Toyota Material Handling Commercial Finance AB

Corporate Identity Number 556032-5002

Annual Report

2020-04-01 – 2021-03-31

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Administration Report

The Board of Directors and Managing Director hereby present the annual report for the financial year 1 April 2020 to 31 March 2021.

Operations
Toyota Material Handling Commercial Finance AB (TMHCF) is an authorised credit market company under the supervision of the Swedish Financial Supervisory Authority.

TMHCF's operations involve financing and co-ordination of financing services and associated operations. The Company manages the financing provided to the Group's sales companies in Europe, regarding the material handling equipment offered to customers under a Rental Concept (leasing). In addition the company offers financing solutions to retail customers in France, Germany and Italy through its branches. The Company has its registered offices in Mjölby.

Ownership Structure
TMHCF is a wholly-owned subsidiary to Toyota Material Handling Europe AB (556491-9537) (henceforth TMHE AB), with its registered offices in Mjölby, and is part of a Group for which the ultimate Parent Company is the Japanese company, Toyota Industries Corporation (TICO), with its registered offices in Japan.

Significant Events During the Year
TMHCF's leasing portfolio has increased, in number of contracts, over the year. This is due to the fact that TMHCF has, through long-term agreements with stable financiers, been able to continue to offer attractive financing solutions.

The Branch operations in France, Germany and Italy have continued to expand their business and another 6 132 units (6 849) have been financed with customers during the fiscal year. An effect of the Swedish Krona growing in value compared with other currencies, is a decreased portfolio value.

Results
Operating profit in TMHCF amounted to TSEK 182 690 (154 4717). The increase is mainly related to higher interest margins and reduced operational expenses. Net interest income amounted to TSEK 244 139 and has increased, compared to the previous year, by TSEK 24 648, primarily thanks to lower interest cost than planned, and continued growth in the branches.

Leasing operations
The company's leasing- and lending operations of material handling equipment amounts to TSEK 15 772 057 (16 4 60 755) and has consequently decreased by TSEK 688 698. The leasing- and lending operations are presented as "Lending to the public" in the balance sheet, both for the sub-leasing and lending operations as well as the operations related to leasing of equipment owned by the company. The company is over time performing a planned gradual transfer from sub-leasing operations to leasing of equipment owned by the company.

Credit Losses
The company's customers' capacity to pay remains favorable. There have been a few credit losses during the year. The COVID-19 outbreak has caused big uncertainty in the European market. Based on that, the company has made provisions of TSEK 6 918 to cover expected credit losses in the coming fiscal year.

Financing and Liquid Assets
TMHCF's borrowing activities have been executed via external credit institutions and the TMHE Group's interbank. This borrowing totals as per 31 March 2021 TSEK 14 383 971 (15 241 631), which is a decrease of TSEK 857 660, 5,6 % compared to previous year.

As per 31 March 2021, liquid assets amounted to TSEK 280 433. All liquid assets are placed on accounts in credit institutions and cash pool accounts of the TMHE Group. In addition to these liquid assets, the company has TSEK 130 889 placed in treasury bills.

Five-year summary[1)]

Amounts in TSEK	**2020/21**	**2019/20**	**2018/19**	**2017/18**	**2016/17**
Operating income[2)]	380 900	359 066	307 587	264 623	247 768
Operating profit	182 690	154 417	124 682	94 967	70 955
Balance sheet total	16 730 362	17 461 447	15 124 151	13 662 095	11 472 998
Equity/assets ratio, %	13,2	11,8	13,0	13,4	13,9
Return on assets, %	1,82	1,68	1,67	1,57	1,71
Core capital ratio, %	16,13	14,32	15,19	17,93	18,50

1) A reclassification during 2017/2018 has been applied retroactively. The comparison year has been recalculated but not earlier years.
2) The change of accounting principle affects “Operating income” and that means 2015/16 has not been recalculated.

Capital Cover
The Company has an acceptable capital adequacy situation. The core capital ratio amounted to 16,13 % (14,32 %) as per 31 March 2021. On the balance sheet date, the equity/assets ratio was 13,2 % (11,8%).

Employees
During the year, the number of permanent employees was 39 (36), with 19 women and 20 men. As per 31 March 2021, the total number of employees was 45.

Future prospects and significant events after the End of the Financial Year
The fiscal year has been strongly affected by the ongoing COVID-19 pandemic, with a largely reduced order intake for the whole material handling business during the first six months of the year. In the latter part of the year, the market has recovered and closed somewhat higher than previous year.

