLN 60.0 (EUR 14.2)	WIBOR6M
Republic of Poland	20/12/2017	25/11/2022	PLN 50.0 (EUR 11.9)	WIBOR6M
Narodowy Bank Polski (Polish National Bank)	30/03/2018	06/04/2018	PLN 35.0 (EUR 8.3)	1.500%
Narodowy Bank Polski (Polish National Bank)	30/03/2018	03/04/2018	PLN 15.7 (EUR 3.7)	1.500%

These state bonds are eligible for a stock exchange listing and are actually listed.

5.5 Leasing assets
Movements in leasing assets are shown in the following table by parent company and subsidiary:

TEUR	2017/18 Toyota Kredit-bank GmbH	2017/18 Toyota Leasing GmbH	2017/18 Toyota Leasing Polska	2017/18 Total	2016/17 Total
Aquisition cost					
Opening balance	1,091,725	466,877	0	1,558,602	1,375,744
Translation difference	-31,236	0	88	-31,148	-9,068
Additions	723,649	193,356	34,842	951,847	653,357
Disposals	296,457	169,643	0	466,100	461,431
Closing balance	**1,487,681**	**490,590**	**34,930**	**2,013,201**	**1,558,602**
Depreciation and impairment losses					
Opening balance	242,516	134,948	0	377,464	366,102
Translation difference	-7,396	0	2	-7,394	-2,539
Additions	197,328	77,343	882	275,553	228,414
Disposals	121,963	78,742	0	200,705	214,513
Closing balance	**310,485**	**133,549**	**884**	**444,918**	**377,464**
Carrying amounts	**1,177,196**	**357,041**	**34,046**	**1,568,283**	**1,181,138**

An impairment loss of TEUR 15,606 (31 March 2017: TEUR 12,349) has been recognised on leasing assets to cover identified risks relating to residual value fluctuations.

5.6 Intangible assets
Intangible assets consist mainly of EDP software.

5.7 Tangible fixed assets
The figures shown under buildings comprise the purchase values less scheduled depreciation of the business premises of Toyota Kreditbank GmbH, Cologne, as well as a production hall which is used by an affiliated company. Buildings used for Toyota Kreditbank GmbH's own business have a carrying amount of TEUR 464 (31 March 2017: TEUR 836). The corresponding land is leased on a long-term basis from Toyota Deutschland GmbH.

The Company exercises the option available in Art. 67 (4) sentence 1 EGHGB, whereby carrying amounts of assets that have been reduced by depreciation pursuant to § 254 HGB (old version) can be rolled forward for the purposes of depreciating the buildings, even after the introduction of BilMoG. The depreciation rate is unchanged at 2.5%, in accordance with section 7 (5) EStG.

5.8 Analysis of fixed assets

Movements in financial assets, leasing assets, intangible and tangible assets are shown in the following table:

TEUR	Asset cost					Depreciation					Book value	
	01/04/2017	Currency adjustments	Additions	Disposals	31/03/2018	01/04/2017	Currency adjustments	Additions	Disposals	31/03/2018	31/03/2018	31/03/2017
Investments	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets	0	0	0	0	0	0	0	0	0	0	0	0
Leasing assets	1,558,602	-31,148	951,847	466,100	2,013,201	377,464	-7,394	275,554	200,706	444,918	1,568,283	1,181,138
Intangible fixed assets	45,574	-1,224	3,676	900	47,126	37,748	-635	3,405	836	39,682	7,444	7,826
Buildings	32,633	0	0	0	32,633	30,842	0	820	0	31,662	971	1,791
Operational and business equipment	31,328	-1,018	8,789	6,882	32,217	20,777	-852	2,682	1,516	21,091	11,126	10,551
Tangible fixed assets	63,961	-1,018	8,789	6,882	64,850	51,619	-852	3,502	1,516	52,753	12,097	12,342
Total	1,668,137	-33,390	964,312	473,882	2,125,177	466,831	-8,881	282,461	203,058	537,353	1,587,824	1,201,306

Additions to depreciation on leasing assets include an amount of TEUR 31 relating to the previous year which has been reclassified, without income statement impact, from allowances on operating lease receivables.

5.9 Other assets

This line item comprises mainly taxes receivable amounting to TEUR 38,247 (31 March 2017: TEUR 62,798), receivables from affiliated companies amounting to TEUR 13,159 (31 March 2017: TEUR 13,228) and trade accounts receivable amounting to TEUR 3,274 (31 March 2017: TEUR 1,031).

Other assets include foreign currency amounts of TEUR 33,882 (31 March 2017: TEUR 36,366).

5.10 Foreign currency assets

Assets denominated in foreign currencies totalled TEUR 3,232,683 (31 March 2017: TEUR 3,026,671).

5.11 Prepaid expenses and deferred charges

This line item includes prepaid general administrative expenses amounting to TEUR 8,791 (2016/2017: TEUR 6,800) and deferred expenses for services in conjunction with full service leases amounting to TEUR 14,848 (2016/2017: TEUR 10,215). Expenses for service work to be performed relates primarily to the Spanish branch of Toyota Kreditbank GmbH and the Polish subsidiary company. This expenditure is spread over the term of the relevant leases.

5.12 Liabilities to banks

The following shows an analysis, by **remaining terms**, of bank liabilities having fixed terms or notice periods:

		31/03/2018	31/03/2017
up to three months	TEUR	356,374	424,151
more than three months and up to one year	TEUR	653,992	487,749
more than one year and up to five years	TEUR	2,170,804	2,038,734
more than five years	TEUR	10,078	10,338

Included in liabilities to banks are foreign currency amounts equivalent to TEUR 473,342 (31 March 2017: TEUR 492,509).

5.13 Liabilities to customers

Liabilities to customers with fixed terms or notice periods are analysed, by **remaining terms**, as follows:

		31/03/2018	31/03/2017
up to three months	TEUR	354,133	399,794
more than three months and up to one year	TEUR	997,963	1,200,687
more than one year and up to five years	TEUR	2,351,499	1,429,805
more than five years	TEUR	47,611	52,184

The liabilities relate mainly to payables to affiliated companies amounting to TEUR 3,751,205 (31 March 2017: TEUR 3,082,470).

Liabilities to customers include foreign currency liabilities of TEUR 1,997,502 (31 March 2017: TEUR 1,848,679).

5.14 Securitised liabilities

In total, commercial paper equivalent to TEUR 600,086 (31 March 2017: TEUR 599,075) had been issued by Toyota Kreditbank GmbH at the balance sheet date. All of these securitised liabilities fall due for payment during the financial year ending 31 March 2019.

AO Toyota Bank, Moscow, Russia, issued a bond in the financial year under review amounting to TEUR 72,309, replacing the bond issued in the financial year 2015/2016 (2016/2017: TEUR 49,966). The bond falls due for repayment in 2020.

Securitised liabilities include foreign currency amounts equivalent to TEUR 509,282 (31 March 2017: TEUR 354,806), and comprise liabilities denominated in British Pounds equivalent to TEUR 357,558 (31 March 2017: TEUR 304,840), in Russian Roubles equivalent to TEUR 72,309 (31 March 2017: TEUR 49,966) and in US dollars equivalent to TEUR 79,415 (31 March 2017: TEUR 0).

5.15 Other liabilities

This line item comprises mainly payables to affiliated companies amounting to TEUR 252,015 (31 March 2017: TEUR 230,176), including liabilities relating to the factoring business of the Italian branch, tax payables amounting to TEUR 12,888 (31 March 2017: TEUR 11,046), value added tax payable amounting to TEUR 9,841 (31 March 2017: TEUR 16,620) and trade payables amounting to TEUR 9,444 (31 March 2017: TEUR 9,072).

This line item also includes unrealised exchange gains of TEUR 842 (31 March 2017: TEUR 4,893), resulting from the deferral of forward discount arising on foreign-currency-denominated commercial paper. In total, other liabilities include foreign currency liabilities amounting to TEUR 39,402 (31 March 2017: TEUR 51,428).

Other liabilities at 31 March 2018 include payables to the shareholder, Toyota Financial Services Corporation, amounting to TEUR 25 (31 March 2017: TEUR 321).

5.16 Deferred income

The balance is made up primarily of interest and fees in connection with the instalment credit business and attributable to future periods, as well as upfront payments arising in connection with lease contracts.

5.17 Accruals and provisions

Marketable securities designated to cover specified pension obligations and separated from other assets by Toyota Kreditbank GmbH in conjunction with a Contractual Trust Agreement are offset against the corresponding obligations. Designated plan assets with a fair value of TEUR 6,771 (31 March 2017: TEUR 6,053) compare with obligations amounting to TEUR 6,764 (31 March 2017: TEUR 6,071). Contributions set aside for investments in designated plan assets amounting to TEUR 141 (31 March 2017: TEUR 140) – which are not due until January of the following year – are reported at the end of the reporting period in the line item “Provisions for pensions and similar obligations”.

The designated plan assets had an acquisition cost of TEUR 6,405 (March 31, 2017: TEUR 5,887).

Other provisions include consist primarily of provisions for dealership bonuses amounting to TEUR 18,633 (31 March 2017: TEUR 20,598), personnel-related expenses amounting to TEUR 14,209 (31 March 2017: TEUR 12,337), maintenance expen-ses amounting to TEUR 14,502 (31 March 2017: TEUR 12,912) and outstanding supplier invoices amounting to TEUR 11,125 (31 March 2017: TEUR 9,166).

5.18 Subordinated liabilities

This line item comprises two deposits from Toyota Motor Finance (Netherlands) B.V., Amsterdam, Netherlands.

Terms begin	Nominal amount million	Interest rate (%)	Renewed interest rate	Interest rate (applicable until)	Maturity
12/03/2007	PLN 69.5 (EUR 16.5)	2.2100	WIBOR 3M	14/06/2018	16/03/2021
01/08/2012	RUB 850.0 (EUR 12.0)	8.6574			01/08/2019

Interest expense on subordinated liabilities for the financial year amounted to TEUR 1,452 (2016/2017: TEUR 2,061).

In the event of the bank's insolvency, compromise settlements or similar proceedings to prevent the bank's insolvency, the liabilities are subordinated behind the unsubordinated claims of all other creditors. There is no option to convert the subordinated liabilities before their maturity date.

Accrued interest at the end of the reporting period totalled TEUR 183 (31 March 2017: TEUR 249).

5.19 Foreign currency liabilities

Foreign currency liabilities total TEUR 3,416,880 (31 March 2017: TEUR 3,117,943).

6. Explanatory notes to the income statement

6.1 Other operating income

This line item consists mainly of leasing revenues of TEUR 359,461 (2016/2017: TEUR 303,580). Rent and other services charged to Toyoty Group companies amounted to TEUR 8,440 (2016/2017: TEUR 8,693). Other operating income also includes income of TEUR 1,027 (2016/2017: TEUR 2,434) relating to other periods.

6.2 Depreciation, amortisation and write-downs on intangible assets, tangible fixed assets and leasing assets

Depreciation of leasing assets relating to the branches of Toyota Kreditbank GmbH in France, Sweden, Spain, Norway, and to Toyota Leasing GmbH amounted to TEUR 275,554 (2016/2017: TEUR 228,404).

6.3 Other operating expenses

This line item consists mainly of expenses relating to leasing business amounting to TEUR 11,940 (2016/2017: TEUR 10,677) as well as losses on the disposal of items of operational and office equipment amounting to TEUR 504 (2016/2017: TEUR 473). Other operating expenses include an expense of TEUR 2,085 (2016/2017: TEUR 1,770) relating to interest adjustments arising from discounting long-term provisions. Other operating expenses include prior year expenses of TEUR 34 (2016/2017: TEUR 278).

Other operating expenses include exchange losses totalling TEUR 4,975 (2016/2017: TEUR 644).

6.4 Income from the reversal of write-downs on investments in affiliates and other entities and on securities treated as non-current assets

Income reported in this line item for the previous financial year related to a cash-settled compensation amount – received at the level of a Polish subsidiary – arising on the exchange of shares in Visa Europe Limited, London, United Kingdom, for shares in Visa Inc., Wilmington, USA.

6.5 Income taxes

This line item comprises current German and foreign income taxes.

	2017/18 EUR	2016/17 EUR
Expected tax expense/income (-) at an income tax rate of 32.45% in Germany	35,374	38,014
Tax rate differences on foreign earnings	7,256	1,415
Adjustments due to tax balance sheet (incl. tax on dividends)	1,163	-354
Other	1,285	210
Reported tax expense/income (-)	**45,078**	**39,285**

The effective tax rate was 41.4% (2016/2017: 33.5%).

7. Other disclosures

7.1 Executive Management (Geschäftsleitung)

The following persons acted as directors during the year under review:

— Christian Ruben, Diplom-Kaufmann
— Ivo Ljubica, Diplom-Ökonom (until 29 June 2018)
— Axel Nordieker, Diplom-Kaufmann
— George Juganar, Diplom-Ökonom

Mr. Ruben and Mr. Ljubica are directors (Geschäftsführer) of both Toyota Kreditbank GmbH and Toyota Leasing GmbH.

Remuneration paid to Board members during the financial year under review totalled TEUR 1,337 (2016/2017: TEUR 1,295).

Pension provisions in respect of former members of management amounted to TEUR 3,875 (31 March 2017: TEUR 3,923). Pensions totalling TEUR 271 were paid during the financial year under review (2016/2017: TEUR 288).

7.2 Receivables from Executive Board members (Geschäftsleitung)

Receivables from Board members at 31 March 2018 totalled TEUR 0.

7.3 Number of employees

The average number of persons employed during the year under review was 718 (2016/2017: 729), comprising 244 (2016/2017: 252) in Germany, 81 (2016/2017: 81) in France, 52 (2016/2017: 51) in Spain, 29 (2016/2017: 29) in Norway, 34 (2016/2017: 32) in Sweden, 13 (2016/2017: 11) in Italy, 10 (2016/2017: 6) in Portugal,119 (2016/2017: 111) in Poland and 136 (2016/2017: 156) in Russia.

7.4 Profit appropriation at the level of the parent company

The Executive Board proposes that an amount of TEUR 36,831 be transferred from unappropriated profit to other revenue reserves. In addition, it proposes that a dividend of TEUR 27,100 be paid to the shareholder, Toyota Financial Services Corporation, Nagoya, Japan, out of unappropriated profit.

7.5 Derivative instruments

Derivative instruments have been entered into to hedge **interest and currency risks**. These are interest swaps, interest/currency swaps and currency futures which are used exclusively for hedging purposes.

Interest rate swaps are used to manage the interest rate risks in the banking book.

Derivative financial instruments comprised the following:

TEUR	Nominal amounts 31/03/2018	Nominal amounts 31/03/2017	Fair values Positive 31/03/2018	Fair values Positive 31/03/2017	Fair values Negative 31/03/2018	Fair values Negative 31/03/2017
Interest rate risks						
— Interest swaps	9,500	17,464	13	43	0	376
Interest/currency risks						
— Interest/currency swaps	0	51,163	0	10,450	0	0
Currency risks						
— forward currency contracts	437,429	305,074	2,551	3,363	137	254
Derivative instruments total	**446,929**	**373,701**	**2,564**	**13,856**	**137**	**630**

The above figures are "dirty prices" which represents the sum of "clean price" and accrued interest.

7.6 Valuation units

As a general rule, the interest rate/currency swaps and forward currency contracts are matched by a liabilities-side hedged item with a corresponding opposite risk profile (micro-hedge).

The interest rate swaps are not matched by any comparable liabilities-side underlying items. These swaps are used for portfolio hedging purposes (macro-hedge). The risk-mitigating effect is documented by means of various monthly calculations.

Hedged and hedging items in conjunction with interest rate/currency swaps and forward currency contracts are aggregated into micro-valuation units using the “Valuation Freeze Method” (Einfrierungsmethode). Fair value gains and losses arising on hedged and hedging items (including cash flows) will offset each other over the terms of those items due to the fact that amounts, maturities, interest rates, currency, interest-rate revision and repayment dates are identical.

The carrying amounts of underlying transactions included in valuation units pursuant to § 254 HGB and hedged volumes at the balance sheet date were as follows:

TEUR	Underlying transactions	Hedged amount	Maximum term
Interest/currency risks	9,500	9,500	2018
Currency risks	436,973	436,973	2018
Total	**446,473**	**446,473**	

7.7 Items disclosed below the balance sheet (liabilities)

Irrevocable credit commitments mainly relate to credit lines to dealerships and commitments relating to retail business and are subject to the normal credit monitoring processes that apply to all credit exposures. An increased credit loss risk has not been identified. Claims could arise at any time.

