



TMCC Green Bond Program

January 2020

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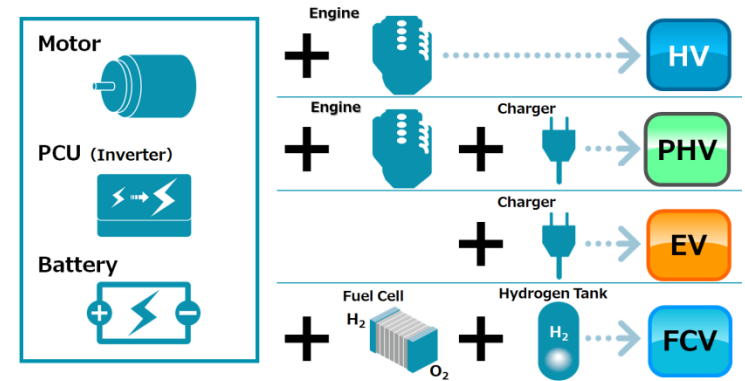
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Toyota's Path to a Low Carbon Future

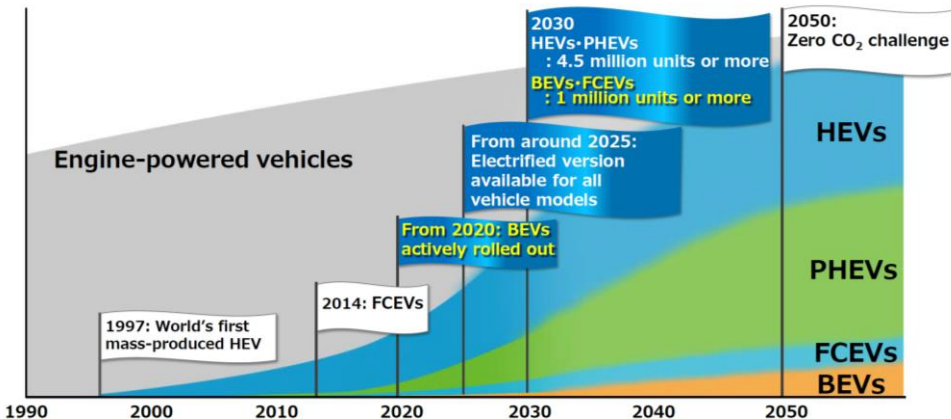
Toyota Environmental Challenge 2050

In 2015, Toyota formulated the Environmental Challenge 2050, a set of six long-term goals that will reduce the environmental burden of our products and activities. One of these goals is to lower carbon emissions from new vehicles by 90% from 2010 levels by:

- 1) Continuing to develop technology that achieves better fuel efficiency, and
- 2) Accelerating the widespread adoption of next-generation alternative powertrain technology



Toyota has set quantifiable milestones for achieving this goal:



By 2020: 15M cumulative hybrid sales

By 2025: dedicated electric or electrified option for all models

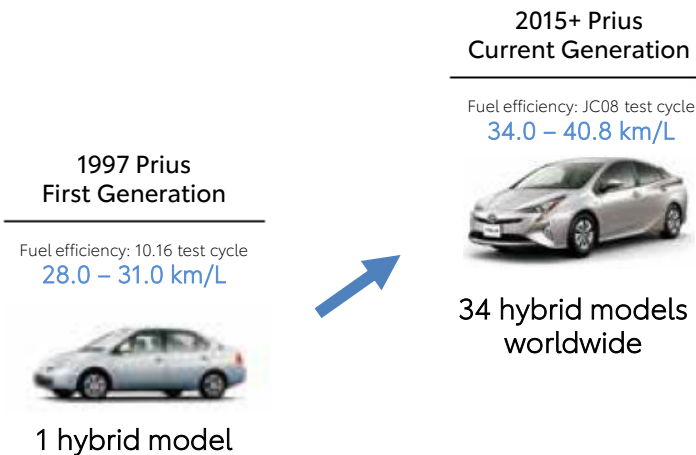
By 2030: total electrified vehicle sales of 5.5M+ units / year, including 1M+ units of zero-emission vehicles