The big order intake during the last six months of the fiscal year, and an even stronger market forecast is basis for an expected continued high request of TMHCF’s products over the coming years. increase in
Den starka orderingången under det sista halvåret av räkenskapsåret samt en ytterligare ökad marknadsprognos förväntas leda till en fortsatt hög efterfrågan på TMHCF:s produkter under kommande år.

The return on the Company’s equity is expected to remain relatively unchanged.

Sustainability report
Toyota Industries Europe AB org no 556588-3534, Mjölby, prepares the Group Annual Report including sustainability report as it applies to the Group. The Group Annual Report is made available at Toyota Industries Europe AB´s head office, Svarvargatan 8 in Mjölby.

Risk Management Goals and Strategies

TMHCF's business strategy is to offer financial products to Toyota-customers and to support the TMHE Group's sales companies and in some markets also Toyota dealers' operations. The company's offer of financial products and services shall be based on standardized products and cost efficient solutions giving the intended return at an acceptable risk level, all with the aim to support the TMHE Group's need of product financing.

TMHCF conducts an active risk management. The strategy is to maintain an overall low level of risk, well balanced by the expected earnings to be achieved by assuming certain business risks, mainly in the credit risk area. The risk mandates in the other areas refer to securing the margin in the financing activities. The local sales companies are responsible for the contact with the end customers and for the primary credit risk. TMHCF also since the beginning of the fiscal year conducts lending activities through branches in France, Germany and Italy, where the company has a direct credit risk in the financing activities. The operations in the branches have a limited scope compared to the financing activities in the rest of the company.

For capital adequacy purposes TMHCF applies the standardized method for credit risk and market risk, and applies the basic method for operational risk. The Company utilizes Standard and Poor's rating systems as the basis for the risk-weighting in terms of institutional exposure.

The Company's risk strategies have been established by the Board of Directors in policies and instructions, which covers the general risk policy and the areas of credit risk, market risk, liquidity risk and operational risk. The Company also has instructions for internal capital valuation, IKU, compliance with regulations, internal audit, ethics/code of Conduct, conflict of interest, remuneration, reinstatement of financial status after severe deterioration, business continuity management and measures to prevent the Company from being used in the context of money laundering.

The Board of Directors receives information regarding the Company's operations on a monthly basis, including a report on the risk situation within different areas. At the Board meetings, held approximately on four occasions per year, a report is presented on the analysis of the development of the credit portfolio from a risk perspective. This analysis is based on both the Company's own analysis and on external analysis of the financial strength and payment discipline of the Company's customers.

The risk management function is led by the Head of Risk, who is directly subordinate to the Managing Director and who does not actively take part in business decisions. The Head of Risk is responsible for reporting risk to the Board of Directors and for submitting the reports on risk issues at the Board meetings.

Analysis of the Overall Risk Situation

The internal capital evaluation process (IKLU) includes, amongst other things, a thorough analysis of the overall risk situation to which the Company is exposed, seen in relation to the Company's capital base. In this analysis, the Company has chosen a time horizon of 5 years.

Credit Risk

Total Assets

The absolute majority of TMHCF's assets stem from the financing activities. These assets amounted to TSEK 15 760 486 (16 438 527) of which the French branch accounted for TSEK 834 777 (787 756), the German branch accounted for TSEK 403 484 (449 970) and the Italian branch accounted for TSEK 948 458 (739 249). Of the Company's exposures against institutions, TSEK 0 (0), refer to current investments of liquid surplus.

Unregulated posts are reported in Note 10.

Major Exposures

As per 31 March 2021, the Company had five exposures, in which the total exposure exceeded 10 % of the company's capital base. One of these exposures was related to institutions. The total amount of these exposures corresponds to 66,85 % of TMHCF's capital base. More information about capital base see Note 18.

Credit Risk in the financing activities
TMHCF is assessed as having limited credit risks. In addition to the actual credit analysis made regarding the customer, this is due, among other things, to the fact that the Group has very good knowledge of the objects to be financed, often trucks, which comprises a portion of the guarantee for the receivable. This knowledge is utilized in the establishment of payment plans and residual amounts in its financing solutions.

The Board of Directors has established a credit policy regulating the principles for credit decisions regarding end customers and the associated requirements, as well as regarding ongoing customer follow-up. In the event that TMHCF's Board of Directors grants the right to one of the sales companies to make credit decisions, the sales company is obligated, by agreement, to follow the current and valid policy, in all respects.

In addition to the customer analysis which is undertaken during credit decisions, TMHCF also undertakes a financial analysis on a monthly basis, including scoring of all customers via a credit rating company. Together with the internal information regarding the customer's payment discipline, this analysis provides a very good overall view of the development of the risks in the financing portfolio over time and also provides the opportunity for proactive action.