7.8 Other financial obligations

Obligations arising from lease, rental, leasing and maintenance agreements at the end of the reporting periods are as follows:

Due by 31 March 2019	TEUR	5,288
Due between 1 April 2019 and 31 March 2023	TEUR	5,605
Due after 31 March 2023	TEUR	843
Total	**TEUR**	**11,736**
of which due to affiliated companies	**TEUR**	**1,857**

Commitments to lessees of Toyota Leasing GmbH and Toyota Leasing Polska for ordered vehicles amounted to TEUR 33,914 (31 March 2017: TEUR 27,054).

7.9 Auditors' fees

KPMG AG Wirtschaftsprüfungsgesellschaft is the external auditor of Toyota Kreditbank GmbH. Fees charged by KPMG AG Wirtschaftsprüfungsgesellschaft and by non-German entities of the KPMG network were as follows:

	Germany 2017/18 TEUR	Abroad 2017/18 TEUR	Total 2017/18 TEUR	Germany 2016/17 TEUR	Abroad 2016/17 TEUR	Total 2016/17 TEUR
Year-end audits	636	223	859	488	223	711
Other attestation services	0	0	0	0	26	26
Tax advisory services	173	27	200	205	27	232
Other services	204	0	204	528	6	534
Total	**1,013**	**250**	**1,263**	**1,221**	**282**	**1,503**

7.10 Related party relationships

Related parties are defined as persons or entities that can be influenced by the reporting entity or who can exercise influence over the Group. Persons or entities that are already included as consolidated companies in the consolidated financial statements of Toyota Kreditbank GmbH are not disclosed below.

Toyota Financial Services Corporation, Nagoya, Japan, is the sole shareholder of Toyota Kreditbank GmbH. Business relations between the companies are conducted on an arms' length basis. Toyota Financial Services Corporation also guarantees the Group's European commercial paper program.

Toyota Motor Finance (Netherlands) B.V. provides Toyota Kreditbank GmbH refinancing funds subject to normal market conditions, and is also a subordinate lender. Toyota Motor Finance (Netherlands) B.V. also continues to guarantee the joint capital market programme of Toyota Bank Polska S.A. and Toyota Leasing Polska Sp. z o.o. Liabilities at the end of the reporting period amounted to TEUR 3,779,884 (31 March 2017: TEUR 3,122,375), expenses during the year under review totalled TEUR 39,918 (2016/2017: TEUR 41,541).

All transactions with these companies and with related parties are conducted on an arms' length basis.

In order to support sales promotion actions, Toyota Kreditbank GmbH receives financial subsidies from the importer companies of Toyota Motor Corporation, Toyota City, Japan.

7.11 Name and place of business of the parent company, information about the consolidated financial statements

Immediate parent company:
Toyota Financial Services Corporation
Nagoya Lucent Tower 15F, 6-1, Ushijima-cho, Nishi-ku, Nagoya 451-6015, Japan

Ultimate parent company:
Toyota Motor Corporation
1, Toyota-cho, Toyota City, Aichi Prefecture 441-8571, Japan

Toyota Kreditbank GmbH prepares its own sub-group financial statements, published in Germany in the electronic version of the Federal Gazette. Toyota Kreditbank GmbH is part of the sub-group of Toyota Financial Services Corporation, Nagoya, Japan. The financial statements of the sub-group are included in the consolidated financial statements of Toyota Motor Corporation, Toyota City, Japan. These consolidated financial statements are disclosed in Nagoya and Toyota City, Japan.

7.12 Events after the end of the reporting period

No other significant events have occurred after the end of the reporting period which have a significant impact on the Company's net assets, financial and earnings position.

Cologne, 12 July 2018
Toyota Kreditbank GmbH

Christian Ruben | Ivo Ljubica | Axel Nordieker | George Juganar

Consolidated Cash Flow Statement for Toyota Kreditbank Group for the period 1 April 2017 to 31 March 2018

The cash flow statement shows the changes in cash funds for the Group of Toyota Kreditbank GmbH. The cash flow statement consists of the cash flows from operating, investing and financing activities. The sum of these cash flows is in line with the change of the cash funds. The cash flow statement for the Group of Toyota Kreditbank GmbH has been drawn up in accordance with German Accounting Standard No. 21 of the German Financial Reporting Standards Board.

Consolidated cash flow statement of Toyota Kreditbank Group			2017/18 TEUR
1		Net income (loss) for the year	63,931
2	+/-	Depreciation/amortisation/write-downs/allowances and reversals of such in respect of receivables and fixed assets	305,890
3	+/-	Increase/decrease in provisions	27,693
4	+/-	Other non-cash income/expenses	4,975
5	-/+	Gains/losses arising on disposal of fixed assets	-840
6	+	Cash received from disposals of leasing assets	266,463
7	-	Cash paid for investments in leasing assets	-951,847
8	-/+	Other adjustments (net)	-26,575
9	-/+	Increase/decrease in receivables from banks	-26,139
10	-/+	Increase/decrease in receivables from customers	-610,087
11	-/+	Increase/decrease in securities (not classified as fixed assets)	12,496
12	-/+	Increase/decrease in other assets relating to operating activities	11,409
13	+/-	Increase/decrease in liabilities to banks	236,459
14	+/-	Increase/decrease in liabilities to customers	686,945
15	+/-	Increase/decrease in securitised liabilities	23,353
16	+/-	Increase/decrease in other liabilities relating to operating activities	85,204
17	+/-	Interest expenses/interest income	-262,396
18	+/-	Extraordinary expense/income	0
19	+/-	Income tax expense/income	45,078
20	+	Interest and dividends received	356,558
21	-	Interest paid	-94,162
22	+	Cash received relating to extraordinary items	0
23	-	Cash paid relating to extraordinary items	0
24	-/+	Income tax paid	-34,371
25		**Cash inflow from operating activities**	**120,036**
26	+	Cash received from disposals of non-current financial investments	0
27	-	Cash paid for investments in non-current financial assets	0
28	+	Cash received from disposals of tangible fixed assets	5,137
29	-	Cash paid for investments in tangible fixed assets	-8,789
30	+	Cash received from disposals of intangible assets	0
31	-	Cash paid for investments in intangible assets	-3,676
32	+	Cash received in conjunction with disposals from Group reporting entity	0
33	-	Cash paid in conjunction with additions to Group reporting entity	0
34	+/-	Change in cash funds from other investing activities (net)	0
35	+	Cash received relating to extraordinary items	0
36	-	Cash paid relating to extraordinary items	0
37		**Cash flow from investing activities**	**-7,328**
38	+	Cash received from equity provided by shareholders of parent company	38,551
39	+	Cash received from equity provided by other shareholders	0
40	-	Cash paid to shareholders of parent company in conjunction with equity reductions	0
41	-	Cash paid to other shareholders in conjunction with equity reductions	0
42	+	Cash received relating to extraordinary items	0
43	-	Cash paid relating to extraordinary items	0
44	-	Dividends paid to shareholders of parent company	-25,000
45	-	Dividends paid to other shareholders	0
46	+/-	Change in funds relating to other capital items (net)	-11,225
47		**Cash flow from financing activities**	**2,326**

Consolidated cash flow statement of Toyota Kreditbank Group		2017/18 TEUR
48	Cash relevant change in cash funds	115,034
49	Changes in cash funds due to exchange rate and valuation factors	-2,260
50	Changes in cash funds due to changes in Group reporting entity	0
51	**Cash funds at beginning of period**	**177,371**
52	**Cash funds at end of period**	**290,145**

Consolidated Statement of Changes in Equity of Toyota Kreditbank GmbH as at 31 March 2018

Breakdown of consolidated equity:

in TEUR	Share capital	Capital surplus	Retained Earnings	Translation Differences	Profit/loss brought forward	Group net income for the year	Group Equity
As of 31 March 2016	**30,000**	**345,843**	**470,597**	**-91,164**	**0**	**59,011**	**814,287**
Capital increase from corporate funds	0	12,643	0	0	0	0	**12,643**
Settings/withdrawals from reserves	0	0	14,853	0	13,358	-28,211	**0**
Dividends paid	0	0	0	0	0	-30,800	**-30,800**
Currency translation	0	0	31	33,982	0	0	**34,013**
Other changes	0	0	0	0	0	0	**0**
Group net income for the year 2017	0	0	0	0	0	77,862	**77,862**
As of 31 March 2017	**30,000**	**358,486**	**485,481**	**-57,182**	**13,358**	**77,862**	**908,005**
Capital increase from corporate funds	0	38,551	0	0	0	0	**38,551**
Settings/withdrawals from reserves	0	0	66,220	0	-13,358	-52,862	**0**
Dividends paid	0	0	0	0	0	-25,000	**-25,000**
Currency translation	0	0	0	-24,946	0	0	**-24,946**
Other changes	0	0	0	0	0	0	**0**
Group net income for the year 2018	0	0	0	0	0	63,931	**63,931**
As of 31 March 2018	**30,000**	**397,037**	**551,701**	**-82,128**	**0**	**63,931**	**960,541**

Toyota Kreditbank GmbH's capital is wholly owned by Toyota Financial Services Corporation, Japan.

The Executive Management of the parent company proposes that an amount of TEUR 36,831, be transferred from unappropriated profit to other revenue reserves. In addition, it proposes that a dividend of TEUR 27,100, be paid to the shareholder, Toyota Financial Services Corporation, Nagoya, Japan, out of unappropriated profit.

Segment information for the Toyota Kreditbank GmbH Group for the period 1 April to 31 March (1/2)

The Toyota Kreditbank Group operates in Germany and, via its branches, in France, Sweden, Norway, Spain, Italy and Portugal. The Group also has subsidiaries in Poland and Russia. In the year under review, the Group was engaged in the instalment credit and the leasing business as well as in the financing of dealers' car inventories, and provided loans for car dealers' real estate and working capital.

Amounts are allocated to segments on the basis of the location of the registered office of the relevant branches and Group entities. Due to the close connection of the business activities with TKG head office, the special purpose entity Koromo S.A., Luxembourg, is allocated to the segment "Germany". All amounts relating to the balance sheet and income statements are presented in TEUR.

	Germany		France		Spain		Norway		Sweden		Italy	
All figures in TEUR, unless otherwise stated	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**
Interest income	80,111	79,273	30,973	31,115	62,058	49,538	22,657	26,145	13,142	11,740	4,396	4,059
comprising:												
- Income from retail financing	68,341	66,304	25,215	25,467	60,653	48,270	22,343	25,749	12,607	11,162	11	0
- Income from wholesale financing	12,337	12,479	5,731	5,635	740	781	308	389	535	578	4,373	3,968
Interest expense	-5,369	-12,562	-2,911	-3,591	-4,786	-5,419	-10,239	-9,339	-393	-105	-183	-141
Net interest income	**74,742**	**66,711**	**28,062**	**27,524**	**57,272**	**44,119**	**12,418**	**16,806**	**12,749**	**11,635**	**4,213**	**3,918**
Risk provisioning expense	1,839	-5,626	-10,152	-7,972	-7,074	-4,957	-749	-741	-94	-7	-5,065	-3,890
Net commission income	-5,081	-6,742	-6,739	-1,870	-28,264	-24,797	5,954	3,188	-5,454	-5,225	4,248	3,698
Profit/loss leasing business	20,923	22,010	41,653	33,533	1,531	1,780	138	488	7,650	6,962	0	0
Other operating income/expense incl. investment result	-3,943	11,303	-706	-374	806	1,281	-862	-834	-492	-461	-420	-211
Administrative expenses	-56,591	-51,102	-20,079	-18,668	-12,295	-10,270	-7,789	-6,769	-7,799	-6,522	-2,692	-2,870
Profit/loss from ordinary activities	**31,889**	**36,554**	**32,039**	**32,173**	**11,976**	**7,156**	**9,110**	**12,138**	**6,560**	**6,382**	**284**	**645**
Extraordinary expenses	0	0	0	0	0	0	0	0	0	0	0	0
Taxes	-11,624	-10,727	-9,840	-9,313	-10,131	-7,272	0	0	-61	-26	-93	-182
Net profit-loss/year end result	**20,265**	**25,827**	**22,199**	**22,860**	**1,845**	**-116**	**9,110**	**12,138**	**6,499**	**6,356**	**191**	**463**
Profitability of allocated capital	**4.1%**	**5.7%**	**14.2%**	**16.0%**	**3.4%**	**-0.2%**	**10.5%**	**14.1%**	**14.9%**	**13.8%**	**43.7%**	**-1,736.2%**
Ratio of expenses/income before taxes	**65.3%**	**54.8%**	**32.2%**	**31.7%**	**39.2%**	**45.9%**	**44.1%**	**34.4%**	**54.0%**	**50.5%**	**33.5%**	**38.8%**

	Germany		France		Spain		Norway		Sweden		Italy	
All figures in TEUR, unless otherwise stated	**03/2018**	**03/2017**	**03/2018**	**03/2017**	**03/2018**	**03/2017**	**03/2018**	**03/2017**	**03/2018**	**03/2017**	**03/2018**	**03/2017**
Liquid funds	268,365	139,611	0	0	1	1	0	0	0	0	41	14
Receivables from banks	97,297	116,381	14,879	25,419	51	3	0	7,340	0	7,724	53,160	42,533
Receivables from customers	2,239,338	2,095,591	922,263	871,606	1,522,942	1,185,967	730,991	715,822	378,312	358,105	297,228	329,594
Leasing assets	357,041	331,929	717,148	535,062	67,536	39,021	112,088	10,484	280,426	264,643	0	0
Liabilities to banks	2,070,066	1,944,775	440,198	415,254	244,160	235,038	3,161	0	4,330	0	0	0
Liabilities to customers	443,262	300,245	652,986	518,186	761,066	500,759	733,638	636,741	587,369	562,833	100	100
Notes payable	600,085	599,075	0	0	0	0	0	0	0	0	0	0
Subordinate liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Equity/alloted capital	495,029	453,301	156,734	143,284	54,956	55,073	86,643	86,060	43,564	46,114	436	-27

Consolidated segment information for the Toyota Kreditbank GmbH Group for the period 1 April to 31 March (2/2)

	Portugal		Poland		Russia		Consolidation		Group	
All figures in TEUR, unless otherwise stated	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**
Interest income	1,124	8	33,317	26,423	108,889	105,731	-109	-865	356,558	333,166
comprising:										
- Income from retail financing	1,065	8	8,422	7,189	90,218	81,793	0	0	288,875	265,943
- Income from wholesale financing	0	0	2,441	2,195	15,918	20,630	0	0	42,383	46,655
Interest expense	-54	0	-11,907	-9,521	-58,434	-56,400	113	-897	-94,162	-96,181
Net interest income	**1,070**	**8**	**21,410**	**16,902**	**50,455**	**49,331**	**4**	**32**	**262,396**	**236,985**
Risk provisioning expense	-342	0	-3,030	-2,790	-4,587	-1,465	0	0	-29,255	-27,448
Net commission income	-2,830	-31	153	-1,131	-8,565	-6,400	-3	-34	-46,582	-39,344
Profit/loss leasing business	5	0	-173	-463	0	0	0	0	71,726	64,311
Other operating income/expense incl. investment result	-152	-3	-285	1,845	-1,282	-787	-724	-604	-8,060	11,156
Administrative expenses	-3,509	-2,076	-10,558	-9,679	-19,489	-20,178	725	637	-140,076	-127,497
Profit/loss from ordinary activities	**-5,758**	**-2.102**	**7,517**	**4,684**	**16,532**	**20,501**	**2**	**31**	**110,149**	**118,163**
Extraordinary expenses	0	0	0	0	0	0	0	0	0	0
Taxes	-84	-11	-2,139	-9,200	-3,865	-3,571	-8,383	0	-46,218	-40,302
Net profit-loss/year end result	**-5,842**	**-2,113**	**5,378**	**-4,516**	**12,667**	**16,930**	**-8,381**	**31**	**63,931**	**77,861**
Profitability of allocated capital	**-59.07%**	**-17.61%**	**14.7%**	**-20.5%**	**16.5%**	**18.8%**			**6.7%**	**8.6%**
Ratio of expenses/income before taxes	**-184.05%**	**-8,211.19%**	**50.0%**	**56.4%**	**48.0%**	**47.9%**			**50.1%**	**46.7%**

