



TMCC Green Bond Program

December 2017

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Toyota's Path to a Low Carbon Future

Vehicle Carbon Strategy

Toyota is working to reduce the carbon footprint of its products and activities and is engaging with stakeholders to build a low carbon future. Toyota's vehicle carbon strategy has four parts:

- Improving the fuel efficiency of its gasoline vehicles
- Advancing the technology and mass acceptance of alternative powertrains
- Supporting development of the infrastructure needed for full-scale commercialization of advanced technology vehicles that run on alternative fuels, and
- Complying with vehicle fuel economy and greenhouse gas regulations, and meeting internal targets



Toyota Prius Prime:
2017 World Green Car at the New York International
Auto Show (2016 winner: Toyota Mirai)

Toyota's Path to a Low Carbon Future

The Toyota hybrid system is the core of alternative fuel vehicles for Toyota and Lexus

- Over 3 million hybrids sold in the US and over 10 million worldwide⁽¹⁾
- Since 1997, Toyota hybrids have reduced CO₂ emissions by 77 million tons compared to comparable gasoline-powered vehicles⁽²⁾
- 14 hybrid models⁽³⁾, 1 plug-in hybrid and 1 fuel cell vehicle across the North American line-up and 34 hybrid models worldwide



(1) As of January 2017

(2) As of January 2017, calculated by: number of registered vehicles × distance traveled × fuel efficiency (actual fuel efficiency in each country of sale) × CO₂ conversion factor

(3) Includes cars and light trucks

Framework: Use of Proceeds

Expanding the Green Bond Program

Green Bonds are instruments in which the proceeds are applied exclusively towards projects and activities that promote climate or other environmental sustainability initiatives

- Toyota Motor Credit Corporation introduced the auto industry's first-ever asset-backed Green Bond in 2014
- TMCC's Green Bond issuances support the sale of green vehicles and serve to advance Toyota's extensive environmental commitment
- TMCC has issued three ABS Green Bonds totaling \$4.6 billion and one senior unsecured Green Bond for €600 million as of December 2017

Use of Proceeds

TMCC's Green Bond proceeds are used for financing *new* retail loan and lease contracts originated by TMCC for Toyota and Lexus vehicle models that meet the eligibility criteria as outlined by the TMCC Green Bond Framework Projection Evaluation and Selection

Framework: Project Evaluation and Selection

Eligibility Criteria: Financing *new* retail loan and lease contracts originated by TMCC for Toyota and Lexus vehicle models that meet all three eligibility criteria described below:

- Vehicles that are gasoline-electric hybrids or alternative fuel powertrain vehicles;
- Minimum highway and city miles per gallon (MPG or MPG equivalent) of 35; and
- A United States Environmental Protection Agency (“EPA”) Smog Rating of 8 or better (where 10 is the cleanest), as determined by the EPA for the purchase of a vehicle in California

Eligible Models that satisfy all three Eligibility Criteria (as of July 2017)

Make	Model	City MPG ^{(1)*}	Highway MPG ^{(1)*}	EPA Smog Rating
Toyota	Avalon Hybrid	40	39	9
Toyota	Camry Hybrid ⁽²⁾	40-42	37-38	9
Toyota	Mirai	66 ⁽³⁾	66 ⁽³⁾	10
Toyota	Prius, Prius c, Prius v	43-54	39-50	9-10
Toyota	Prius Prime	55 / 133 ⁽⁴⁾	53 / 133 ⁽⁴⁾	10
Lexus	CT 200h	43	40	9
Lexus	ES 300h	40	39	9

*For comparison, 40MPG ≈ 5.9L/100km; 50MPG ≈ 4.7 L/100km; 60MPG ≈ 3.9L/100km; 70MPG ≈ 3.4L/100km; 130MPG ≈ 1.8L/100km

- 1) Miles per gallon (“MPG”) or MPG equivalent (“MPGe”), which represents the number of miles a vehicle can go using a quantity of fuel with the same energy content as a gallon of gasoline
- 2) Varies by model; Includes Camry Hybrid LE and Camry Hybrid XLE/SE. 2017 model year shown above; 2018 Camry Hybrid MPG estimated at 51 city / 53 highway.
- 3) Figures are miles per kilogram of hydrogen. One kilogram of hydrogen is approximately equal to a gallon of gasoline (https://www.fueleconomy.gov/feg/fcv_sbs.shtml)
- 4) 55 city / 53 highway MPG in hybrid mode. 133 MPGe in electric mode.