During the year the Company has had credit losses of TSEK 4 598 (TSEK 9 357).

The Geographic Distribution of the Leasing Portfolio and Branch Divisions
As per 31 March 2021, the Company had leasing exposures in 16 European countries.

Around twenty percent (20 %) of these exposures are within Sweden and other Nordic countries. The exposure per branch differs from country to country. In total, the largest portion of exposures was with customers within the manufacturing, transportation, agriculture and food products as well as retail.

Remaining Durations of financing agreements
The duration of a lease agreement is based on the customer's demands and the lifetime of the equipment. The majority of the lease agreements entered into has duration of 5 years. The maturity structure for outstanding lease agreements, including lease agreements guaranteed by TMHCF, is reported below. Here, residual values are reported as the last payment. In terms of remaining durations, no major distinction is made as regards what is classified as a company versus a household exposure.

< 1 month	1-3 months	> 3 mon.≤ 1 year	> 1 year ≤ 5 years	> 5 Years	Total
370 853	782 587	3 342 446	10 666 474	592 252	15 754 612

Market Risk
The Company's market risks are also limited. With the exception of the limited part of the financing operations that is financed through own equity, the financing is done in the same currency and with the same fixed interest term, and as far as possible, with the same amortization structure and payment periodicity.

Group external investments may only take place with counterparties approved by the Board of Directors. Certain European governments or investments guaranteed by those governments are accepted as counterparties, as well as certain financial institutions. Regarding financial institutions, a long-term rating of, at least, level A is usually required. The maximum exposure per counterparty is limited.

The total interest risk, according to the policy, may amount to a maximum of TSEK 20 000, with a parallel adjustment of the yield curve by ± 2 percentage points. As per 31 March 2021, the total interest risk was ± TSEK 12 961 (12 838). Exchange rate risks may amount to a maximum of TSEK 10 000 for changes in exchange rates of ± 10 %. As per 31 March 2021, the estimated exchange rate risk amounted to TSEK 3 815 (4 097). The currency risk is to the greatest extent a result of exposures in EUR, GBP, NOK and DKK.

Liquidity Risk
In order to ensure that the Company can realize its payment commitments, even during temporary disruptions on the finance market, the Company shall hold a liquidity reserve, the minimum value of which corresponds to at least two months of total payments on the leasing portfolio. The liquidity reserve is held in government bonds and funds in bank accounts.

Operational Risks
TMHCF actively tries to reduce its operational risks, which is possible thanks to well documented routines. The operational risks are reported to the Board of Directors monthly through the Performance Report.

Public Disclosure of Information According to the Swedish Financial Supervisory Authority's Regulations and General Guidelines

TMHCF discloses periodic information, according to the Swedish Financial Supervisory Authority's regulations, on the Company's website https://toyota-forklifts.eu/

Remuneration Policy[1]
The Remuneration policy has been approved by TMHCF's Board of Directors and has been prepared under observation of the Swedish Financial Supervisory Authority's regulations regarding remuneration structures in credit institutions, (FFFS 2011:1 updated through FFFS 2020:30).

The basis of the Remuneration policy is an analysis assessing that due to TMHCF's size, operations, and risk taking the Company, in this regard, has to be considered as less complex. The conclusion is derived from the fact that TMHCF's largest risks arise in the credit area and regarding the investment of the Company's excess liquidity. In both these areas, and several others, the Board of Directors has established strict regulations that only allow for limited risk taking.

All employees within TMHCF have the opportunity to receive a yearly bonus (variable remuneration[2]). The rules regulating the bonus are in line with the normal regulation that applies within the Group Toyota Material Handling Europe. TMHCF is one of the smaller entities within the Group, concerning number of employees. A cap for bonus payments is always stated.

The Board of Directors assesses that the criteria for deciding variable remuneration cannot be considered encouraging excessive risk taking. Neither can the maximum amount of aggregated bonuses be considered to limit the Company's ability to maintain a sufficient capital base.

The remuneration to the Managing Director and other employees whose actions can have a material impact on the risk exposure of the Company, (i.e. the Credit Manager and employees with credit decision authority, Branch Managers, Head of Risk and Compliance Officer) has been decided in accordance with the applicable Remuneration policy.

Total expensed remuneration for the fiscal year amounted to TSEK 29 083, of which TSEK 16 091 refers to the Managing Director and employees whose actions can have a material impact on the risk exposure of the Company. The variable remuneration during the financial year, the bonuses, compose TSEK 2 912 of the previously mentioned amounts of which TSEK 1 9 76 refers to the Managing Director and employees whose actions can have a material impact on the risk exposure of the Company. All remuneration has been paid out in the form of salary or in the form of pension provisions.