	Portugal		Poland		Russia		Consolidation		Group	
All figures in TEUR, unless otherwise stated	**03/2018**	**03/17**	**03/2018**	**03/2017**	**03/2018**	**03/2017**	**03/2018**	**03/2017**	**03/2018**	**03/2017**
Liquid funds	0	0	8,684	7,750	13,054	29,994	0	0	290,145	177,371
Receivables from banks	5,569	10,330	148	6,931	29,689	2,948	0	-44,954	200,793	174,654
Reiceivables from customers	34,025	590	596,788	501,998	926,143	978,609	0	0	7,648,031	7,037,882
Leasing assets	0	0	34,045	0	0	0	0	0	1,568,283	1,181,139
Liabilities to banks	0	0	109,774	82,944	356,077	313,295	0	0	3,227,765	2,991,306
Liabilities to customers	0	0	483,503	389,911	192,992	259,194	0	0	3,854,915	3,167,970
Notes payable	0	0	0	0	72,309	49,966	0	0	672,394	649,041
Subordinate liabilities	0	0	16,524	16,462	12,155	23,443	0	0	28,679	39,905
Equity/alloted capital	9,887	12,000	36,553	22,004	76.739	90,196	0	0	960,542	908,005

Toyota Kreditbank GmbH
Group Management Report for the financial year 2017/2018

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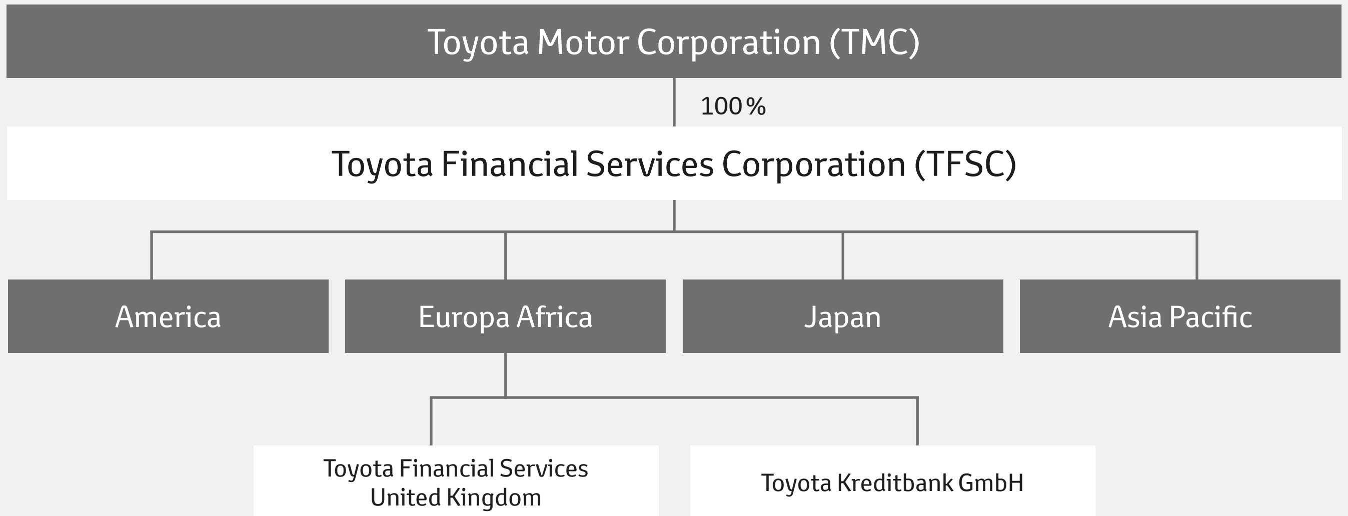
A. General Information on the Toyota Kreditbank Group

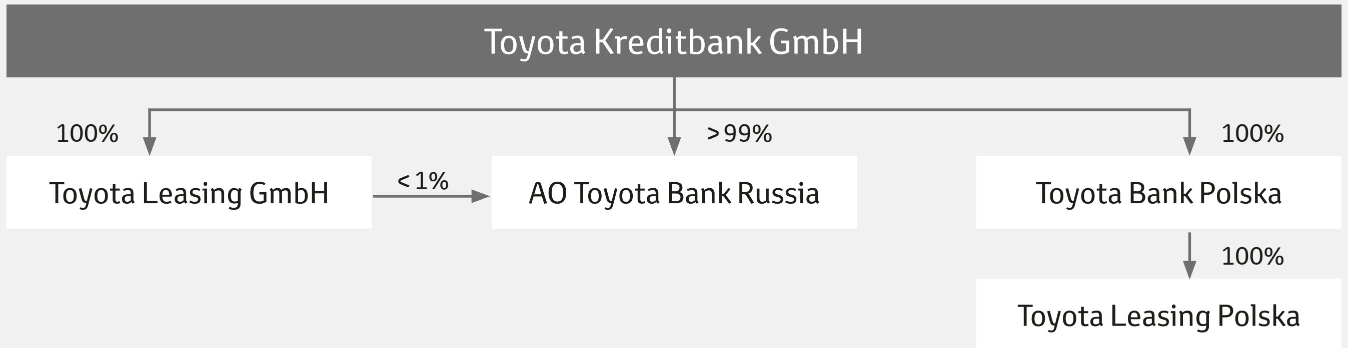
The Toyota Kreditbank Group, represented by its manufacturer-related financing companies, provides financial services aimed at supporting car sales of the Toyota Group. A wide range of financing products is available to private and commercial customers on the one hand and to Toyota and Lexus dealers on the other.

Toyota Financial Services Corporation, based in Japan, is the parent company of the sub-group and owns all of the shares of the entities within the Toyota Kreditbank Group. The ultimate parent company is the Japanese car manufacturer, Toyota Motor Corporation, which, in turns, owns 100% of the shares of Toyota Financial Services Corporation. The companies concerned also work very closely in terms of marketing.



The Toyota Financial Services Group is represented in 37 countries, covering four main regions, namely the Americas, Europe/Africa, Japan and Asia Pacific. The Europe/Africa region consists of the two sub-groups, Toyota Financial Services United Kingdom and the Toyota Kreditbank Group.

Toyota Kreditbank GmbH is the parent company of the Toyota Kreditbank Group and has its registered office in Cologne.



Toyota Kreditbank GmbH and its subsidiaries are classic automobile banks, whose principal activity is the financing of Toyota and Lexus brand vehicles manufactured by the Toyota Group. In the case of new cars, financing is provided exclusively for Toyota and Lexus brand vehicles. In the case of used cars, mainly Toyota and Lexus brand vehicles are financed. The range of services on offer corresponds to that of a specialised bank, since the business model is aimed almost entirely at sales of, and dealer financing for, the relevant brands. For this reason, performance is largely dependent on the volume of cars sold within the operating territory. The sales financing products offered by the Toyota Kreditbank Group have to compete with those offered by other specialised banks, universal banks and savings banks (Sparkassen).

The range of financing products on offer in Germany comprises traditional loan contracts, final instalment financing arrangements and the sale of leasing products. This range of financing products is supplemented by so-called “package” products offered in conjunction with Toyota Insurance Service and Aioi Nissay Dowa Life Insurance of Europe AG, Ismaning, and with Toyota Motor Europe SA, NV Brussels, Belgium. In addition to a reasonable and fixed financing amount, these products include access to Toyota service facilities, a follow-on and mobility guarantee and credit insurance. The customer can also opt to add car insurance to the package.

The Toyota Kreditbank Group provides financing to Toyota and Lexus dealerships for new, showroom and used cars. It also provides investment loans for the purchase or modernisation of company real estate and working capital loans.

As well as servicing the German market, financing and leasing products are also provided in other European countries where the Toyota Kreditbank GmbH has branches or subsidiaries.

The Toyota Kreditbank GmbH has branches in France, Spain, Norway, Sweden, Italy and Portugal as well as subsidiaries in Germany, Poland and Russia.

In terms of consumer credit business with private and business customers, the branches and subsidiaries – with the exception of the branch in Italy – offer financing products comparable to those offered in Germany. The product range also covers the sale of leasing products and the arranging of insurance policies. In addition, the Toyota and Lexus dealers can apply for investment and working capital loans and are able to finance new, showroom and used cars via the Group. The branch in Italy only provides financing to dealerships. In addition to vehicle financing, the Polish subsidiary also offers services relating to credit cards and customer deposits.

The branch in Portugal was opened towards the end of the previous financial year. Due to the small scale of business in that period, its performance was, for the most part, not reported separately in the individual tables. In the financial year under review, the Portuguese branch has been integrated into the tables.

The key performance indicators used by the Toyota Kreditbank Group are based on regulatory requirements on the one hand and the interests of the shareholder on the other.

The following indicators were classified as key management parameters during the year under review, unchanged from the previous year:

Management system

Market	Penetration	Ratio of new registrations to financed vehicles
	Number of contracts	Number of new and used car contracts
Financial	Operating Income	Profit before taxes and non-operating profit & losses (IFRS)
	ROMA	Operating Income/Average Managed Assets (IFRS)
	Operating Cost Ratio	Selling, General Administrative Expense/ Average Managed Assets (IFRS)

These key performance indicators are measured and controlled throughout the Group on the basis of IFRS figures. Due to the difference in accounting policies between HGB and IFRS, the key performance indicators cannot be derived directly from the HGB figures.

B. Sustainability Report

1. Overview

The law to strengthen companies' non-financial disclosure in Management Reports and Group Management Reports (German Corporate Social Responsibility (CSR) Directive Implementation Act) extends companies' annual reporting requirements to include disclosures on environmental, employment and social issues, measures to combat corruption and bribery as well as respect for human rights if such disclosures are relevant for an understanding the reporting enterprise's business performance and significant in terms of the impact on the enterprise's activities.

There have not been identified any significant risks for Toyota Kreditbank Group for the before mentioned items that are connected with the company's business, business relationships, products and services and that could have negative impact on the sustainability.

In order to comply with this requirement, the Toyota Kreditbank Group has prepared the following non-financial statement based on the provisions of Sections 315b (1) and 315c of the German Commercial Code (HGB) in conjunction with Section 289c HGB.

The chapter A "General information on the Toyota Kreditbank Group" of this management report is referred to for the description of the business model.

2. Environment

Environmental protection has a long tradition at Toyota Motor Corporation (Toyota) and remains a top priority. Starting with the development of innovative drivetrain concepts, taking in all aspects of production, and through to the recycling of our automobiles.

Toyota wishes to contribute towards a sustainable society and to offer mobility solutions that give people pleasure. It is a matter of extreme importance to Toyota to face up to challenges such as climate change, air pollution, limited raw materials reserves and secure energy supplies. Alongside safety and emotion, environmental protection is one of the key issues that dominate product development. Electrified vehicles are indispensable when it comes to finding solutions to current environmental issues.

As part of the Environmental Challenge 2050 presented in October 2015, Toyota aims to reduce global average new-vehicle CO_2 emissions by 90% from 2010 levels. In a subsequent announcement, Toyota set out its strategy of using electrification as the main pillar of a mid-to-long-term initiative to achieve this challenge.

Hybrid vehicles will play an important role in this strategy: Toyota intends to increase the number of hybrid vehicles sold worldwide from 11 million in 2017 to 15 million by 2020. Annual sales of hybrid vehicles are forecast at 1.5 million units. With the introduction of a new generation of batteries with higher energy density and durability, the range of electrified vehicles is also increasing.

Another pillar for achieving lower CO_2 emissions is the Fuel Cell Vehicle (FCV), such as the Toyota Mirai. Worldwide sales of passenger cars powered by a fuel cell are expected to exceed 30,000 units p.a. from 2020 onwards. In 2019, Toyota will commence the sale of fuel cell buses, initially in small numbers, for use in the Greater Tokyo area. The Group currently plans to deliver more than 100 emission-free buses ahead of the Summer Olympic and Paralympic Games 2020 in the Japanese capital.

Toyota Kreditbank GmbH uses electricity (electrical energy) and heat (heating energy) in particular as part of the value-added process at the Cologne location. Electricity for the site, which is all green ("100% Naturstrom"), is supplied by Hammermühle Versorgung GmbH. Energy for heating comes from the regional district heating system.

The energy audit required by EN 16247-1 has been carried out and we are currently in the process of implementing the measures identified.

Toyota Kreditbank GmbH has already converted the lighting of most of its properties to LED technology. Further conversions are planned for the future.

We strive to avoid or reduce waste as much as possible. An important aspect is the separation of waste by type, especially paper and residual waste. Depending on location, waste quantities are measured on the basis of volumes actually charged or container sizes. When disposing of paper waste, we take care to comply with data protection requirements relevant for document destruction.

Energy-efficient pumps are used for the ceiling cooling system and for the transport of hot and cold water to ensure the economical and sustainable use of resources. In addition, conventional thermostats have been replaced by new, more efficient heating valves in order to save energy.

Employees are encouraged to act in an environmentally-aware manner, e.g. collection containers are provided for the disposal of used batteries in accordance with the common collection scheme (GRS) operated by The GRS Batteries Foundation. GRS is committed to informing all age groups about battery recycling and to inspiring children and young people to enjoy and take an interest in energy and the environment.

Moreover, in accordance with internal guidelines, vehicles with CO_2 emissions exceeding 200 g/km may not be acquired for use as company or employee cars.

3. Employee matters

A workforce of motivated and well-trained employees is the most important resource for the Group's success. Toyota Kreditbank GmbH is committed to promoting the skillsets and qualifications of its employees on a sustainable basis. In addition to providing opportunities for staff to develop their abilities at both a technical and a personal level, the human resources department is also responsible for the development of managerial skills and the skills necessary for communicating and implementing corporate values.

The PULSE employee survey conducted in 2017 showed the best results in the areas of commitment to sustainability, teamwork and customer orientation.

Employees are remunerated at levels commensurate for the sector. From manager level upwards, total annual remuneration also includes a variable component. In the financial year under review, all other employees participated in the organisation's success in the form of profit sharing arrangements.

As well as encouraging employees to develop their skills, a range of benefits such as a modern working environment, flexible working time models, employer-financed company pension schemes, family services and the promotion of good health, including sports activities, help to raise employee commitment.

Toyota Kreditbank GmbH attaches the highest priority to respecting individual personality. Discrimination and harassment in the workplace on the grounds of race, ethnic origin, gender, religion or belief, disability, age or sexual identity are not tolerated.

During the financial year 2017/2018, the Toyota Kreditbank Group had an average of 718 employees.

4. Social engagement

Taking responsibility for society is an integral part of Toyota's corporate philosophy. In addition to various national activities, the Toyota Fund for Europe – which has been in existence since 2002 – supports numerous European projects relating to the environment, road safety and education.
Promoting cooperation with educational institutions, non-profit and charitable organisations is a particular focus. As well as providing financial resources, important aspects of the Fund's work include the transfer of knowledge, creating opportunities for further education and training as well as the provision of material resources.

In addition, Toyota has launched "Start Your Impossible" – a global corporate initiative that aims to inspire Toyota employees, partners and customers, and connect them with the company's core beliefs. In an age of accelerating technological and environmental developments, "Start Your Impossible" marks Toyota's commitment to support the creation of a more inclusive and sustainable society in which everyone can challenge their impossible.

Toyota believes that mobility goes beyond owning a vehicle; it is about overcoming challenges and making dreams come true. The "Start Your Impossible" initiative reflects these values and highlights the company's goal to provide freedom of mobility for all. "We want to share this thinking with all stakeholders, including consumers, so that we can approach this challenge together," said Toyota President Akio Toyoda.

Since its founding as a loom manufacturer, Toyota has been driven by a commitment to contribute to society. As worldwide partner of The Olympic Games and The Paralympic Games, Toyota aims to encourage the development of both a peaceful society without discrimination through sports and a sustainable society through mobility. Toyota's values of continuous improvement and respect for people are shared by The Olympic Games, which brings together the entire world in friendship and solidarity to celebrate the highest realisation of human potential.

In Cologne, Toyota is participating in the "Forest Laboratory" project alongside its partners RheinEnergie and the City of Cologne. The project includes the creation of a "trial forest" that presents new impressions and insights about the "forest of the future". The forest laboratory will provide new information on what the forest of the future will look like, how it should be managed and how the effects of climate change in Germany can be reduced.

5. Respect for human rights

Toyota's Guiding Principles, Code of Conduct, and CSR Policy define the concept for respecting and honouring human rights of all people. They also address other rights of persons affected by Toyota operations.

"Respect for People" is one of the two pillars of the Toyota Way, specifically highlighting the importance attached by Toyota to respecting business partners on the one hand and employees' individual personalites on the other. Putting the Toyota Way into practice therefore involves an unconditional commitment to respect for human rights.