Framework: Project Selection and Evaluation

Vehicle Emissions Standards: Overview of the EPA's Smog Rating

- All new vehicles for sale in the United States must be certified to meet either Federal emission standards, set by the U.S. Environmental Protection Agency ("EPA"), or California standards, set by the California Air Resources Board ("CARB")⁽¹⁾
- The EPA rates new vehicles for tailpipe smog emissions on a scale of one to ten to help consumers understand and compare emission levels when shopping for vehicles. EPA Smog Ratings are more nationally recognized, and are easily understandable and visible to end consumers
- Beginning with TAOT 2016-B (an asset-backed Toyota green bond), Toyota has used the EPA Smog Ratings rather than the CARB LEV II vehicle classifications to determine the Eligible Models. The EPA ratings are comparable to the CARB LEV II standards as shown in the table below
- The emissions rating, therefore, and other criteria for Eligible Models have been consistent for TMCC's Green Bond transactions

EPA Smog Ratings and California Phase II Low Emission Vehicle Standards⁽²⁾



EPA Smog Rating ⁽³⁾ (TAOT 2016-B)	CARB LEV II (TAOT 2015-B and 2014-A)
✓ 10	✓ ZEV
✓ 9	✓ PZEV
✓ 8	✓ SULEV II
✗ 7	--
✗ 6	✗ ULEV II
✗ 5	✗ LEV II
✗ 4	✗ LEV II option 1
✗ 3	--
✗ 2	✗ SULEV II large trucks
✗ 1	✗ ULEV & LEV II large trucks

(1) Neither the Environmental Protection Agency, the State of California, nor any of their administrative agencies sponsor, endorse or are otherwise affiliated with this presentation

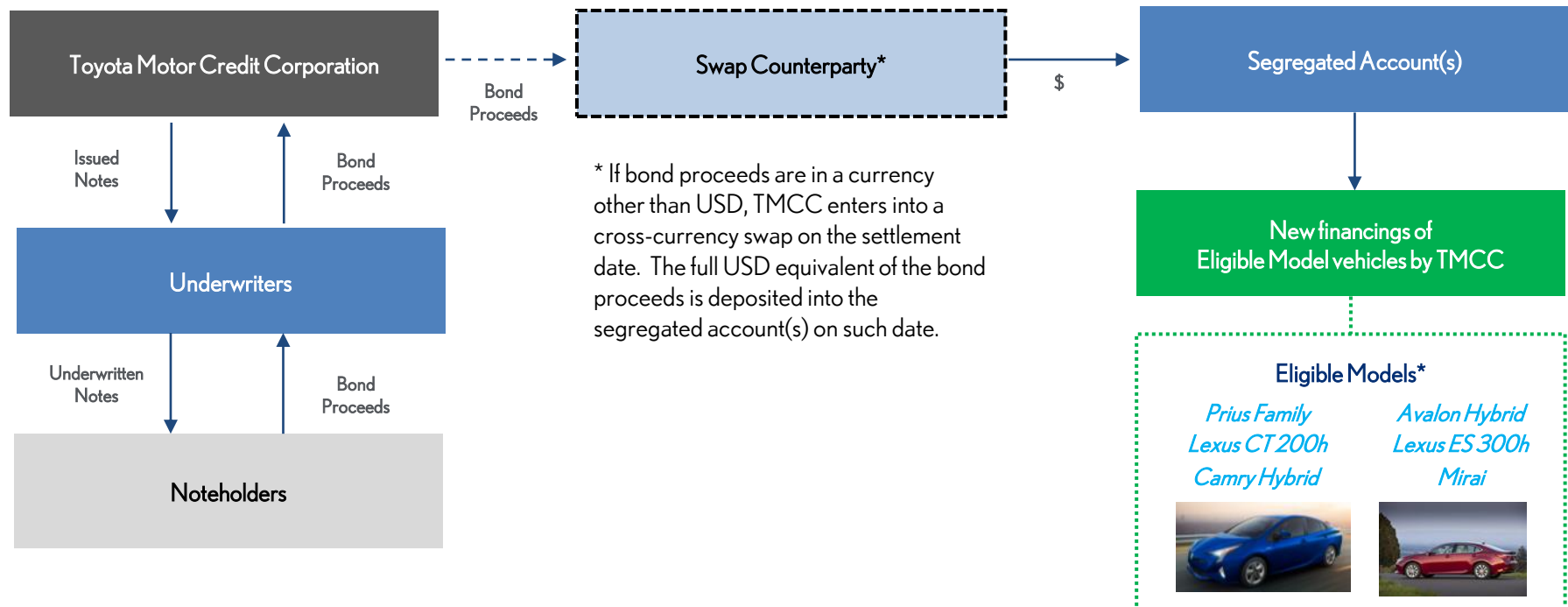
(2) Final EPA rules and ratings can be found at <https://www3.epa.gov/otaq/carlable/regulations.htm> and <https://www.epa.gov/greenvehicles/greenhouse-gas-and-smog-air-pollution-ratings-required-smartway-certification>

