

TMCC Green Bond Program

May 2021

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Toyota's Path to a Sustainable Environment

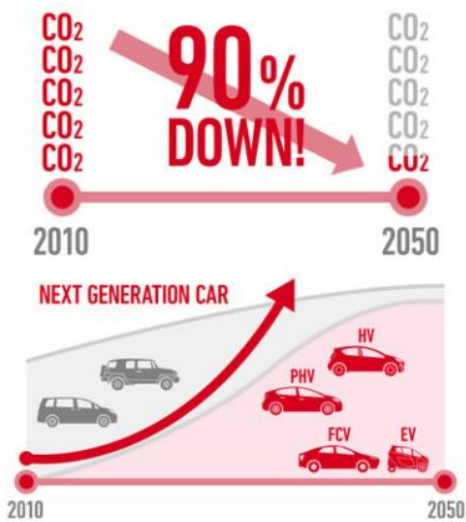
Toyota Environmental Challenge 2050

In light of mounting global environmental issues, Toyota announced the Toyota Environmental Challenge 2050 in October 2015. Based on the six challenges, we are taking measures with the aim of achieving zero CO₂ emissions and a net positive environmental impact and will contribute to the realization of a sustainable society.

One of these challenges is to eliminate CO₂ emissions for all new vehicles, with the target milestones below:

- Environmental Challenge

Reduce global average CO₂ emissions (TtW¹) from new vehicles by 90% compared to Toyota's 2010 levels



¹ Tank to Wheel: CO₂ emissions during driving (CO₂ emissions during the production stage of the fuel is not included; TtW emissions are zero in the case of battery electric vehicles and fuel cell electric vehicles)

- 2030 Milestone

5.5 Million

Make annual global sales of more than 5.5 million electrified vehicles

1 Million

including more than 1 million zero emission vehicles



35% Reduce CO₂ emissions (TtW g/km) from new vehicles by 35% or more,²

² which may vary depending on market conditions and other factors

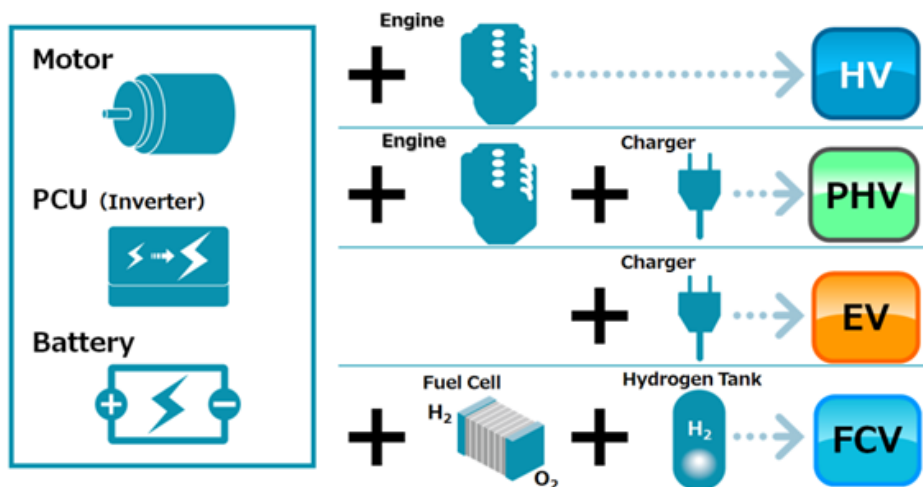
Specific measures

In order to further accelerate the spread of next-generation vehicles, we will continue to provide electrified vehicles best-suited to our customers in each market.