Toyota has adopted a range of measures aimed at protecting human rights. One of these is the joint "Drive Sustainability" initiative of ten automotive companies (BMW Group, Daimler AG, Ford, Honda, Jaguar Land Rover, Scania CV AB, Toyota Motor Europe, Volkswagen Group, Volvo Cars and Volvo Group) which constitutes a step towards achieving greater responsibility along the raw materials supply chain.

One of the objectives of the sustainability partnership is to establish a "Raw Materials Observatory" to identify and address ethical, environmental, human and labour rights issues in the sourcing of raw materials.

With the help of CSR Europe, a European business network for corporate social responsibility, "Drive Sustainability" aims to create greater transparency, improve working conditions and address a wide range of issues at all stages along the supply chain. The new Raw Materials Observatory will focus on assessing potential risks in the procurement of raw materials such as mica, cobalt, rubber and leather.

6. Combating corruption and bribery

In response to the global expansion of its business and rising societal demands, Toyota adopted the Anti-bribery Guidelines in 2012 in the hope of completely eliminating corruption on a sustained basis. This goal is to be achieved by strengthening preventive measures throughout the Toyota organisation and working to prevent corruption by raising awareness of its anti-corruption stance, both internally and with business partners.

The TKG Code of Conduct stipulates that all Toyota employees must carry out their activities in compliance with applicable national and international laws, professional ethics and internal regulations. Safeguarding Toyota's interests can never justify any conduct that is contrary to the principles of correctness and honesty.

An effective compliance management system is in place across the Toyota Kreditbank Group, under the responsibility of the Compliance Officer, to ensure the application of good business practices. The annual risk analysis required by law did not identify any significant risks of corruption or bribery.

A set of clear rules is in place regarding gifts, the prevention of money laundering and the financing of terrorism as well as fraud prevention. For this purpose, appropriate training courses are held for employees joining the Toyota Kreditbank Group and at regular 2-year intervals thereafter.

If employees detect irregularities, they are required – as part of a whistle-blower system – to contact either the Compliance Officer, the Human Resources department, the Head of Internal Audit and/or the Works Council. In addition, issues may also be reported to a central point at the European headquarters.

All of these options enable employees to address pertinent issues – including, for instance, indications of potential criminal activities – knowing that their identity will remain confidential. This whistle-blower system helps us to ensure compliance with the law and to avoid damage to Toyota Kreditbank's reputation and assets.

C. Report on Economic Position[1]

1. General economic conditions and sector environment

The global economy

Global economic growth accelerated slightly during the calendar year 2017. According to figures issued by the International Monetary Fund (IMF), global economic output expanded by 3.8% in 2017, compared with 3.2% one year earlier. After growing by 0.9% in 2016, the Japanese economy grew by a further 1.7% in the calendar year 2017. The economies of the world's industrial countries generally grew faster than one year earlier, with the growth rate rising overall from 1.7% to 2.3%.

Operating territory

The euro area economy grew by 2.3% in the calendar year 2017, compared to 1.8% in the previous year.

Economic indicators in Europe

Country	GDP[1] Change prev. year % 2017	GDP[1] Change prev. year % 2016	CPI[2] Change prev. year % 2017	CPI[2] Change prev. year % 2016
European Union	2.7	2.0	1.7	0.2
Euro area	2.3	1.8	1.5	0.2
Germany	2.5	1.9	1.7	0.4
France	1.8	1.2	1.2	0.3
Spain	3.1	3.3	2.0	-0.2
Norway	1.8	1.1	1.9	3.6
Sweden	2.4	3.2	1.9	1.1
Italy	1.5	0.9	1.3	-0.1
Portugal	2.7	1.6	1.6	0.6
Poland	4.6	2.8	2.0	-0.6
Russia	1.5	-0.2	3.7	7.0

Source: IMF

[1] Real gross domestic products
[2] Consumer Price Index covering all products

Germany again experienced sound, steady economic growth in 2017, finishing the year with a higher growth rate than in preceding years which themselves had already been relatively strong. The positive development in 2017 was largely attributable to domestic demand, with private and public sector consumer spending up, whereby the growth in the public sector was not as pronounced as one year earlier. The sharp rise in the previous year was partly due to the high level of immigration recorded in Germany in that period. The positive situation on the labour market helped boost pay levels, thus partially offsetting the impact of higher inflation. Investment levels in Germany, for instance in the residential construction sector, also contributed to growth.[2]

[1] General source: IMF
[2] Source: Focus Economics

The growth rate in France was slightly higher year-on-year. Despite greater stability on the domestic economy, private consumption was less dynamic than one year earlier. Positive momentum was generated by investments in equipment and buildings. The economic upswing is benefiting from the reform process initiated by the new President. Foreign trade remains a weak point, slowing growth. Moreover, the growth rate in France continues to lag behind that of the euro area.[3]

Spain's economy grew by more than 3% for the third year in succession in 2017. Despite the turnaround in inflation from a negative level to 2%, consumer sentiment remains optimistic due to falling unemployment. Spain's growth rate is therefore one of the strongest in Europe.[4]

[3, 4] Source: Focus Economics

The European Union recorded moderate economic growth. Real GDP in the euro area grew by 2.3% and unemployment continues to decline, although there are major disparities between countries. Higher inflation rates slowed down consumer spending in a number of countries. By contrast, investments helped to stabilise growth.[5]

Russia came out of the recessionary phase experienced in the past two years by recording gross domestic product (GDP) growth of 1.5% in 2017. The main reason for the improved situation is the further rise in oil prices, which represents a significant factor for Russia's economy and the national budget. After slumping in 2015, private consumer spending is also now providing a boost to economic growth.
However, over-interference by the state in economic matters, a lack of structural reforms and an uncertain legal environment continue to hamper private investment. The EU and US sanctions imposed in 2014 are not expected to be lifted rapidly.[6]

In Poland, GDP grew by 4.6% in the calendar year 2017. The main drivers of growth were robust domestic demand and pay increases on the back of a strong labour market. Investments financed out of EU funds also continue to contribute to economic growth.[7]

Currency developments
The Japanese Yen lost 9% in value against the Euro over the twelve-month period. Similarly, the Russian Rouble also decreased in value against the Euro.

Exchange rates

Currency	31/03/2018	31/03/2017
Euro	1.0000	1.0000
British Pound	0.8749	0.8555
Japanese Yen	131.1500	119.5500
Norwegian Krone	9.6770	9.1683
Swedish Krone	10.2843	9.5322
Russian Rouble	70.8897	60.3130
Polish Zloty	4.2106	4.2265

Source: Bloomberg

[5, 6, 7] Source: Focus Economics

Review of the automobile market
The European automobile market grew by 2.5% in the calendar year 2017. The German automobile market also developed well, growing at a rate of 2.7%.[8]

With worldwide sales of 10.38 million vehicles in the calendar year 2017, Toyota exceeded the tenmillion threshold for the number of vehicles sold in a single calendar year for the fourth year in succession, marginally beating the previous year's figure.

New car registrations Toyota Europe

	CY 2017	CY 2016	CY 2015	CY 2014
Europe incl. Russia	1,001,662	928,488	873,844	888,015
Operating territory	578,919	529,926	483,932	514,692

New registrations of Toyota brand vehicles in Europe (including Russia) increased 7.9% year-on-year. Sales growth within the Toyota Kreditbank Group's operating territory, measured on a calendar year basis, was even stronger than one year earlier, rising by 9.2% to 578,919 units.

Toyota and Lexus models in Europe

	CY 2017	CY 2016	CY 2015	CY 2014
All models	1,001,662	928,488	873,844	888,015
thereof:				
— Yaris	209,130	208,606	201,271	181,105
— Auris	121,725	144,052	142,369	142,105
— C-HR	120,750	n. a.	n. a.	n. a.
— RAV4	112,537	110,120	85,988	101,104
— Aygo	85,279	88,317	88,583	70,542

The C-HR, a compact crossover introduced in 2016, joined the list of Toyota's most popular models in Europe to date (the Aygo, Yaris, Auris and RAV4) to become the third largest volume model. Toyota's strategy of continuously reducing fleet emissions and maintaining its technological lead by developing environmental-friendly drivetrain systems is also being bolstered by the Mirai, the first-ever high-volume-built fuel cell vehicle, and the Prius Plug-In. In the meantime, a hybrid vehicle is offered in each segment of Toyota's model range. In addition, all Lexus models are also available as hybrid vehicles. The total number of hybrid vehicles sold worldwide during the calendar year 2017 totalled 1,513,451 million units, 8.1% or 112,808 units more than one year earlier. Sales of hybrid vehicles as a proportion of all Toyota and Lexus vehicles sold increased again overall in 2017, rising to approximately 14.6% worldwide (2016: 13.8%). The equivalent figures for Europe were 42.8% (2016: 34.4%) and 50.6% (2016: 40.1%) for Germany. Toyota continues to pursue its target of a 50% hybrid share of new registrations and has now surpassed this level in Germany. In addition, Toyota has announced that, going forward, Toyota's European model ranges will no longer include any diesel vehicles. Instead, in future, it will offer one further hybrid engine in all model series.

[8] Source: ACEA

2. Course of business

Economic conditions and developments within the automobile sector remained positive. Overall, the Toyota Kreditbank Group was able to increase business volumes in 2017/2018 at a faster rate than the general growth in the market, mainly thanks to additions to the attractive model range.

Key performance figures

	31/03/2018 in TEUR	31/03/2017 in TEUR	Variance in TEUR	Variance in %
Credit disbursed to customers (before allowances)	7,859,695	7,253,027	606,668	8.4
Thereof:				
— retail customers	6,033,798	5,417,642	616,156	11.4
— contract dealerships	1,825,897	1,835,385	-9,488	-0.5
Leasing assets	1,568,283	1,181,139	387,144	32.8

Retail business

Toyota Kreditbank Group's lending business is shaped primarily by loans to retail customers. The Group's performance in this sector is dependent to a large extent on the number of new registrations of Toyota brand vehicles in the Group's operating territory.

	New car registrations		New vehicle penetration	
Country	FY 2017/18	FY 2016/17	FY 2017/18	FY 2016/17
Germany	86,887	80,387	45.4%	44.0%
France	95,854	90,078	36.8%	34.1%
Spain	74,097	65,878	44.6%	42.7%
Norway	21,118	21,770	53.0%	49.4%
Sweden	26,737	26,379	46.2%	46.9%
Italy	n. a.	n. a.	n. a.	n. a.
Portugal	11,333	n. a.	13.4%	n. a.
Poland	58,870	50,579	30.7%	29.5%
Russia	117,204	115,224	22.9%	23.2%
Total	492,100	450,295	36.1%	35.3%

New registrations within the Group's operating territory rose by 9.3%. The number of financing and leasing contracts for new vehicles went up by 11.7%. The number of new contracts in Germany, including leasing contracts concluded by Toyota Leasing GmbH, rose sharply once again. For new vehicles, the penetration rate improved on average from 35.3% to 36.1%, clearly reflecting the success of the Group's attractive and competitively priced product range.

Number of new contracts

	FY 2017/18	FY 2016/17	Variance in %
New vehicles	109,942	100,507	9.4
Used vehicles	50,892	47,211	7.8
Total Financing	**160,834**	**147,718**	**8.9**
New vehicles	67,735	58,554	15.7
Used vehicles	2,826	2,623	7.7
Total Leasing	**70,561**	**61,177**	**15.3**
Total new car registrations	**492,100**	**450,295**	**9.3**
New vehicle penetration Financing	22.3%	22.3%	0.0
New vehicle penetration Leasing	13.8%	13.0%	6.2
Total new vehicle penetration	**36.1%**	**35.3%**	**2.3**

Number of new contracts by country

	Financing			Leasing		
	FY 2017/18	FY 2016/17	Variance in %	FY 2017/18	FY 2016/17	Variance in %
Germany	57,073	54,920	3.9	9,251	8,392	10.2
France	12,295	11,626	5.8	28,140	23,252	21.0
Spain	33,665	28,355	18.7	2,780	1,696	63.9
Norway	7,096	7,045	0.7	8,445	7,684	9.9
Sweden	12,777	11,879	7.6	7,660	8,115	-5.6
Italy	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
Portugal	1,806	n. a.	n. a.	315	n. a.	n. a.
Poland	7,053	5,480	28.7	13,970	12,038	16.0
Russia	29,069	28,413	2.3	0	0	0.0
Total	160,834	147,718	8.9	70,561	61,177	15.3

The Toyota Kreditbank Group only operates in the field of finance leasing via Toyota Kreditbank GmbH's branches in France, Sweden, Norway and Spain as well as the subsidiary in Poland. In Germany, leasing business is handled by the subsidiary, Toyota Leasing GmbH.

New business developed positively in general terms. Overall, more contracts were concluded than in the previous year. The number of contracts signed in Germany continued to grow, boosted among other factors by the successful continuation of the trade cycle management (TCM) product "NEU bleibt NEU" in Germany. Despite the discontinuation of the government subsidy programme in Spain, the number of new contracts increased in particular as a result of the successful continuation of the TCM product "Pay Per Drive". In France, the TCM programme "La combinaison" resulted in an overall increase in the number of contracts signed, in this case involving a shift between financing and leasing. In Sweden and Norway, the Group continues to offer primarily financing arrangements at attractive interest rates. In addition, the successful continuation of the private leasing programme in Norway contributed to growth. The Polish subsidiary increased the number of leasing contracts signed, mainly by expanding its fleet business activities.

Dealership financing

As part of the range of services offered to contract dealerships, the Toyota Kreditbank Group provides loans to finance showroom cars, working capital and investments. In the field of inventory financing, the Toyota Kreditbank Group is an important financing partner for dealerships with operations focused on Germany, France, Spain, Italy and Russia.

Dealership financing

	31/03/2018 TEUR	31/03/2017 TEUR	Variance TEUR	Variance %
Working capital/investment loans				
— Germany	75,514	74,122	1,392	1.9
— Foreign	116,056	133,761	-17,705	-13.2
Total	**191,570**	**207,883**	**-16,313**	**-7,8**
Showroom vehicle financing				
— Germany	417,373	429,706	-12,333	-2.9
— Foreign	1,212,081	1,192,631	19,450	1.6
Total	**1,629,454**	**1,622,337**	**7,117**	**0.4**
Total dealership financing	**1,821,024**	**1,830,220**	**-9,196**	**-0.5**

Overall, dealership financing developed in line with the general trend in business. Inventory financing volumes in Germany (down 2.9%) and abroad (up 1.6%) remained more or less stable year-on-year. Overall, the total volume of dealership financing remains at a high level. Working capital loans outside Germany fell slightly, to some extent also reflecting improved earnings at the level of the dealerships.

Toyota Kreditbank GmbH remains an important financing partner for dealerships.

The share of net income generated by the branches amounted to EUR 34.0 million (2016/2017: EUR 39.6 million), while that of the foreign subsidiaries amounted to EUR 18.1 million (2016/2017: EUR 12.4 million).

The anticipated increase in new registrations throughout the Group's operating territory had a positive impact on earnings. Despite the low interest environment, the Toyota Kreditbank Group is able to report satisfactory earnings for the year ended 31 March 2018.

3. Analysis of net assets, financial position and results of operations

a. Results of operations

Group net income for the year fell from EUR 77.9 million to EUR 63.9 million. After adjustment for exceptional items, the forecast profit from ordinary activities "at a level slightly down on the previous financial year" was therefore achieved.

Results of operations

	31/03/2018 TEUR	31/03/2017 TEUR	Variance TEUR	Variance %
Net interest result	262,395	236,986	25,409	10.7
Result from investments	0	1,913	-1,913	-100.0
Commission result	-46,582	-39,344	-7,238	18.4
Other operating income/expenses (net)	346,128	308,444	37,684	12.2
Administrative expenses	140,076	127,497	12,579	9.9
Amortisation and depreciation	282,461	234,890	47,571	20.3
Risk provisioning expense	29,255	27,448	1,807	6.6
Profit before tax	**110,149**	**118,164**	**-8,015**	**-6.8**
Tax expense	46,218	40,302	5,916	14.7
Net income for the year	**63,931**	**77,862**	**-13,931**	**-17.9**

Net interest result

Net interest result comprises:

	31/03/2018 TEUR	31/03/2017 TEUR	Variance TEUR	Variance %
Interest and similar income				
— Retail business	311,081	282,732	28,349	10.0
— Dealership financing business	41,473	45,601	-4,128	-9.1
— Other	4,003	4,833	-830	-17.2
Total	**356,557**	**333,166**	**23,391**	**7.0**
Interest expenses				
— Bank and other interest expenses	54,228	54,410	-182	-0.3
— Affiliates	39,934	41,770	-1,836	-4.4
Total	**94,162**	**96,180**	**-2,018**	**-2.1**
Net interest result	**262,395**	**236,986**	**25,409**	**10.7**

The net interest result improved by EUR 25.4 million to EUR 262.4 million. Within an unfavourable low-interest market environment, interest income was increased by growing business in areas that earn interest, while interest expense was further reduced thanks to favourable refinancing conditions.