Toyota's Path to a Low Carbon Future

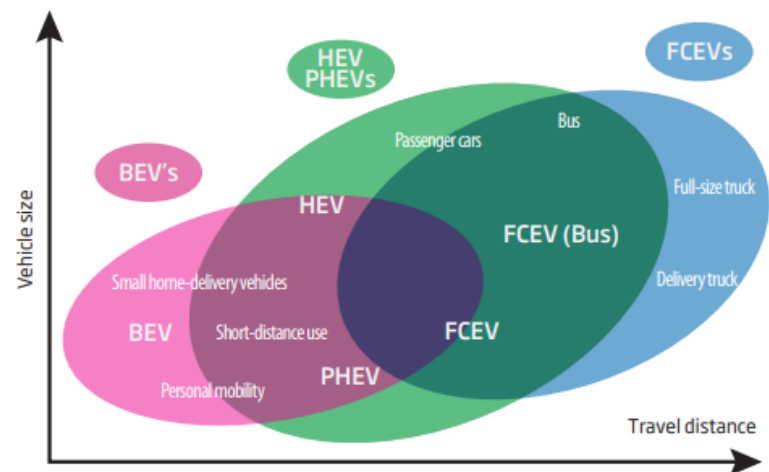
The Toyota hybrid system is the core of Toyota and Lexus alternative fuel vehicles

- Over 3.6 million hybrids sold in the United States and over 13.5 million worldwide ⁽¹⁾
 - Since 1997, Toyota hybrids have reduced CO₂ emissions by 108 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
-
- Toyota continues to refine its core hybrid technology and expand its use while exploring different applications for pure electric and fuel cell powertrains:

Refining and Expanding Hybrid Technology



Applying Pure Electric and Fuel Cell Technologies



(1) As of December 2019

(2) As of April 2019, 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

2018 Green Bond Principles

“The eligible Green Project categories, listed in no specific order, include, but are not limited to: [...]

- *clean transportation (such as electric, hybrid, public, rail, non-motorized, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions)”*

Source: <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

EPA: Greenhouse Gas vs. Smog Forming Emissions

Greenhouse Gas Emissions	Smog Forming Emissions
<ul style="list-style-type: none">• Greenhouse gases (GHGs) are emitted from the tailpipes of cars and trucks that combust fuel.• Once GHGs are released, they can stay in the atmosphere for 100 years or more.• GHGs act like a blanket around Earth, trapping energy in the atmosphere and causing it to warm. This can change Earth's climate, raise sea levels, and result in dangerous effects to human health and welfare, and to ecosystems.• The effects are global.	<ul style="list-style-type: none">• Cars and trucks that combust fuel also emit smog forming emissions, such as nitrogen oxide, non-methane organic gases, carbon monoxide, particulate matter, and formaldehyde.• These emissions are usually trapped close to the ground, and can form a brownish haze that pollutes our air, particularly over cities in the summertime.• Smog can make it difficult for some people to breathe, triggering lung diseases such as asthma, emphysema, and chronic bronchitis.• The effects are local, regional, and national.

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 €600mm as of August 2019

Use of Proceeds

TMCC's Green Bond proceeds are used for financing *new* retail loan and lease contracts 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 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 40; and
- A United States Environmental Protection Agency (“EPA”) Smog Rating of 7 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 January 2020)

Make	Model	City MPG ^{(1)*}	Highway MPG ^{(1)*}	EPA Smog Rating
Toyota	Avalon Hybrid	43	43	7
Toyota	Camry Hybrid ⁽²⁾	44-51	47-53	7
Toyota	Corolla Hybrid	53	52	7
Toyota	Mirai	67 ⁽³⁾	67 ⁽³⁾	10
Toyota	Prius ⁽⁴⁾	48-58	43-53	7
Toyota	Prius Prime	54 / 133 ⁽⁵⁾	54 / 133 ⁽⁵⁾	7
Lexus	ES 300h	43	44	7

*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.
- 3) Figures are miles per gallon equivalent. One kilogram of hydrogen is approximately equal to a gallon of gasoline (https://www.fueleconomy.gov/feg/fcv_sbs.shtml)
- 4) Includes Prius, Prius Eco, Prius AWD, and Prius C
- 5) 55 city / 53 highway MPG in hybrid mode. 133 MPGe in electric mode.