(3) Smog Ratings as determined by the EPA for the purchase of a vehicle in California

Framework: Management of Proceeds

Green Bond proceeds are initially deposited by TMCC into one or more segregated accounts and invested in money market instruments pending allocation, managed by TMCC's Treasury team. Historically, funds have been fully allocated within three to five months after transaction settlement.

Illustrative Flow of Green Bond Proceeds to TMCC



*As of July 2017

Framework: Reporting

TMCC prepares monthly Green Bond Use of Proceeds (UoP) reports (available on the TMCC Investor Relations website; example at right) certifying:

- The dollar amounts of both leases and loans of qualifying models originated by eligible vehicle type,
- The amounts of any remaining unused proceeds in the segregated account(s), and
- That the proceeds have been used in accordance with the UoP section of the Green Bond Framework

TMCC engages a firm of independent accountants to perform agreed upon procedures with respect to the amounts reported in the Use of Proceeds reports.

**Green Bond Use of Proceeds Certificate to Indenture Trustee
for the month ending September 30, 2016***

Toyota Auto Receivables 2016-B Owner Trust

Net Proceeds from Transaction to TMCC

	Initial Offering	Subsequent Sales of Retained Notes
Initial Principal Amount	\$ 1,600,000,000.00	\$ -
Less: Notes Retained at Closing	(597,400,000.00)	
Less: Pricing Discount	(55,920.96)	
Notes Sold (Initial Public Offering Price)	\$ 1,002,544,079.04	\$ -
Less: Underwriting Discount and Commissions	(2,346,300.00)	
Proceeds to Depositor	\$ 1,000,197,779.04	\$ -
Less: Reserve Account Deposit	(4,000,052.35)	
Less: Amount Retained in Depositor for Expenses	(1,000,000.00)	
Net Proceeds Deposited to Proceeds Accounts	<u>\$ 995,197,726.69</u>	<u>\$ -</u>

New Originations of Qualifying Models Financed from Proceeds Accounts

	Current Period September 1, 2016 - September 30, 2016	Cumulative May 11, 2016 - September 30, 2016
Retail Installment Contracts and Lease Contracts Originated by Qualifying Model		
Avalon Hybrid	\$ 12,153,645.41	\$ 45,364,509.12
Camry Hybrid	26,727,455.88	114,482,910.49
Lexus CT 200h	17,168,454.02	89,070,936.44
Lexus ES 300h	14,339,952.78	72,912,926.24
Prius ¹	186,764,365.62	763,632,584.62
Mirai	3,601,051.61	23,002,983.17
Total Qualifying Model Originations	<u>\$ 260,754,925.32</u>	<u>\$ 1,108,466,850.08</u>
Qualifying Model Contracts Financed	9,192	38,793

¹ Includes the Prius, Prius V, and Prius C

Proceeds Accounts Activity

	Current Period September 1, 2016 - September 30, 2016	Cumulative May 11, 2016 - September 30, 2016
Beginning Balance	\$ 147,485,801.93	\$ 995,197,726.69
Plus: Net Proceeds from Sale of Retained Notes	-	-
Less: Qualifying Model Originations	(147,485,801.93)	(995,197,726.69)
Ending Balance	<u>\$ -</u>	<u>\$ -</u>

* This report is provided by TMCC in its capacity as seller of receivables under the Receivables Purchase Agreement to Deutsche Bank Trust Company Americas as required by the Receivables Purchase Agreement.

Source: Green Bond - Use of Proceeds TAOT 2016-B ([October 2016](#))

External Review

- To further strengthen its Green Bond program and provide greater transparency for investors, TMCC has engaged Sustainalytics, a leading global provider of environmental, social and corporate governance research, to provide an independent Second Party Opinion (“SPO”) on TMCC’s Green Bond Framework
- The addition of an SPO aligns TMCC’s Green Bond program more closely with the recommendations of the 2017 Green Bond Principles