Result from investments

In the previous financial year, this line item included a one-time cash-settled compensation amount – recorded at the level of a Polish subsidiary – arising on the swap of shares in Visa Europe Limited, London, United Kingdom, to shares in Visa Inc., Wilmington, USA.

Net commission result

Net commission expense in the financial year under review totalled EUR 46.6 million (2016/2017: EUR 39.3 million). Commission income rose to EUR 75.8 million (2016/2017: EUR 67.0 million). Commission expense amounted to EUR 122.4 million (2016/2017: EUR 106.3 million). The increase in commission expense was mainly due to higher bonus payments and commission expenses for contract dealerships outside Germany. The higher volume of instalment credit and leasing business in Spain as well as leasing business growth in France were the main reasons for the increase in expenses.

General administrative expenses

General administrative expenses can be summarised as follows:

	31/03/2018 TEUR	31/03/2017 TEUR	Variance TEUR	Variance %
Personnel expenses	58,332	57,059	1,273	2.2
Other expenses	81,744	70,438	11,306	16.1
Total	**140,076**	**127,497**	**12,579**	**9.9**

General administrative expenses totalled EUR 140.1 million. The increase in personnel expenses was primarily due to the general trend in salary levels. The increase in other administrative expenses mainly reflects the higher level of investment in future-oriented operations, such as digital online business. In addition, regulatory-related increases resulted from the implementation of various compliance projects as well as from a further increase in the bank levy.

Other operating income and expenses

The net positive amount of other operating income and expenses was EUR 346.1 million (2016/2017: EUR 308.4 million), whereby the increase mainly related to leasing income. Other operating expenses include two exceptional items, namely a loss recognised on the foreign currency valuation of allocated branch capital and the expense recorded in conjunction with the allocation to a provision for legal risks.

Amortisation and depreciation

Amortisation and depreciation on intangible assets, property plant and equipment, and leasing assets increased to EUR 282.5 million (2016/2017: EUR 234.9 million), mainly reflecting the expanded volume of leasing assets in France and Norway.

Risk provisioning expense

The net expense for write-offs and allowances on receivables and some marketable securities together with additions to accruals and provisions relating to lending business amounted to EUR 29.3 million (2016/2017: EUR 27.4 million). The slight increase compared to the previous year was mainly due to higher business volumes and an allocation to provisions for off-balance sheet risks.

Tax expense

The tax expense for the financial year went up by EUR 5.9 million to EUR 46.2 million. The effective tax rate was 41.4%, compared to 33.5% one year earlier.

Please refer to the note on segment information for a regional breakdown of the Group's net income for the year.

b. Net assets and financial position

The balance sheet total (total assets/total equity and liabilities) of the Toyota Kreditbank Group increased during the twelve-month period under review by EUR 1,111.7 million to EUR 9,909.0 million. Customer receivables and leasing assets increased overall compared to the end of the previous financial year.

Customer receivables remained the most significant item on the assets side of the balance sheet, accounting for 77.2% of total assets at the end of the reporting period. Leasing assets accounted for 15.8% of total assets.

Receivables from customers (before allowances) went up from EUR 7,253.0 million to EUR 7,859.7 million. The volume of receivables outside Germany increased over the twelve-month reporting period from EUR 5,084.2 million to EUR 5,557.9 million.

Leasing assets continued to develop positively overall, rising during the financial year 2017/2018 by EUR 387.1 million, of which the branches in France and Norway accounted for EUR 182.1 million and EUR 101.6 million respectively. The increase reflected the fact that the higher volume new business exceeded scheduled repayments.

On the equity and liabilities side, the principal items are liabilities to customers and liabilities to banks.

Liabilities

	31/03/2018 TEUR	31/03/2017 TEUR	Variance TEUR	Variance %
— to banks	3,227,765	2,991,306	236,459	7.9
— to customers	3,854,915	3,167,970	686,945	21.7
— securitised liabilities	672,394	649,041	23,353	3.6
Total liabilities	**7,755,074**	**6,808,317**	**946,757**	**13.9**

Liabilities to banks increased over the twelve-month reporting period. The excellent refinancing conditions available to the main branch in Germany were also used in part to finance demand for lending outside Germany. Liabilities to customers went up by EUR 686.9 million to EUR 3,854.9 million, reflecting the fact that the main branch in Germany and all foreign branches – with the exception of Italy and the subsidiary in Poland – increased the volume of financing loans due to Toyota Motor Finance, Netherlands. Toyota Kreditbank GmbH and Toyota Leasing GmbH continue to participate in a group-wide commercial paper issue programme which places securitised liabilities on the market. The subsidiary in Russia has securitised liabilities relating to a bond issue.

Toyota Kreditbank Group refinances its operations primarily via bank loans, commercial paper and borrowings from Toyota Motor Finance (based in the Netherlands), which in turn refinances itself primarily via the capital markets. Toyota Kreditbank GmbH's asset-backed securities programme enables instruments issued by the European Central Bank (ECB) to be used for refinancing purposes. This source of funding continues to be used primarily as a liquidity reserve. Refinancing transactions in place with the ECB amounting to EUR 250 million have been offset against the Group's credit line with the ECB. The unused facility with the ECB at the end of the reporting period amounted to EUR 582.6 million.

The parent company carried out two capital increases totalling EUR 38.6 million during the year under review. The proceeds from the two capital increases were passed on to the Polish subsidiary in order to strengthen the equity base of that entity. Equity also increased due to the fact that net income for the year exceeded the dividend paid to the parent company. The Toyota Kreditbank Group's equity for accounting purposes totalled EUR 960.5 million at the end of the reporting period (31 March 2017: EUR 908.0 million).

All entities included in the consolidated financial statements were solvent at all times during the year under review thanks to their balanced and well-planned access to liquid funds. Appropriate amounts of cash are deposited with the Deutsche Bundesbank in order to comply with applicable minimum reserve requirements and the Liquidity Coverage Ratio (LCR). In order to comply with the LCR requirements at a Group level, the Toyota Kreditbank Group also has access to the relevant portions of the Polish bonds held by the Polish subsidiary.

With regard to the presentation of the sources of finance and derivative financial instruments, please refer to the notes to the financial statements.

Given the current economic environment and interest rate structure, management is satisfied with the business situation and performance of the Toyota Kreditbank Group. The financial condition of the bank as a whole remained stable at the date of issue of this report.

4. Key performance indicators

The key financial performance indicators used are based on groupwide requirements stipulated by the parent company, Toyota Financial Services in Japan, whereby, to a certain extent, the specific performance indicators are stipulated and managed on a decentralised basis for each country.

The following table sets out the key performance indicators of the Toyota Kreditbank Group:

Financial indicators

	New car penetration rate		Number of new and used car contracts		Operating income EUR million		ROMA		Operating cost ratio	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Germany	45.4%	44.0%	183,868	181,629	41.7	39.7%	1.51%	1.57%	1.68%	1.74%
France	36.8%	34.1%	114,707	102,241	42.5	35.7%	2.78%	2.70%	1.38%	1.48%
Spain	44.6%	42.7%	107,208	89,007	27.0	20.7%	1.96%	1.92%	0.89%	0.97%
Norway	53.0%	49.4%	41,736	37,750	9.8	9.3%	1.18%	1.36%	1.14%	1.16%
Sweden	46.2%	46.9 %	57,777	52,301	8.0	8.2%	1.19%	1.42%	1.29%	1.24%
Italy	n. a.	n. a.	n. a.	n. a.	0.5	0.7%	n. a.	n. a.	0.78%	0.83%
Portugal	13.4%	n. a.	2,140	n. a.	-3.5	n. a.	-16.25%	n. a.	16.39%	n. a.
Poland	30.7%	29.5%	41,736	41,218	6.7	4.4%	1.08%	0.87%	1.79%	2.10%
Russia	22.9%	23.2%	55,109	55,666	23.3	23.6%	2.75%	3.02%	2.59%	2.95%

General administrative expenses increased in line with expectations. Due to an increase in the credit and leasing portfolio and despite investments in strategic business areas, the overall operating cost ratio was slightly better than budgeted.

The small increase in the number of contracts compared to the previous year's budgeted figure was achieved on the back of good new business volumes and an improved penetration rate for new vehicles. The number of retail contracts increased in all countries with the exception of Russia. In Russia, the volume of contracts from previous years generating high levels of revenue on the one hand and premature contract terminations on the other remain higher than the number of new contracts signed. Year-on-year, however, the decline became smaller.

The previous year's forecast of “a slight decline in the penetration rate” was bettered in all countries with the exception of Sweden and Russia.

D. Events after the end of the reporting period

Please see note 7.12 to the consolidated financial statements for information on significant events which have occurred after the end of reporting period and which have a significant impact on the Group's net assets, financial and earnings position.

E. Opportunities and Risks Report

The Toyota Kreditbank Group has applied a stable, strategic business model for years. Its success is attributable firstly to its conservative risk profile combined with effective risk management, and secondly, to its strategic business model of a manufacturer-tied financing company, offering financing for the vehicles of the Toyota Group within its operating territory.

Responsibility for the early recognition and control of business risks and opportunities lies with the Executive Management of the parent company.

The Toyota Kreditbank Group is exposed to various risks which are normal for the sector in which it operates, as reported on in the section on risk-bearing capacity.

At the same time, it is important for the Toyota Kreditbank Group to identify and exploit potential opportunities with a controlled management process with a view to safeguarding and developing its competitive position. An opportunity refers to the possibility of using events, current developments or actions to ensure or exceed planned targets.

Business performance is dependent to a large extent on the volume of group-brand car sales within the operating territory. The extent to which opportunities can be exploited is highly dependent on this situation.

Opportunities for further profitable growth are identified and included in the decision-making process as part of the overall strategic process as well as the medium- and long-term business planning process. Business opportunities are not reported as part of the risk management system. Instead, they are recorded in conjunction with strategic and medium-term forecasts and monitored during the year as part of the periodic reporting process.

A stronger economic upturn may boost business, thus, in turn, generating additional growth in group-brand sales volumes and therefore increased new business for the Toyota Kreditbank Group.

Further opportunities arise for the Toyota Kreditbank Group through the creation of additional products for end-user customers and by moving into growth segments in which customers' needs are focused on even more closely. This approach also helps to improve the penetration rate in the long term.

In relation to credit business risks, an opportunity may also present itself if actual losses incurred within the bank's core business turn out to be lower than previously calculated expected losses. On account of the general economic conditions, the Group has applied a conservative approach to risk provisioning in recent years.

1. Risk management

a. Risk management organisation

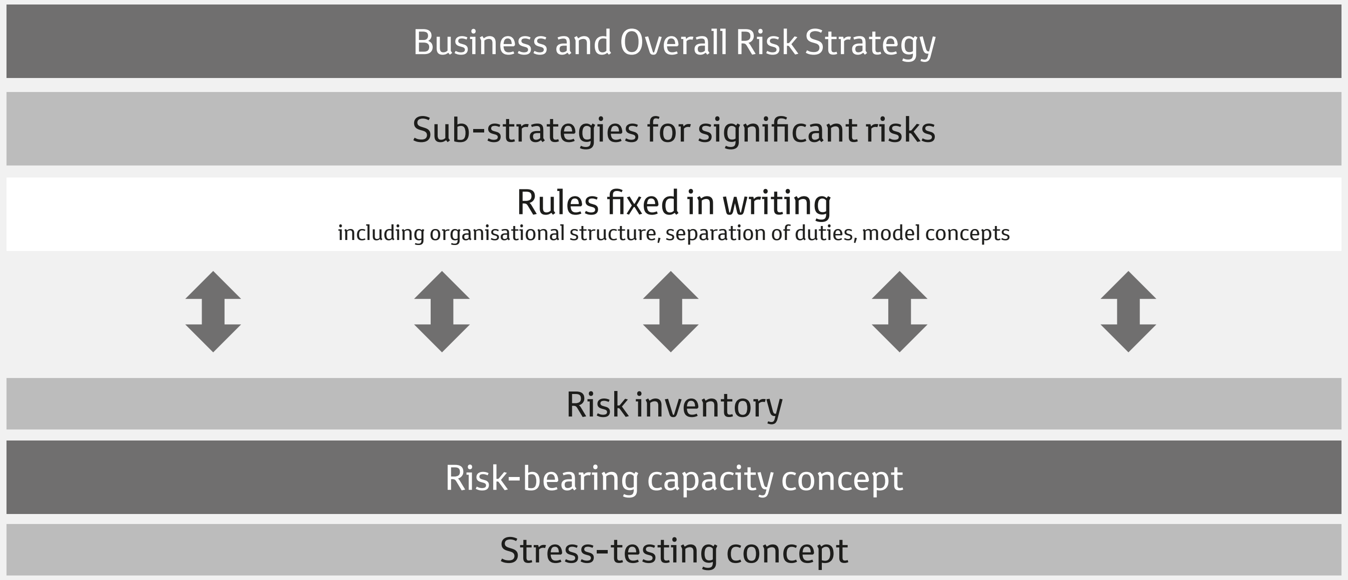
Decisions are taken by the Toyota Kreditbank Group (and its foreign branches and affiliates) on the basis of an ongoing assessment of the balance between realisable returns and risks to be incurred within the framework of the risk-bearing capacity.

The Executive Management of the parent company is responsible for the organisation of risk management throughout the Toyota Kreditbank Group, including its foreign branches and affiliates. A risk management organisation has been set up which forms the basis for risk and cost-oriented management of Toyota Kreditbank as a whole (overall bank management).

The Group Risk Controlling Committee and the Group Risk Controlling Function play key roles within the risk management organisation. Whereas the Group Risk Controlling Function is responsible for all operational aspects of risk controlling, the Group Risk Controlling Committee is responsible for monitoring and communicating the risk strategy set by the Executive Management. The Group Risk Controlling Function assesses the Toyota Kreditbank Group's specific and overall risk situation, specifically taking into account the limits established in conjunction with the assessment of its risk-bearing capacity and gives recommendations to the Group Risk Controlling Committee. The aim is to identify risks at the earliest possible stage and to stipulate a set of suitable risk mitigation measures.

Risk reporting is addressed directly to the Executive Management and to the members of the Group Risk Controlling Committee. Risk trends and the current situation are reported on at the quarterly meetings of the Group Risk Controlling Committee and, based on the results of those discussions, appropriate decisions are taken. The Toyota Kreditbank Group has also set up independent anti-money laundering and data protection officer functions.

Consideration of stress tests is a key component of the risk management to control the overall risk profile of the Toyota Kreditbank Group. Stress tests, along with the maintenance of a risk inventory and the assessment of risk-bearing capacity, are further components of risk management concept, helping the Toyota Kreditbank Group to manage its overall risk portfolio.



The task of risk control is carried out in decentralised management units. The actual monitoring of risks – identification, assessment and monitoring of risks and countermeasures, reporting and specification of methods – is also organised on a decentralised basis. In particular, the subsidiaries of the Toyota Kreditbank Group are required to meet local and group-wide requirements for risk management (e.g. in terms of risk-bearing capacity).

In order to allow a thorough assessment of the risk impact of new products (including the potential impact on the overall bank risk profile), all relevant organisational units are integrated in the new product development process.

Internal Audit reviews and assesses all activities of the Toyota Kreditbank Group. Audits are planned and conducted using a risk-based approach. The assessment of the risk situation, the proper processing of transactions and the effectiveness of the internal control system are important audit criteria.

Reports on the audits conducted during the financial year, together with audit findings, were submitted to the Executive Management.

b. Risk management process

The business strategy of the Toyota Kreditbank Group provides the framework for the risk strategy. One important aspect of this risk strategy is that risks will only be entered into after due regard for the level of economic and regulatory capital, while at the same time ensuring liquidity, and maintaining a prudent risk profile. The risk management system is therefore a key component of managing business performance.

The objective of the risk management system is to assume customary banking risks within a defined framework, including strict compliance with risk-bearing capacity requirements. The core elements of the risk management system are the risk strategy, the management of risk-bearing capacity and the internal control system. The internal control system consists of a set of defined rules and an organisational structure, including in particular the specific processes applied to manage and control risks.