Toyota's Path to a Sustainable Environment

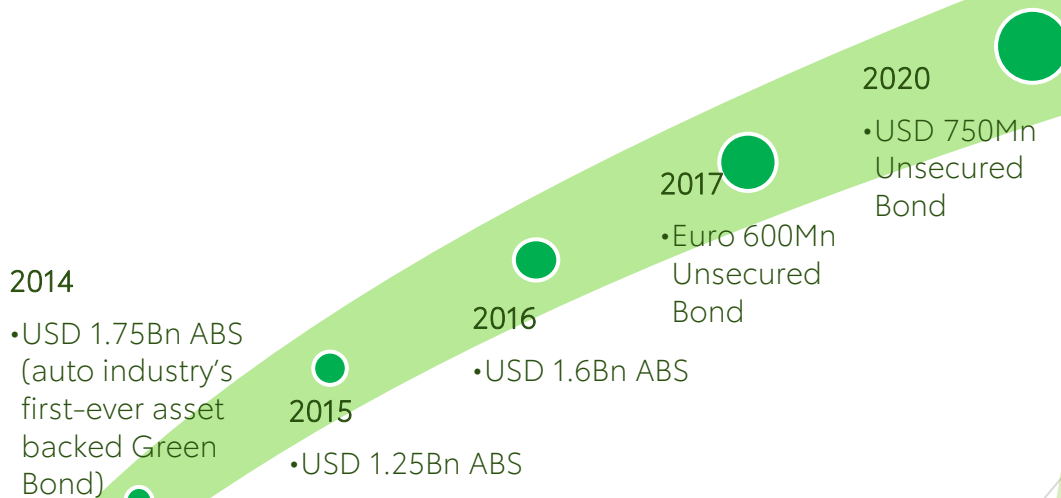
- ❑ The Toyota hybrid system is the core of Toyota and Lexus alternative fuel vehicles
 - 14 hybrid electric models, 2 plug-in hybrid and 1 fuel cell vehicle across the North American line-up as of April 2021
 - Toyota and Lexus accounted for approximately 68% of the U.S. hybrid vehicles on the road in 2020
 - Toyota Hybrid sales in 2020 increased 53.5% from 2019, approximately 16% of total sales
- ❑ Toyota continues to refine its core hybrid technology and expand its use while exploring different applications for pure electric and fuel cell powertrains:
 - Since 1997, over 17 million units of electrified vehicles sold globally (over 4 million in the United States), which prevented estimated 140 million tons of CO₂ from entering the atmosphere



Additional Reference: <https://www.toyota.com/usa/environmentreport/carbon.html>

TMCC Green Bond Program Evolution

- In support of Toyota's mission of environmental sustainability, TMCC developed a Green Bond Program in 2014, to help finance certain vehicles with low greenhouse gas and smog emissions.
 - Green Bonds are instruments in which the proceeds are applied exclusively towards projects and activities that promote climate or other environmental sustainability initiatives
 - 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 current and future Toyota and Lexus vehicle models that meet all three eligibility criteria described below:

- ▶ Must be HEVs, PHEVs, FCEVs and BEVs ;
- ▶ Vehicle for which the base trim model has maximum tailpipe CO₂ emission of 110 gram per kilometer (~177 gram per mile)
- ▶ A United States Environmental Protection Agency (“EPA”) Smog Rating of 7 or better (where 10 is the cleanest)

Eligible Models that satisfy all three Eligibility Criteria (as of April 2021) include:

Make	Model	Vehicle Type	CO ₂ (g/km)	EPA Smog Rating	MPG ^{(1)*}
Toyota	Camry Hybrid ⁽²⁾	HEV	106 - 121	7	49
Toyota	Corolla Hybrid	HEV	106	7	52
Toyota	Prius ⁽³⁾	HEV	98-110	7	52
Toyota	Prius Prime	PHEV	48	7	54 / 133 ⁽⁴⁾
Toyota	RAV4 Prime	PHEV	45	7	38 / 94 ⁽⁴⁾
Toyota	Mirai	FCEV	0	10	70 ⁽⁵⁾

1) City/Highway combined Miles per gallon (“MPG”) or MPG equivalent (“MPGe”) averaged across all trims.

2) Includes Camry Hybrid LE (base trim with 106 g/km) and Camry Hybrid SE/XLE/XSE (121 g/km).

3) Includes Prius (105 g/km), Prius Eco (98 g/km), and Prius AWD (110 g/km)

4) 1st figure represents MPG in hybrid mode, and the 2nd figure represents MPG in electric mode.

5) Represents the average of the Mirai Limited and the Mirai XLE. 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)

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, but may be subject to change in the future
- Taking into account the EPA's recalibration, TMCC's Green Bonds have maintained a consistent threshold for emissions since 2014

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



EPA Smog Rating ⁽³⁾ (MY2018 – MY2021)	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