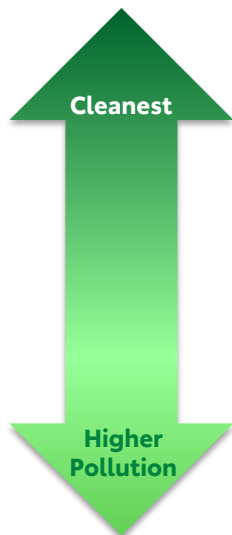
Miles per Gallon eligibility cut-off increased from 35 to 40 since 2017

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
- Since 2016, Toyota has used EPA Smog Ratings rather than CARB vehicle classifications to determine the Eligible Models. Beginning with MY2018, the EPA recalibrated the rating to conform with the new tier 3 emissions standards. As shown below, these standards are comparable to CARB LEV III standards
- Taking into account the EPA's recalibration, TMCC's Green Bonds have maintained a consistent threshold for emissions since 2014

MY2018 – MY2020 EPA Smog Ratings and California Phase III Low Emission Vehicle Standards⁽²⁾



EPA Smog Rating ⁽³⁾ (MY2018 – MY2020)	CARB LEV III
✓ 10	✓ ZEV
✓ 9	✓ --
✓ 8	✓ SULEV 20
✓ 7	✓ SULEV 30
✗ 6	✗ SULEV 50
✗ 5	✗ SULEV 70
✗ 4	✗ --
✗ 3	✗ SULEV125
✗ 2	✗ --
✗ 1	✗ SULEV160

(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

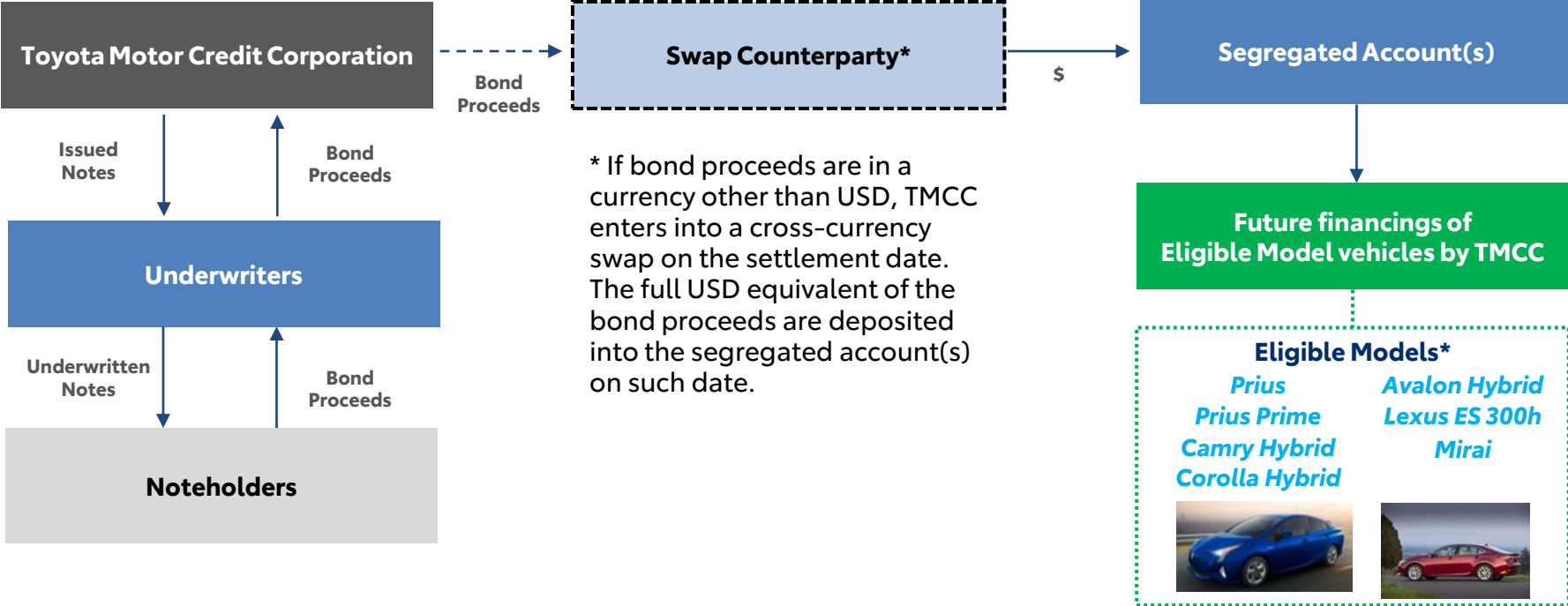
(2) Final EPA rules and ratings can be found at <https://www3.epa.gov/otaq/carlabel/regulations.htm> and <https://www.epa.gov/greenvehicles/greenhouse-gas-and-smog-air-pollution-ratings-required-smartway-certification>

(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



* If bond proceeds are in a currency other than USD, TMCC enters into a cross-currency swap on the settlement date. The full USD equivalent of the bond proceeds are deposited into the segregated account(s) on such date.