Over the years, the risk management process has been refined, as a result of which the Toyota Kreditbank Group now has a full range of tried and tested tools at its disposal. In addition to organisational rules, such as competency guidelines and process/system documentation, methods have been continuously developed to identify, measure and manage risks.

c. Risk strategy

The risk strategy – in conjunction with the risk-bearing capacity concept – provides the overall framework for risk management. The risk profile and underlying approach to risk-taking are determined after taking into account all risks identified in the various lines of business and in accordance with all relevant statutory and regulatory requirements.

The focus of the risk strategy lies on ensuring the long-term going concern status and an appropriate balance between return and risk. Consciously choosing to take risks – having given due consideration to economic and regulatory capital levels – is a component of the risk strategy and is derived from the overall banking strategy.

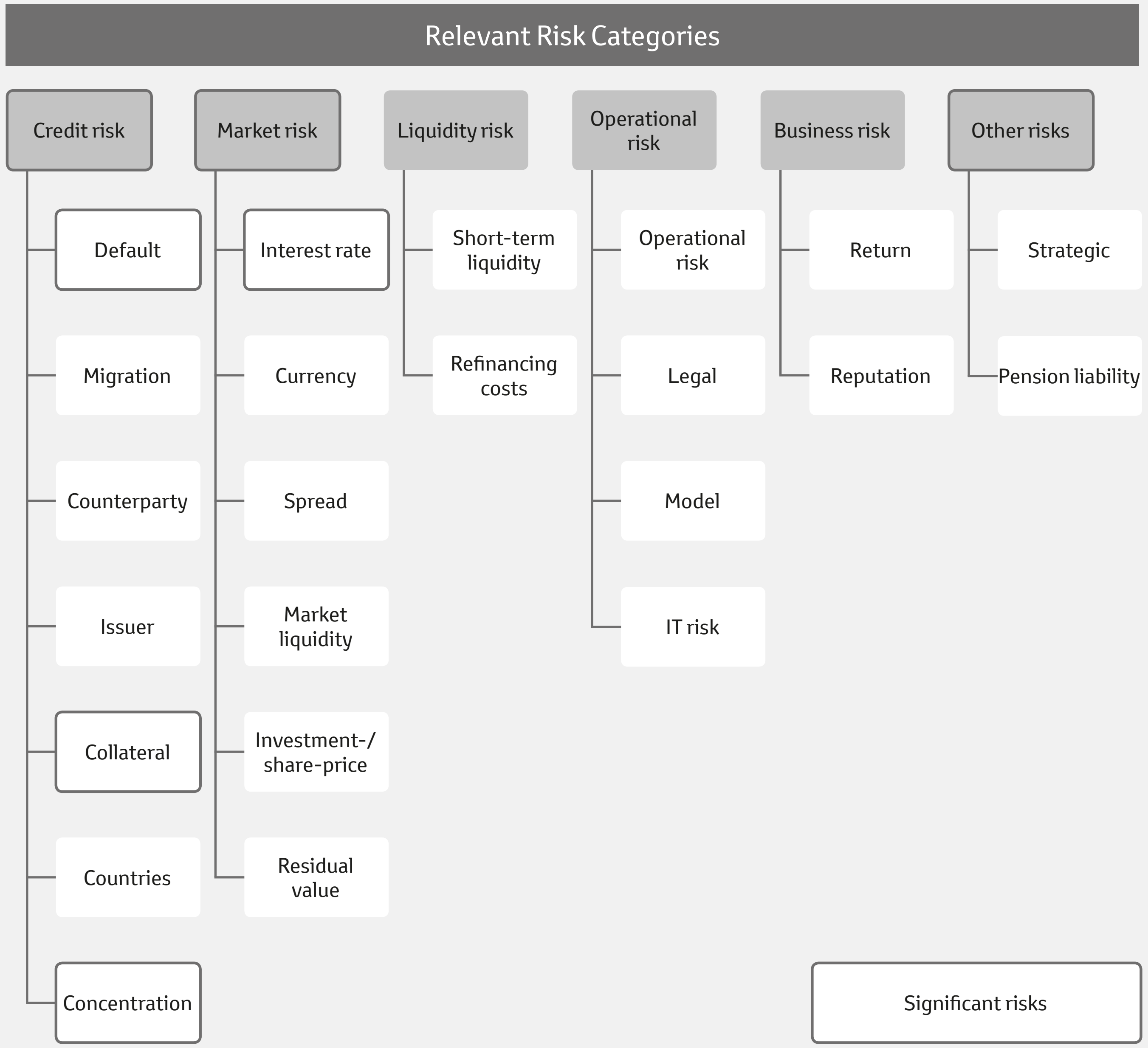
The Toyota Kreditbank Group, as a financial services provider whose primary function is to support the sale of cars, provides financing for Toyota dealerships and private customers. The resulting overall banking risk is therefore significantly lower than that of banks offering a full range of banking services. Under the Toyota Kreditbank Group's business model, concentration risks are assumed knowingly within reasonable limits. Within the retail portfolio, concentration risks are only of secondary importance in view of the overall customer structure. By contrast, concentration risks are higher in the business customer and dealership financing portfolio due to the relatively small number of customers.

In line with the overall risk strategy, specific sub-strategies are defined for each main risk category, which, together with the risk inventory, the risk-bearing capacity concept, the stress testing concept and the organisational rules, form the basis for the Toyota Kreditbank Group's risk management system.

d. Relevant risk categories

As part of the process of drawing up the risk inventory, the next step – after identifying all risks – is to perform a quantitative and qualitative analysis of the various risk categories as the basis for determining materiality. The main risk categories result directly from banking operations and are of particular importance for the ongoing management of the Toyota Kreditbank Group.

Two new relevant risk categories were added to the "risk universe" during the financial year: IT risk (as part of Operational risk) and pension liability (as part of Other risks). IT risk is a significant part of operational risk and is now considered separately due to its increasing importance from a business and regulatory perspective. Toyota Kreditbank GmbH's pension liability are small in scale. The nature of the risk is relevant but not material for the Toyota Kreditbank Group. The following overall picture arises, as confirmed in the annual inventory of risks performed at the beginning of the 2018/2019 financial year:



e. Risk-bearing capacity concept

The Toyota Kreditbank Group has implemented a risk-bearing capacity concept for the regular assessment of the risk situation both at a total bank level and at a Group level. The risk-bearing capacity specifies the extent to which the risks assumed can be covered by the defined risk coverage amounts. The following modifications were made during the financial year 2017/2018:

— The branch in Portugal was fully integrated into the risk management system.
— The Toyota Kreditbank Group plans to achieve a minimum capital ratio of 11.75% for Pillar I until 2019, with the bank gradually approaching this ratio.

Determining risk-bearing capacity sets the framework for risk management and control within the Toyota Kreditbank Group. Measuring and ensuring the appropriateness of the capacity to bear risks is therefore a fundamental aspect of overall bank management.

Under the current concept, both a balance-sheet-based going concern approach and a liquidation approach at a bank and Group level are considered to assess the risk-bearing capacity.

The going concern approach assumes that operations will be continued, whereas the liquidation approach focuses more on the protection of creditors. The Toyota Kreditbank Group considers both approaches. The Executive Management has concluded that the going concern approach is relevant for managing the business, supplemented where appropriate by the liquidation approach.

The risk coverage potential totalling EUR 381.7 million at Group level comprises subscribed capital, capital surplus, retained earnings and current year earnings. Under the going concern approach, the part of the regulatory capital which is necessary as a minimum to comply with the minimum capital requirements pursuant to the Capital Requirement Regulation (CRR) is not taken into account for risk coverage purposes. Furthermore, under the going concern approach, a budgeted profit is also taken into consideration. In order to comply with MaRisk requirements and take into account only a prudently budgeted profit, the amount of business risk is deducted from the risk coverage potential as a corrective factor.

Risk-Bearing Capacity	31/03/2018 Limit EUR million	31/03/2018 Amount Utilised EUR million	31/03/2018 Amount Utilised %	31/03/2017 Limit EUR million	31/03/2017 Amount Utilised EUR million	31/03/2017 Amount Utilised %
Required capital in economic terms	343.5	239.9	69.8	349.8	249.3	71.3
— thereof for customer credit risk	172.7	133.2	77.1	164.6	122.4	74.4
— thereof for interest rate risk	60.8	38.6	63.5	59.8	37.4	62.5
— thereof for liquidity risk	13.0	4.6	35.4	13.6	4.5	33.1
— thereof for operational risks	25.0	14.8	59.2	24.0	14.8	61.7
— thereof cushion for market fluctuations	72.0	48.8	67.8	87.8	70.2	80.0
Risk coverage potential utilisation	**90.0%**	**62.9%**		**90.0%**	**64.1%**	
Maximum risk appetite	**90.0%**			**90.0%**		

In both the going concern and liquidation approaches, only part of the risk coverage potential counts towards the risk coverage amount. The respective risk coverage amount allocated, the risk appetite, the overall limit and the limit allocation among the different risk categories are stipulated each year by the Executive Management and are based on the business strategy and the associated willingness to assume risk.

Part of the risk coverage potential available was not allocated to offset potential losses from the significant risk categories, thus taking account of the risks not limited in the risk-bearing capacity concept.

In order to ensure the Group's risk-bearing capacity, risks (quantified by appropriate instruments) and stipulated limits are compared for each risk category.

In addition, stress scenarios are also tested, based on scenario and sensitivity analyses which take into account institution-specific and general market factors for all material risk categories, thus ensuring an overall consideration of the situation across all risk categories shown in table 21. The so-called "normal case" considered in the risk-bearing capacity assessment corresponds to the current relevant economic situation. The historical recession simulates – for all significant risk categories – the stress that would be caused by a severe economic slump (comparable with the Lehman crisis in 2008/2009).

Risk category correlation effects are not taken into account to measure the amount of limit utilised. Likewise, the Toyota Kreditbank Group does not consider any correlation effects between and/or within the various risk categories. In view of the nature and scale of business transactions, the Toyota Kreditbank Group assumes a correlation coefficient of one within the material risk categories. As a result, potential capital-saving diversification effects are not taken into account, thus reflecting the enterprise's prudent approach to risk assessment.

The Toyota Kreditbank Group's ability to bear risk (i.e. its risk-bearing capacity) was ensured at all times during the financial year 2017/2018.

f. Capital planning

In addition to the risk-bearing capacity concept, the Toyota Kreditbank Group also has a process for planning the funding of future capital requirements, in order to ensure that sufficient capital will also be available to cover future risks.

In the base case scenario, future strategies and changes in the economic environment are taken into account. Appropriate consideration is given in 3 additional scenarios to potential adverse developments that differ from actual expectations, namely:

— declining new sales of Toyota brand vehicles
— increasing competition and hence lower net margins
— declining new sales of Toyota brand vehicles with support measures

The reasons for and the pattern of the various scenarios are determined anew each year, depending on recent developments and expectations for the future.

2. Risk categories

A risk is defined as the danger of incurring a loss or damage by an outcome that is less favourable than originally expected. The following risks were identified as significant risks in conjunction with the annual risk inventory:

a. Credit risk

Credit risk is defined as the risk of a possible loss arising from deterioration in the creditworthiness rating or payment default of a counterparty. Within credit risk, the following distinctions can be made depending on the underlying transaction:

Default risk is defined as the traditional credit business risk – i.e. the core business of the Toyota Kreditbank Group. Default risk refers here to the possible loss arising from deterioration in creditworthiness rating or payment default of a borrower.

Issuer risk is defined as the default risk in the case of a securities transaction.

Trading counterparty risk is defined as risk of default by the contracting party in the case of a derivatives transaction.

Collateral risk refers to the risk that the value of an item of collateral may not be appropriate and hence does not provide sufficient protection.

Credit concentration risk is defined as the risk of realisation of multiple default risks, issuer risks or trading counterparty risks resulting from concentration of the portfolio on a few individual contracting parties, groups of contracting parties or concentrations on individual market sectors.

The Toyota Kreditbank Group's core business consists of dealer financing and vehicle financing for end-user customers in the Retail and Corporate lines of business. Default and credit concentration risk (dealership financing and corporate end-user customer exposures) are therefore the principal sources of credit risk. The principal focus of credit risk management is therefore placed on the assessment and control of these risks. Trading counterparty risks arise on account of the hedging of market price risks. Since the securities portfolio is currently very small, issuer risk only plays a minor role at present.

Organisation of credit risk management

The Executive Management is responsible for effective, sound management of credit risks. Furthermore, the Executive Management and Group Risk Controlling Function have joint responsibility for introducing appropriate tools to measure credit risk.

Toyota Kreditbank GmbH's Risk Management Department is responsible for implementing and applying these measurement tools as well as for other operational credit risk control measures. Risk monitoring is the key component here. As an independent function within the risk management system, risk monitoring concentrates on the identification, analysis, measurement, control and monitoring of the default and credit concentration risks throughout the Toyota Kreditbank Group as a whole. The Treasury Department is responsible for monitoring issuer and trading counterparty risks.

Credit risk strategy

The Toyota Kreditbank Group considers credit risk to be a key component of its operations. As such, credit risks are entered into in full knowledge of the facts and are subject to proactive control, measurement and monitoring. This is particularly true in the case of default and credit concentration risks. Generally, the materiality of default risks is assessed in conjunction with the annual risk inventory. The credit risk strategy conforms to the guidelines set out in the bank's business and general risk strategy, thus reflecting the prudent approach adopted by the bank.

As a general rule, default risks are only entered into in accordance with the general risk strategy. Credit decisions and exposure amounts are always determined on the basis of creditworthiness. This involves an analysis of the borrower's ability to service debts currently and in the future.

The Toyota Kreditbank Group recognises appropriate levels of risk provision to take account of losses from credit business.

Elements of credit risk management
The Toyota Kreditbank Group uses a range of instruments to manage credit risk, as described in detail below.

Instruments used to manage credit risk			
Strategic components	Credit risk measurement	Operational components	Monitoring and communication
- allocation of risk coverage amount	Internal procedures for assessing creditworthiness - exposure at default - probability of default - loss ratio - expected loss - unexpected loss - stress tests	- credit decision processes - limits - collaterals and guarantees - intensive management - risk provisioning	- management reporting - risk monitoring

In addition, risk indicators for the individual credit portfolios are monitored throughout the Toyota Kreditbank Group for controlling purposes.

Risk coverage amount
The Executive Management of the parent company and Group Risk Controlling Function jointly assign the risk coverage amount available for credit risks. The risk coverage amount is determined at group and institution level as well as for each subsidiary and branch individually. The risk coverage amount is assigned as part of the general capital planning process in line with the general risk appetite.

Credit risk measurement
Internal creditworthiness assessment procedures and stress tests are applied to measure and assess credit risks. The Toyota Kreditbank Group has opted to use the Advanced Internal Ratings Based Approach (A-IRBA) for the purposes of measuring and assessing credit risks. An application to apply the A-IRBA approach was submitted as of 31 March 2008. In order to be able to use the A-IRBA approach on a permanent basis, the regulator requires at least 92% of the portfolio to be measured through appropriately certified internal rating procedures. The remaining 8% may continue to be measured using the Credit Risk Standardised Approach (CRSA). In order to achieve this coverage rate, the Toyota Kreditbank Group has successively switched over the various sub-portfolios to the A-IRBA approach by developing rating procedures specific to each of them. These sub-portfolios are defined for each country as follows:

— Small-sized customers (end-user customer vehicle financing): end-user customers with an exposure of less than TEUR 250. In the small-sized customer segment, a further distinction is drawn between retail (private individuals and sole traders) and corporate customers.
— Major customers (end-user customer vehicle financing): end-user customers with an exposure or limit of more than TEUR 250.
— Dealerships: Financing of dealerships.

Other lending transactions which do not relate to the bank's core business are combined across countries in the "Other lending transactions" sub-portfolio. Treasury transactions are also shown separately.