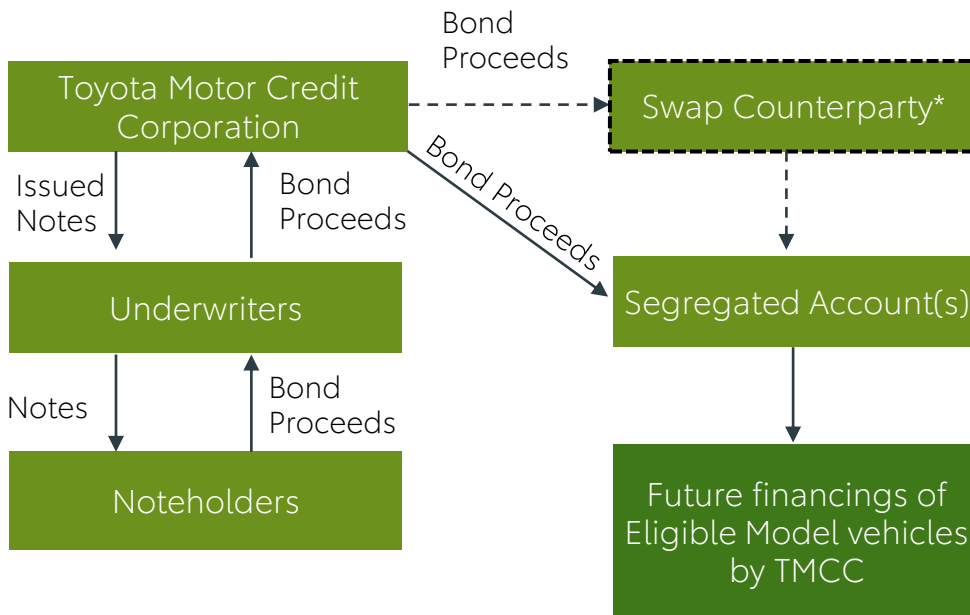
(2) Final EPA rules and ratings can be found at <https://www3.epa.gov/otaq/carlabel/regulations.htm> and <https://www.epa.gov/greenvehicles/smog-rating>

(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.

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.

Framework: Use of Proceeds Reporting

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

- The number and dollar amounts of leases and loans of Eligible Models financed by model,
- Estimated CO₂ (g/km) emission (starting in 2021), and EPA 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.

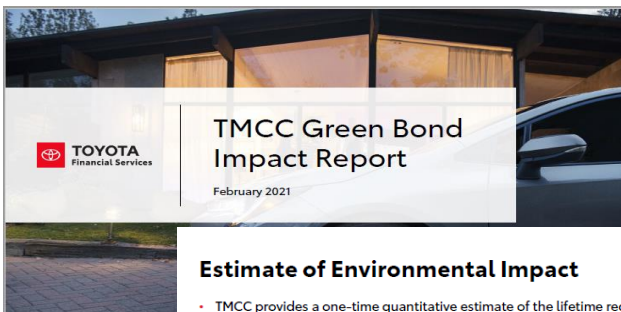
 Green Bond Use of Proceeds Certificate for the month ending August 31, 2020 \$750,000,000 2.150% Medium-Term Note, Series B due February 13, 2030				
Net Proceeds from Transaction to TMCC				
	Bond Proceeds			
Initial Principal Amount		\$	750,000,000	
Less: Pricing Discount			(3,082,500)	
Less: Underwriting Discount			(3,375,000)	
Net Proceeds Deposited to Proceeds Accounts		\$	743,542,500	
New Origination of Qualifying Model: Financed from Proceeds Account:				
	Current Period	Cumulative		
	August 1, 2020 -	February 13, 2020 -	Current Period Vehicle	Cumulative
Retail Installment Contracts and Lease Contracts Originated by Qualifying Model	August 31, 2020	August 31, 2020	Count	Vehicle Count
Avonlon Hybrid ¹	\$ 7,543,343.92	\$ 37,833,048.01	194	972
Canary Hybrid ¹	58,628,763.19	255,897,212.06	1,893	8,219
Corolla Hybrid	21,631,674.28	93,868,104.44	859	3,802
Lexus ES 300h	20,397,012.82	94,478,545.47	459	2,121
Prims ¹	37,783,299.24	184,477,997.67	1,375	6,731
Prims Prime	17,284,620.02	94,357,982.22	596	3,230
Mirai	2,816,345.56	10,052,854.52	61	205
Total Qualifying Model Originations:	\$ 166,085,058.03	\$ 770,925,514.39	6,437	26,289
EPA Estimated Mileage and Smog Rating				
Qualifying Model	City MPG²	Highway MPG²	EPA Smog Rating	
Avonlon Hybrid	43	43	7	
Canary Hybrid ¹	44-51	47-53	7	
Corolla Hybrid	53	52	7	
Lexus ES 300h	43	44	7	
Prims ¹	48-58	43-53	7	
Prims Prime	54/133 ³	54/133 ³	7	
Mirai	67 ⁴	67 ⁴	10	
¹ Includes Prims, Prims Eco, Prims AWD, and Prims C. ² 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. ³ Varies by model. Includes Canary Hybrid LE and Canary Hybrid XLE/SE. ⁴ 55 city / 53 highway MPG in hybrid mode. 133 MPGe in electric mode. ⁵ Figures are miles per gallon equivalent. One kilogram of hydrogen is approximately equal to a gallon of gasoline (https://www.fueleconomy.gov/feg/ftv_sbs.shtml)				
Proceeds Account Activity				
		Current Period	Cumulative	
		August 1, 2020 -	February 13, 2020 -	August 31, 2020
		August 31, 2020	August 31, 2020	August 31, 2020
Beginning Balance		\$	138,691,743.64	\$ 743,542,500.00
Less: Qualifying Model Originations			(138,691,743.64)	(743,542,500.00)
Ending Balance		\$	-	-

Source: Green Bond – Use of Proceeds \$750M MTN due Feb 2030

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

Note: TMCC Green Bonds issued between 2014-2019 provided Use of Proceeds reporting only, not impact reporting.