- Eligible Models***
- Prius
 - Prius Prime
 - Camry Hybrid
 - Corolla Hybrid
 - Avalon Hybrid
 - Lexus ES 300h
 - Mirai

*As of January 2020

Framework: Use of Proceeds Reporting

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

- The number and dollar amounts of leases and loans of Eligible Models financed by model,
- Estimated mileage and Smog Ratings of the Eligible Models,
- 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.

TOYOTA MOTOR CREDIT CORPORATION		Green Bond Use of Proceeds Certificate for the month ending April 30, 2018	
EUR 600,000,000 0.000 per cent. Notes due 21 July 2021			
Net Proceeds from Transaction to TMCC			
	<u>Bond Proceeds</u>		
Principal Amount of Offered Notes	€ 600,000,000.00		
Cross-currency Swap Rate (EUR / USD)	1.1711		
Net USD Proceeds Deposited to Proceeds Accounts	<u>\$ 702,660,000.00</u>		
New Originations of Qualifying Models Financed from Proceeds Accounts			
	<u>Current Period</u>	<u>Cumulative</u>	
	<u>April 1, 2018 -</u>	<u>November 21, 2017 -</u>	
	<u>April 30, 2018</u>	<u>April 30, 2018</u>	
Retail Installment Contracts and Lease Contracts Originated by Qualifying Model			Current Period Vehicle Count
			Cumulative Vehicle Count
Avalon Hybrid	\$ 7,206,774.53	\$ 27,392,915.60	197
Camry Hybrid (2018)	36,039,696.50	196,867,906.36	1,200
Camry Hybrid (2017 and prior)	24,254.01	17,487,733.75	1
Lexus CT 200h	-	24,363.31	-
Lexus ES 300h	11,532,394.07	52,861,551.71	269
Prius ⁵	62,026,085.37	347,025,041.68	2,355
Prius Prime	41,392,134.26	162,031,663.61	1,389
Mirai	4,002,501.74	41,809,550.61	78
Total Qualifying Model Originations	<u>\$ 162,223,840.48</u>	<u>\$ 845,500,726.63</u>	<u>5,489</u>
EPA Estimated Mileage and Smog Rating			
Qualifying Model	City MPG²	Highway MPG²	Combined²
			EPA Smog Rating
Avalon Hybrid	40	39	40
Camry Hybrid (2018) ³	44-51	47-53	46-52
Camry Hybrid (2017 and prior) ³	40-42	37-38	38-40
Lexus CT 200h	43	40	42
Lexus ES 300h	40	39	40
Prius ⁴	43-54	39-50	41-52
Prius Prime	55/133 ⁴	53/133 ⁴	54/133 ⁴
Mirai	66 ⁵	66 ⁵	66 ⁵
Proceeds Accounts Activity			
	<u>Current Period</u>	<u>Cumulative</u>	
	<u>April 1, 2018 -</u>	<u>November 21, 2017 -</u>	
	<u>April 30, 2018</u>	<u>April 30, 2018</u>	
Beginning Balance	\$ 19,383,113.85	\$ 702,660,000.00	
Less: Qualifying Model Originations	(19,383,113.85)	(702,660,000.00)	
Ending Balance	<u>\$ -</u>	<u>\$ -</u>	

¹Includes the Prius, Prius V, and Prius C.

²Miles 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.

³Varies by model; Includes Camry Hybrid LE and Camry Hybrid XLE/SE.

⁴55 city / 53 highway MPG in hybrid mode. 133 MPGe in electric mode.

⁵Figures 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)

Source: Green Bond - Use of Proceeds €600mm EMTN due July 2021

Framework: Impact Reporting

- In addition to the monthly Use of Proceeds reports, TMCC intends to prepare a one-time impact report
- The impact report is expected to be prepared and published to our Investor Relations website approximately one year following bond settlement
- The impact report will provide a quantitative estimate of the lifetime reduction in CO2 emissions achieved by the Eligible Models financed by the Green Bond proceeds

External Review

- To provide greater transparency for investors, TMCC engages with 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

TOYOTA MOTOR CREDIT CORPORATION GREEN BOND

FRAMEWORK OVERVIEW AND SECOND OPINION BY
SUSTAINALYTICS

September 22, 2017



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