Measurement approach by country

Country	Type of business	Customer Group	Measurement approach	Permitted since
Germany	End-user customers (vehicle financing)	Small-sized customers (retail)	A-IRBA	04/2008
		Major customers	A-IRBA	04/2008
	Dealership financing	**Dealerships**	**A-IRBA**	**04/2008**
France	End-user customers (vehicle financing)	Small-sized customers (retail)	A-IRBA	02/2011
		Small-sized customers (businesses)	A-IRBA	10/2014
		Major customers	CRSA	-
	Dealership financing	**Dealerships**	**A-IRBA**	**06/2012**
Sweden	End-user customers (vehicle financing)	Small-sized customers (retail)	A-IRBA	02/2011
		Small-sized customers (businesses)	A-IRBA	07/2013
		Major customers	CRSA	-
	Dealership financing	**Dealerships**	**CRSA**	**09/2009**
Norway	End-user customers (vehicle financing)	Small-sized customers (retail)	A-IRBA	10/2010
		Major customers	CRSA	-
	Dealership financing	**Dealerships**	**CRSA**	**-**
Spain	End-user customers (vehicle financing)	Small-sized customers (retail)	A-IRBA	09/2009
		Small-sized customers (businesses)	A-IRBA	09/2009
		Major customers	CRSA	-
	Dealership financing	**Dealerships**	**A-IRBA**	**-**
Italy	**Dealership financing**	**Dealerships**	**A-IRBA**	**07/2013**
Portugal	End-user customers (vehicle financing)	Small-sized and major customers	CRSA	-
Poland	End-user customers (vehicle financing)	Small-sized customers (retail and leasing)	A-IRBA	04/2015
		Small-sized customers (retail PK/Ekfm loan)	A-IRBA	04/2015
		Small-sized customers (retail business loan)	CRSA	-
		Major customers	CRSA	-
	End-user customers (others)	Small-sized and major customers	CRSA	-
	Dealership financing	**Dealerships**	**A-IRBA**	**04/2015**
Russia	End-user customers (vehicle financing)	Small-sized customers (retail)	A-IRBA	12/2013
	End-user customers (others)	Major customers	CRSA	-
	Dealership financing	**Dealerships**	**A-IRBA**	**12/2013**
Over-arching	Other lending transactions	Various	CRSA	-
	Treasury	Bank	CRSA	-

Rating procedures are developed methodologically throughout the Toyota Kreditbank Group. The procedures used are based mainly on statistical models. Rating procedures are calibrated individually for each sub-portfolio. Responsibility for the development, quality and monitoring of the use of rating procedures for risk management purposes lies with the Risk Monitoring Department.

The values calculated using the various rating procedures are input into the relevant internal controlling system and made available to the Group Risk Controlling Function in order to measure the risk-bearing capacity. Risk premiums and credit risk costs are calculated in conjunction with the Controlling Department on the basis of past empirical values on the one hand and planned changes in the credit portfolio on the other.

The accuracy of the statistical models is checked monthly by back-testing against actual amounts realised. Anomalies identified during this process are examined further in detailed analyses. Furthermore, the models are validated each year in accordance with a pre-defined procedure. Where necessary, the rating procedures are recalibrated with the approval of the Executive Management.

The main technical terms relevant for the A-IRBA-certified rating procedure are explained below.

The definition of **loss** is based on the Capital Requirement Regulation (CRR). This defines loss as "economic loss, including material discount effects, and direct and indirect costs associated with the recovery of outstanding balances for the transaction".

With respect to the Toyota Kreditbank Group's core business, the loss therefore corresponds to receivables outstanding after all recovery efforts. This includes discounting effects and costs arising in conjunction with recovery efforts.

Exposure at default (EAD) is defined as the expected amount of the credit exposure at the time of default.

A uniform definition of **default**, complying with the CRR, is applied at Group level. According to this definition, an exposure is considered to be in default when either or both of the following events have occurred:

— The Toyota Kreditbank Group considers it to be very unlikely that the borrower will repay its debt without further action by the Group.

— The borrower has been in arrears for more than 90 days in succession with respect to a material proportion of its total debt.

An exposure which is not in default is referred to as an active exposure.

The **probability of default** expresses the probability of at least one default by a borrower over a one-year period. The probability of default of a borrower is determined in conjunction with the relevant internal rating procedure.

For this purpose, each exposure is first assigned to a creditworthiness class, based on the rating procedure allowed for the relevant sub-portfolio. The creditworthiness classes are defined uniformly across the various sub-portfolios on the basis of a so-called "master scale" that is valid throughout the Group.

The master scale comprises eleven classes for active exposures and three classes for exposures at default. For exposures at default, the three classes reflect the various stages in the default process. For the eleven creditworthiness classes for active exposures, the master scale indicates a minimum and a maximum probability of default. As part of the process of calibrating the models specific to the various sub-portfolios, the creditworthiness classes are each assigned a final default probability, specific to each sub-portfolio. This is based on the maximum and minimum default probabilities specified by the master scale. The default probability of an exposure results from the application of this final default probability by reference to the creditworthiness class and the sub-portfolio.

The **loss given default** (LGD) refers to the expected percentage of the exposure at default which will be lost in the event of default. As in the case of the default probability, the LGD of an exposure is determined using a statistical model. For the purposes of calibrating the statistical models used, particular consideration is given to proceeds historically realised.

The **expected loss** (EL) refers to the loss from credit risks which, at the relevant reporting date, is expected to be incurred within one year. This is a statistical average value which is calculated considering the default probability, the LGD and the EAD.

The **unexpected loss** (UL) refers to potential losses which exceed the expected loss. Potential for these purposes means that, based on a going concern approach, there is a 99% probability that actual losses incurred within one year will not exceed the UL, calculated on the basis of the regulatory requirements applicable to A-IRBA procedures. More specifically, the calculation is based on the default probabilities and loss given defaults determined using the applicable rating procedure. The issue of concentration risks is addressed by taking into account the granularity of the portfolio. Model-based default probabilities and loss given defaults are not available for portfolio components rated using the credit risk standardised approach (CRSA) and are therefore replaced by expert estimates.

Stress tests are carried out at least monthly. These serve on the one hand to check the capital adequacy calculated and on the other to identify events and market changes which could have an adverse impact on the Toyota Kreditbank Group so that countermeasures can be taken at an early stage. Firstly, the sensitivity of the risk model with respect to various risk factors is measured on the basis of stress tests. Secondly, scenario analyses are carried out to examine the effects of economic stress events on the portfolio. For this purpose, both historical events and fictitious synthetic events are considered.

In addition to the above parameters, and rounding off the picture of the scale of credit risk at the Toyota Kreditbank Group, the following key risk indicators are monitored for the individual portfolios:

— the relative scale of allowances and write-downs
— 31dpd+ and 91dpd+
— the distribution of score and rating classes
— the relative size of items in default in the portfolio

Operational components
The **credit decision-making process** relies on both credit application procedures and rating models. In the case of retail business, this process is largely automated. In the case of dealership financing business, credit approvals have to be confirmed manually by credit committees. Local credit committees at head office and at the individual branches and subsidiaries of the Toyota Kreditbank Group consist in each case of front and back office representatives. A European Credit Committee (ECC) is in place at Group level.

Depending on the nominal amount of the credit application, the relevant credit committee is stipulated and makes its decision with respect to the credit application. In the event that the front office and back office representatives within a local credit committee reach a different decision, the credit application is transferred to the ECC and the decision is taken there.

Credit exposure limits have been introduced to limit default and credit concentration risks. The limits are determined on the basis of the customer's creditworthiness. Limits are allocated both to individual borrowers and groups of borrowers. Where appropriate, partial limits are also authorised for specific products. For exposures to major customers, the amount of the limit used is monitored on a daily basis in accordance with the Banking Act (Kreditwesengesetz).

By way of analogy, limits are also defined and monitored for hedging and securities transactions at the level of individual counterparties and issuers.

A standardised process is in place within the section for dealerships and major customers to handle the measurement of **guarantees and collateral.** These serve to compensate for losses in the event of default by the counterparty. The Credit Manual defines the type of guarantees or collateral that can be accepted. The extent to which guarantees and collateral are acceptable varies from portfolio to portfolio on account of differing regulatory requirements. In the case of retail customer business, primary collateral is provided in the form of the vehicles that are being financed. The amount of collateral taken into account for vehicles is based on specified standards. In the dealership segment, other collateral may also be accepted on a case-by-case basis.

An early warning system, based on internal credit ratings, has been installed for dealership and major customer business. The early warning system has the function of identifying borrowers with impending financial difficulties. A borrower identified to be in this position receives special attention in the form of **intensive management** so that measures are taken to reduce the risk and prevent default. Furthermore, a watch list is maintained showing borrowers directly under threat of default.

Provision for credit risk is recognised in the form of **specific allowances and portfolio-based allowances.** A specific allowance is required to be recognised if it is likely that the customer will be unable to fulfil all interest and repayment obligations in the future. In the case of contracts for which no specific allowances are recognised, allowances are calculated at portfolio level with the aid of the IRBA parameters. Internally-based allowance calculations are also performed for foreign Toyota Kreditbank Group subsidiaries.

Monitoring and communication
Risk Monitoring draws up a monthly **management report** for distribution to the Executive Management and the Group Risk Controlling Function. In addition to general information on the risk situation of the Toyota Kreditbank Group, this contains in particular aggregated quantitative information derived from the A-IRBA procedure. These reports represent a key component of the risk and management control system.

The reliability of the information derived from the A-IRBA procedure is examined monthly by Risk Monitoring and, where necessary, communicated to the Group Risk Controlling Function and the Executive Management. The latter also monitors the credit risk of the individual sub-portfolios by means of detailed reports. The reports are communicated on a quarterly basis to the Group Risk Controlling Function and the Executive Management.

The tables below present the Toyota Kreditbank Group's **credit portfolio**, broken down according to various risk classes.

Exposure at default (EAD)

Risk classes	31/03/2018 EUR million	31/03/2018 %	31/03/2017 EUR million	31/03/2017 %
Low risk (creditworthiness classes 1-7)	8,813.62	89.5	7,461.32	87.1
At watch (creditworthiness classes 8-9)	410.92	4.2	511.48	6.0
At risk (creditworthiness classes 10-11)	537.16	5.5	488.57	5.7
Default	88.82	0.9	105.77	1.2
Total	**9,850.52**	**100.0**	**8,567.14**	**100.0**

Unexpected Loss (UL)

Country	31/03/2018 EUR million	31/03/2018 %	31/03/2017 EUR million	31/03/2017 %
Germany	36.41	27.3	34.82	28.4
France	39.72	29.8	35.11	28.7
Spain	14.27	10.7	13.99	11.4
Norway	4.62	3.5	3.51	2.9
Sweden	1.91	1.4	2.39	2.0
Italy	4.06	3.1	8.55	7.0
Portugal	0.41	0.3	0.01	0.0
Poland	8.46	6.4	7.15	5.8
Russia	23.31	17.5	16.91	13.8
Total	**133.17**	**100.0**	**122.43**	**100.0**

b. Market price risk

Market price risks are defined as risks which may arise as a result of changes in rates of return, exchange rates and prices on the financial markets. This can give rise to a loss since these risks have an impact on the measurement of open interest rate, equity investment and currency exposures. The main risks for the Toyota Kreditbank Group are interest rate risk and, to a lesser extent, exchange rate risk.

Strategy

The Toyota Kreditbank Group has set out a general framework for the management of its assets and liabilities as part of its current Group risk strategy. This framework takes the concrete form of internal Group instructions and other guidelines/ manuals.

Derivative instruments have been entered into to hedge interest and currency risks. The derivative instruments used – interest swaps, interest/currency swaps and currency futures – are used exclusively for hedging purposes. In each case, the hedging instruments are matched by a liabilities-side hedged item with a corresponding opposite risk profile. Interest swaps entered into exclusively with a view to managing the general interest rate risk within the banking book, are accounted for as a rule on a portfolio basis.

The Toyota Kreditbank Group does not run a trading book and does not engage in any commercial transactions in the sense of aiming to make a short-term profit by exploiting market price fluctuations. All trading transactions serve to create an efficient bank book structure from the point of view of risk and return.

Money market transactions and the issue of own instruments are executed primarily with a view to securing the Toyota Kreditbank Group's liquidity. Surplus liquidity may be invested with selected credit institutions.

Foreign currency risk

It is not one of the Toyota Kreditbank Group's strategic objectives to take up foreign currency positions. For this reason, Treasury endeavours where possible to hedge foreign currency balances and/or future foreign currency cash flows arising from trading contracts by appropriate offsetting transactions. Foreign currency risks arising from strategic investments (e.g. endowment capital) in the branches and subsidiaries of the Toyota Kreditbank Group are subject to continuous monitoring.

Interest rate risk

The Toyota Kreditbank Group pursues a dual control approach to interest rate risk. Monitoring and control are based on a value-at-risk indicator and the square hedge ratio. Limits/ranges, within which the respective figures should fall, are set for the relevant indicator.

The square hedge ratio is determined by dividing the sum of all refinancing amounts across all maturity ranges by the sum of the assets to be refinanced across all maturity ranges (in each case up to the end of the currently valid fixed interest rate period).

The value-at-risk model is based on a historic simulation. The parameters used for the calculation are a confidence level of 99%, a holding period of 250 days and a mirrored interest rate history of 1,001 days.

Monitoring Indicators

Country	Square Hedge Ratio %	Value-at-Risk EUR million	Sensitivity of bank book EUR million
Germany	84	-3.7	-11.5
France	87	-1.9	-5.5
Spain	88	-4.2	-10.9
Norway	74	-3.7	-8.9
Sweden	99	-0.8	-0.4
Italy	n. a.	0.0	0.0
Portugal	81	-0.2	-0.5
Poland	80	-1.6	-2.0
Russia	81	-22.5	-6.5

Management of market risks

The direction, timing and scope of future market price changes are, by their very nature, unknown. The Toyota Kreditbank Group manages market risks by limiting the impact of market price changes on earnings and the risk coverage amount. Limits are monitored systematically using sensitivity and present value analyses.

Monitoring and communication

The parent company's Treasury department in Cologne draws up the relevant reports for the Toyota Kreditbank Group on a monthly and/or quarterly basis. The reporting system contains the necessary information to ensure that stipulated limits and requirements are monitored.

c. Liquidity risk

The liquidity risk is defined as the risk that it may not be possible to meet present and future payment obligations on time or in full (short-term liquidity) or that, in the event of a liquidity crisis, funds are obtainable for refinancing only at higher market rates (refinancing costs).

In line with its overall banking strategy, the Toyota Kreditbank Group's liquidity risk strategy is aimed at ensuring a stable, comfortable liquidity position, thus – in particular – preventing insolvency and limiting any losses arising from refinancing on the money and capital markets.

The TKG Group manages this risk with the aid of overnight and term deposits, repo transactions with the European Central Bank, the issue of commercial paper, securities lending transactions and promissory notes (Schuldscheindarlehen).

As part of the risk measurement process, the refinancing cost risk (higher liquidity cost) is determined by means of regular scenario analyses (LVaR). The value measured constitutes the additional refinancing costs for the coming twelve months in the event of an ad hoc increase in refinancing costs around a specified number of basis points. An indicator (DAF2) is calculated for the short-term liquidity risk, reflecting the number of days for which secure sources of liquidity (confirmed bank credit lines, the relevant portion of the Master Credit Facility, ECB repo transactions) are currently available in order to cover future payment obligations (including new business).

The short-term liquidity risk is not taken into consideration in the calculation of risk-bearing capacity, since the liquidity risk relates to payments and not to earnings. By contrast, the refinancing cost risk is included in the risk-bearing capacity calculation.

The risk relating to short-term refinancing is managed primarily via the LCR (Liquidity Coverage Ratio) and, over the full refinancing term, via the Balance Sheet Liquidity Ratio. An in-house Liquidity Contingency Plan is in place for crisis scenarios, describing the procedures required to be undertaken to enable coverage of liquidity requirements. Stress tests (e. g. a downgrade) are also performed.

d. Operational risk

Operational risks are defined as the danger of incurring losses as a result of the inappropriateness or failure of internal procedures, employees, the internal infrastructure, or as a result of external factors.

Within the Toyota Kreditbank Group, the definition of operational risks also covers model risks arising from inappropriate models and legal risks from contractual agreements or statutory requirements.

The principal objective in terms of the management of operational risks is to identify potential causes for losses in good time and to avoid operational interruptions (e.g. through serious damage to key equipment). For this reason, a comprehensive and integrated approach is applied to identifying, analysing and assessing the full range of the Group's operational risks.

Responsibility for the management and control of operational risks lies with the centralised Risk Management Department. OpRisk managers at branches and subsidiaries have the job of ensuring close cooperation between head office and local departments and are responsible for assessing operational risks and implementing operational risk management processes locally.

The remit of the centralised Risk Management Department includes the specification of methods to be used to identify, quantify and control operational risks as well as appropriate reporting to the OpRisk Committee, which, in turn, reports to the Executive Management and the Group Risk Controlling Function on the risk situation and measures taken.