Estimate of Environmental Impact

- TMCC provides a one-time quantitative estimate of the lifetime reduction in CO₂ emissions achieved by the Eligible Models financed by the Green Bond proceeds
- Because TMCC does not monitor the actual annual usage of the vehicles financed by the Green Bond, we use industry standard assumptions of expected lifetime vehicle miles traveled (VMT)⁽¹⁾
- Estimates of the lifetime reduction in CO₂ emissions and gasoline consumption were measured relative to the average 2019 model year vehicle in the EPA's Sedan/ Wagon category⁽²⁾

692,185 tons
lifetime CO₂
reduction

64.8 million
fewer gallons



Estimate of Environmental Impact by Eligible Model

Make	Model	Combined City/Highway MPG/NPGe ⁽¹⁾	Lifetime CO ₂ Emissions per Vehicle (tons) ⁽²⁾	Lifetime CO ₂ Savings per Vehicle (tons) ⁽³⁾	% Improvement over Average Vehicle in Category ⁽⁴⁾	Number of Vehicles Financed	Lifetime CO ₂ Savings, Total (tons)
Toyota	Avalon Hybrid	43	48.5	19.0	28%	972	18,512
Toyota	Camry Hybrid ⁽⁴⁾	49	42.6	24.9	37%	8,219	204,801
Toyota	Corolla Hybrid	52	39.8	27.8	41%	3,802	105,571
Toyota	Mirai	66	35.5	32.0	47%	205	6,568
Toyota	Prius ⁽⁵⁾	50	41.6	26.0	38%	6,731	174,731
Toyota	Prius Prime ⁽⁶⁾	86	24.1	43.4	64%	3,230	140,262
Lexus	ES 300h	44	47.9	19.7	29%	2,121	41,740
All Eligible Models⁽⁷⁾		54	40.2	27.4	41%	25,280	692,185

1. Source: EPA and US Department of Energy, Office of Energy Efficiency and Renewable Energy. <https://www.fueleconomy.gov>. Combined fuel economy calculated using EPA Automotive Trade Secret "estimated real-world fuel economy" weighting of 55% city and 45% highway mileage. Miles per gallon ("MPG") or "NPGe" (New Power Generation), which represents the number of miles a vehicle can go using a quantity of fuel with maximum energy content as a gallon of gasoline.

2. Source: The 2019 EPA Automotive Trade Secret, Greenhouse Gas Emissions, Fuel Economy, and Technology Data. <https://www.epa.gov/vehicles>. Estimated lifetime vehicle mileage traveled (VMT) equals 138,364 miles. CO₂ emissions calculated on a "nationalized" basis (includes both California "enhanced" CO₂ emissions and emissions from standard gasoline combustion).

3. Source: EPA 2020 Automotive Trade Secret, Greenhouse Gas Emissions, Fuel Economy, and Technology Data. <https://www.epa.gov/vehicles>. Estimated lifetime vehicle mileage traveled (VMT) equals 138,364 miles. CO₂ emissions calculated on a "nationalized" basis (includes both California "enhanced" CO₂ emissions and emissions from standard gasoline combustion).

4. Includes Toyota Prius (2019, 2020, 2021, 2022). Savings relative to model.

5. Includes Toyota Prius (2019, 2020, 2021, 2022). Savings relative to model.

6. Prius Prime is a plug-in hybrid vehicle with EPA-estimated mileage of 54 MPG in hybrid mode, 133 MPGe in electric mode. Mileage and emissions for this calculation reflect estimated combined cycle usage along with EPA-estimated utility factor (which in turn is based on 2019 EPA-estimated <https://www.epa.gov/vehicles>).

7. Per vehicle metrics are calculated as a weighted average of the Eligible Models financed by the Green Bond.

Framework: 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



Appendix: 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/>

Appendix: Greenhouse Gas vs. Smog Forming Emissions

Greenhouse Gas Emissions

- 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.

Smog Forming Emissions

- 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.

Source: <https://www.epa.gov/greenvehicles/light-duty-vehicle-emissions>

“I don’t want to **PROTECT** the environment. I want to **CREATE A WORLD** where the environment doesn’t need protecting.” - Unknown