As part of the annual scenario-based OpRisk inventory, operational risks are allocated to four levels of risk using a risk matrix, depending on frequency and loss potential. In the case of risks in the top two levels, risk mitigation strategies must be devised and the resulting measures implemented in order to reduce the risks to an acceptable level.

Risk capital requirements for the purpose of measuring risk-bearing capacity are calculated with the aid of a Monte Carlo simulation after aggregating the results of individual scenarios applied in conjunction with the OpRisk inventory. The OpRisk Committee notifies the Executive Management and the Group Risk Controlling Function if the group-wide limits are exceeded.

This combination of procedures ensures that the sum of all risks is always covered by the amount allocated to cover this particular risk category in accordance with the risk-bearing capacity concept, thus safeguarding the Group's going concern status.

In order to protect against legal risks, the Toyota Kreditbank Group requires the use of standardised framework agreements which have been checked in advance by the Legal Department. Legislation and court rulings that are relevant for the Toyota Kreditbank Group's business are monitored by the Compliance Function. Non-standard contractual provisions are examined by the Legal Department.

"Business Continuity Plan" and "Business Continuity Management" guidelines are in place for all locations in Germany and abroad, including communication plans, work instructions, system descriptions and rules of conduct. The effectiveness of the plan is tested regularly.

e. Business risk

Business risk is defined as the risk of unexpected decreases in earnings and negative variances from budget, which are not taken into account within other risk categories. Business risk can be caused by changes in customer behaviour or changes in economic conditions which do not have their origin in legislation. The Toyota Kreditbank Group plans income and expenses as part of its forecasting process. Forecasting, however, is always subject to a degree of uncertainty. For instance, fiercer competition or a poor reputation – either of the Toyota brand or of the Toyota Kreditbank Group – could have a negative impact on operating results.

In order to manage forecasting variances, the Toyota Kreditbank Group has created a scenario model based on key forecasting figures. This involves subjecting the key performance indicators "retail new vehicle sales", "average dealership financing", "retail penetration", "retail margin" and "dealership financing margin" to stress after gathering expert opinion and determining the negative impact on forecasted earnings. Under the going concern approach, the forecast profit included in the risk coverage potential calculation is reduced by the business risk. Under the liquidation approach – in which forecast profit is not included in the risk coverage potential calculation – the business risk is deducted only if the scenario calculation gives rise to a forecast loss.

3. Summary

At no stage during the financial year 2017/2018 did the total amount of risks entered into exceed the Toyota Kreditbank Group's risk coverage potential. The Toyota Kreditbank Group's ability to bear risk (i.e. its risk-bearing capacity) was therefore ensured during the financial year 2017/2018.

There are no indications of risks which could pose a threat to the going concern status or which could have a material adverse impact on the net assets, financial position or results of operations for the current year.

The Toyota Kreditbank Group's strategy of achieving a sustainable risk-conscious growth in business volumes is based on the intention to remain within the risk coverage potential. Based on current forecasts, risk-bearing capacity requirements will also be complied with in the financial year 2018/2019.

F. Outlook

As a financial services provider, the Toyota Kreditbank Group offers a range of financing products to Toyota dealerships and retail customers within a defined operating territory in order to support the sale of cars. In contrast to non-captive manufacturer-related banks, we are not only dependent on the economic development, but also – in part due the business model – on the sales performance of our brands. Due to the dependence on the sales performance of Toyota and Lexus brand vehicles, it is not possible to assume directly that positive developments on the global automobile market will necessarily translate into good business prospects for the Toyota Kreditbank Group. However, the expansion of our used vehicle financing business has made us less dependent.

1. Future macroeconomic situation

Real GDP and consumer prices 2018 - 2020

	GDP[1] Change compared to previous year %			CPI[2] Change compared to previous year %		
Country	2018	2019	2020	2018	2019	2020
Euro zone	2.4	2.0	1.7	1.5	1.6	1.7
Germany	2.5	2.0	1.7	1.6	1.7	1.9
Poland	4.1	3.5	3.1	2.5	2.5	2.4
Russia	1.7	1.5	1.7	2.8	3.7	4.0

[1] Real gross domestic product
[2] Consumer Price Index covering all products

Source: IMF, Focus Economics

GDP in the euro zone grew by 2.3% in 2017. A growth rate of 2.4% is predicted for the year 2018. Germany (2.4%), Spain (2.7%) and France (2.1%) are all likely to make important contributions to European economic growth. Low interest rates and a stable situation on the employment market should – in combination with pay and pension increases – help ensure that consumer spending remains at a good level. The higher inflation rate in the region and a stronger Euro could dampen growth in the future. The construction industry – also benefiting from low interest rates, high demand for residential property and public sector investments – is similarly expected to generate momentum for the economy.

Since March 2015, the ECB has been endeavouring to stimulate the economy and achieve its price stability target by buying state bonds and other securities. This programme was extended to at least September 2018, as a result of which the total volume of purchases up to the end of the programme rises to 2.6 trillion Euros. As expected, with effect from the beginning of 2018 the ECB has reduced the volume of monthly purchases from EUR 60 to 30 billion.

The Toyota Kreditbank Group expects interest rates to rise only slightly in the coming year. The ECB's low-interest-rate policy is only being rolled back at a slow pace and will therefore continue to ensure high levels of lending by banks and hence a more competitive market environment for the Toyota Kreditbank Group.

In the opinion of the Automobile Industry Association (VDA), the global growth rate forecast by the IMF for the calendar year 2018 will also be reflected in increased global demand for passenger vehicles. The VDA forecasts that worldwide sales of passenger vehicles will grow by 1.0% to 86 million units. In 2018, the Russian car market is expected to see a continuation of the clear signs of recovery recorded in 2017, while the Chinese passenger car market is also likely to grow further in 2018, albeit at a slower pace. Stable to positive economic growth is predicted for Western Europe, whereas the US market – after seven years of growth – seems set to move sideways in 2018.

Due to various changes in the model range, new registrations of Toyota vehicles are expected to drop slightly in a number of markets during the coming financial year. However, thanks to our technological know-how in the area of trailblazing drivetrains, including those based on hybrid and hydrogen power technology, we are ideally positioned for the future. In order to supplement the current limited range of all-electric drivetrains, Toyota Motor Corporation is currently working hard on improvements to battery performance and related technologies.

2. Review of operations of the Toyota Kreditbank Group

The following outlook is based on forecasts drawn up at the end of 2017 for the individual markets included in the Toyota Kreditbank Group's operating territory. The forecast period covers the current financial year 2018/2019. The forward-looking assertions contained therein are based partly on general expectations of future macroeconomic developments, with a primary focus on the automobile sector.

We expect to achieve slightly higher levels of lending by focusing on retail customers and offering a comprehensive range of services to dealerships. As in the previous year, plans are in hand to expand the leasing portfolio in Germany and abroad by the addition of new products tailored to commercial customers' requirements – including a greater emphasis on retail customers – in the hope that leasing business in Germany will grow. Pilot markets for online financing and mobility solutions will also be launched.

Alongside slight decreases in new vehicle in combination with a slight increase in the penetration rate, we forecast that the number of contracts with retail customers in the 2018/2019 financial year will be at a similar level to the previous year. Including the impact of a higher volume of financing for pre-owned vehicle, the portfolio is therefore expected to grow.

Toyota Kreditbank invests continuously in the development of its business processes. At the same time, it is also important to establish new business solutions. Developing digital sales channels and offering innovative mobility solutions are particular being focused on in order to take account of changed consumer behaviour and customer needs. Operating in parallel to the traditional point-of-sale model, a further highly promising sales channel is being created in close collaboration with the Toyota and Lexus dealerships.

The net interest result is expected to come in at a slightly higher level in the financial year 2018/2019.

The Toyota Kreditbank Group will continue pursue a policy of strict cost control, thereby enabling the process of digital transformation and the introduction of new product solutions to be completed on a basis appropriate for the Group’s financial success. The Toyota Kreditbank Group expects a slight increase in administrative expenses for the 2018/2019 financial year. Overall, however, the operating cost ratio should fall slightly due to the planned growth in business volumes.

Despite political uncertainty in a number of markets, generally positive economic conditions currently prevail. Accordingly, the level of risk provisioning expense for 2018/2019 is expected to be on a par with the previous financial year. Appropriate levels of risk provision have been recognised to take account of macroeconomic developments in the territory in which the bank operates.

In view of the political and economic situation, we expect the market in Russia to remain slightly volatile in the short term, with the Toyota brand achieving a growing market share and an improved sales volume performance. Based on a rising penetration rate, the outcome is likely to be portfolio growth in Russia. Pressure on the EUR/RUB exchange rate should continue to ease slightly as a result of rising oil prices. Whether the Russian Rouble manages to appreciate in value on a sustainable basis still remains to be seen. For the medium-term, we continue to forecast substantial growth, as a consequence of which we consider that the value of our investment in AO Toyota Bank, Moscow, is stable.

We also forecast above-average growth at our Polish subsidiary as a result of the continued focus on fleet business.

Operating Income for the financial year 2018/2019 is therefore likely to be higher than one year earlier, thus remaining at a satisfactory level. The key performance indicator, ROMA, is nevertheless expected to fall slightly due to strong portfolio growth.

A strong partnership with the dealership network, a coherent business concept built on efficient organisational lines, combined with good liquidity and a resilient refinancing structure, provide a sustainable basis to enable the Toyota Kreditbank Group to rise to future challenges. Innovative mobility concepts, financing and leasing packages combined with service and insurance products as well as new digital sales and marketing instruments are set to play a key role in the future strategic direction of the business.

Cologne, 12 July 2018

Toyota Kreditbank Group

Executive Management (Geschäftsleitung)

Country by Country Reporting as of March 31, 2018

	turnover EUR	average number of employees	profit/loss before tax EUR	income taxes on profit/loss EUR	received governmental aid EUR
Germany	65,718,066.18	244	31,864,579.78	-11,599,563.83	0.00
France	20,616,298.18	81	31,329,477.74	-9,131,538.44	0.00
Spain	29,814,138.85	52	11,810,545.83	-9,964,860.98	0.00
Norway	17,509,778.27	29	9,109,745.86	0.00	0.00
Sweden	6,802,673.47	34	6,559,779.68	-61,199.93	0.00
Italy	8,041,624.67	13	284,020.06	-93,314.83	0.00
Portugal	-1,910,934.53	10	-5,757,874.85	-82,558.13	0.00
Poland	21,277,909.22	119	7,282,620.52	-1,904,059.08	0.00
Russia	40,608,227.02	136	16,525,330.05	-3,858,473.45	0.00

	type of activity	place of business	country
Toyota Kreditbank GmbH	Banking	Cologne	Germany
Toyota France Financement	Banking	Vaucresson	France
Toyota Kreditbank GmbH, Sucursal en Espana	Banking	Madrid	Spain
Toyota Kreditbank GmbH, Norsk Filial	Banking	Drammen	Norway
Toyota Kreditbank GmbH Tyskland, Sverige Filial	Banking	Sundbyberg	Sweden
Toyota Kreditbank Germany, Filiale Italiana	Banking	Rome	Italy
Toyota Kreditbank GmbH, Sucursal em Portugal	Banking	Porto	Portugal
Toyota Leasing GmbH	Financial services	Cologne	Germany
Toyota Bank Polska S.A.	Banking	Warsaw	Poland
Toyota Leasing Polska Sp. z.o.o.	Financial services	Warsaw	Poland
AO Toyota Bank Russia	Banking	Moscow	Russia

Reproduction of the Independent Auditors' Report

To Toyota Kreditbank GmbH, Cologne/Germany

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of Toyota Kreditbank GmbH and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at 31 March 2018, and the consolidated statement of profit and loss, consolidated statement of changes in equity, consolidated segment information and consolidated statement of cash flows for the financial year from 1 April 2017 to 31 March 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of Toyota Kreditbank GmbH for the financial year from 1 April 2017 to 31 March 2018. In accordance with German legal requirements we have not audited the content of the non-financial statement which are included in section B of the Group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

— the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 March 2018 and of its financial performance for the financial year from 1 April 2017 to 31 March 2018 in compliance with German Legally Required Accounting Principles, and

— the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the Group management report does not cover the content of the non-financial statement and the corporate governance statement mentioned above.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditors' report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the Group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 April 2017 to 31 March 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Measurement of receivables from customers

For information on the accounting policies and valuation methods applied by Toyota Kreditbank GmbH and its subsidiaries with regard to the measurement of receivables from customers, please see section 4 of notes to the consolidated financial statements. Further explanatory comments are provided in section C 3 of the Group management report.

The financial statement risk

Toyota Kreditbank GmbH offers its customers various financing models in connection with vehicles. As at 31 March 2018, the Group reports receivables from customers (net of allowances) totaling EUR 7.6 billion. These receivables relate mainly to the financing of vehicles sold to end-user customers (retail business) and to the financing provided to Toyota and Lexus dealers (dealership financing business).

The measurement of allowances on receivables is affected by a large number of parameters such as risk classification, the determination of probabilities of default and loss given default rates.

A risk to the consolidated financial statements exists if suitable measures have not been undertaken to assess the creditworthiness of customers appropriately and to ensure that parameters used for measuring specific and general allowances on receivables from customers have been appropriately determined.

In the event that such measures are not undertaken appropriately, there is a risk that receivables from customers at the end of the reporting period may not be measured in accordance with the principles of the German Commercial Code, as applicable to banks.

Our audit approach

Based on our risk assessment and the assessment of the inherent risk of error, we have performed both control-based and substantive audit procedures in order to reach our audit evidence. We have therefore performed, among other things, the following audit procedures.

Firstly, we gained a comprehensive overview of the development of the credit portfolios in the bank's retail and dealership financing business by making inquiries and reviewing internal bank documents and evaluations. We also gained an insight into the related credit default risks and business processes used to identify, control/manage, monitor and evaluate counterparty default risks. As part of our observation of business processes, we also gained an understanding of how data streams relevant for the assessment of credit default risks are processed.

Based on this work, we audited the appropriateness and effectiveness of the internal control system, particularly with regard to the procedures for identifying and monitoring risks and validating the parameters relevant for determining allowances. In this connection, we also assessed the IT systems and internal processes relevant for determining allowances. In addition to testing the proper functioning of the systems concerned, our IT specialists also tested the related interfaces to ensure completeness of data.

A central component of our audit was the assessment of the appropriateness of the procedures used to determine risk classification and the risk provisioning parameters to be used, which are primarily derived from historical probabilities of default and loss given default rates. In particular, we analysed the regular procedures applied for the purposes of validating risk provisioning parameters and assessed the appropriateness of the conclusions reached for risk provisioning. With regard to the calculation of allowances using defined parameters, we checked system-generated amounts on the basis of individual tests. Where the level of system-generated allowances was adjusted as a result of expert estimates, we assessed the appropriateness and reliability of such adjustments in conjunction with accounting principles applied in Germany for banks. In addition, we examined whether – based on materiality and risk aspects – any information was available for the sample of items consciously selected relating to the dealership financing business that indicates the existence of an acute credit default risk. Whenever such information was available, we audited that it was duly taken into account in the measurement of receivables from customers.

Our observation

The measures undertaken by the Group are appropriate to assess the creditworthiness of customers and to ensure that parameters used to measure allowances on receivables from customers have been appropriately determined.

Other information

Management is responsible for the other information. The other information comprises the remaining parts of the annual report, with the exception of the audited consolidated financial statements and Group management report and our auditors' report.

Our opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information is materially inconsistent with the consolidated financial statements, with the Group management report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Groups's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditors' report that includes our opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

— Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditors' report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

— Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

— Perform audit procedures on the forward-looking information presented by management in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the forward-looking information, and evaluate the proper derivation of the forward-looking information from these assumptions. We do not express a separate opinion on the forward-looking information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the forward-looking information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as Group auditor by the annual general meeting on 28 July 2017. We have been the Group auditor of the Toyota Kreditbank GmbH without interruption since the financial year 1998.

We declare that the opinions expressed in this auditors' report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement
The German Public Auditor responsible for the engagement is Volker Bormann.

Düsseldorf, 9 August 2018
KPMG AG
Wirtschaftsprüfungsgesellschaft
(Original German version signed by:)

Bormann, Wirtschaftsprüfer (German Public Auditor)
Hunstock, Wirtschaftsprüfer (German Public Auditor)

In the event of the publication or transmission of a version of the consolidated financial statements and/or the consolidated management report which diverges from the version on which we delivered our opinion, including translations into other languages, in so far as our audit opinion is quoted or our audit referred to, a fresh opinion must be obtained from us. In this respect, the reader is referred to Section 328 of the German Commercial Code.

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