[1] The Swedish Financial Supervisory Authority's definition of *Remuneration*: Payment, either directly or indirectly, from a firm to a person within the scope of their employment (cash salary, other cash remuneration, remuneration in the form of shares or share-linked instruments, pension provisions, severance payments, company cars, etc.)
[2] The Swedish Financial Supervisory Authority's definition of *Variable remuneration*: A portion of the remuneration, normally performance-based, for which the amount or scope is not determined in advance.

Cash paid variable remuneration amounted for the year to TSEK 2 301 of which TSEK 1 555 refers to the Managing Director and employees whose actions can have a material impact on the risk exposure of the Company.

Proposed Appropriation of Profits

The following is at the disposal of the annual general meeting of Toyota Material Handling Commercial Finance AB (SEK):

Reserves	-3 900 197
Unappropriated profit brought forward	2 024 195 876
Net profit for the year	140 157 771
Total	**2 160 453 450**

The Board of Directors proposes that profits brought forward be distributed as follows

- to be carried forward	2 160 453 450
Total	**2 160 453 450**

Income Statement

Amounts in TSEK		2020/21	2019/20
Interest income	*Note 1,3*	**380 900**	359 066
Interest expenses	*Note 1*	**-136 761**	-139 576
Net interest income	*Note 1,15*	**244 139**	219 491
Net income, financial transactions	*Note 2,3*	**-5 162**	5 613
Other operating income	*Note 3*	**19 613**	17 467
Total operating income		**258 589**	242 571
General administrative expenses	*Note 4*	**-70 711**	-78 301
Depreciation of fixed assets		**-591**	-495
Write-downs of fixed assets		**0**	0
Total expenses before credit losses		**-71 302**	-78 797
Profit before credit losses		**187 287**	163 774
Credit losses		**-4 598**	-9 357
Operating profit		**182 690**	154 417
Appropriations	*Note 5*	**0**	0
Tax on profit for the year	*Note 6*	**-42 532**	-45 370
Net profit for the year		**140 158**	109 047

The Company's statement of comprehensive income

Net profit for the year	**140 158**	109 047
Other comprehensive income		
Items that can be reclassified to net profit for the year		
Translation difference for the year, foreign branches	**5 055**	**-3 974**
Total other comprehensive income	**5 055**	-3 974
Total comprehensive income	**145 213**	105 073

Balance Sheet

Amounts in TSEK		2020/21	2019/20
ASSETS			
Chargeable Treasury Bills etc	*Note 7,16,17*	**131 167**	120 313
Lending to credit institutions	*Note 7,8,17*	**268 863**	263 256
Lending to the general public	*Note 7,8,16,17*	**15 772 057**	16 460 755
Intangible assets	*Note 9*	**305**	480
Tangible assets	*Note 9*	**416**	677
Other assets	*Note 10,17*	**549 743**	607 928
Prepaid expenses and accrued income	*Note 11,17*	**7 811**	8 038
Total assets		**16 730 362**	17 461 447
LIABILITIES, PROVISIONS and EQUITY			
LIABILITIES			
Liabilities to credit institutions	*Note 7,16,17*	**4 401 652**	5 110 614
Deposits from the general public	*Note 7,16,17*	**9 982 319**	10 131 017
Other liabilities	*Note 12,17*	**79 982**	118 734
Accrued expenses and deferred income	*Note 13,17*	**48 682**	28 669
Provisions	*Note 14*	**5 746**	5 644
Total liabilities		**14 518 382**	15 394 679
EQUITY			
Share capital		**50 000**	50 000
Statutory reserve		**1 527**	1 527
Profit brought forward		**2 024 196**	1 915 149
Net profit/loss for the year		**140 158**	109 047
Reserves		**-3 900**	-8 955
Total equity		**2 211 980**	2 066 768
Total liabilities and equity		**16 730 362**	17 461 447

Changes in equity

	Restricted equity		*Non-restricted equity*			
Amounts in TSEK	*Share capital**	*Statutory reserve*	*Difference after revaluation*	*Profit brought forward*	*Net profit for the year*	**Total Equity**
Opening equity 1 April 2019	**50 000**	**1 527**	**-4 981**	**1 915 149**		**1 961 695**
Net profit for the year					**109 047**	**109 047**
Other comprehensive income						
Difference after revaluation			**-3 974**			**-3 974**
Total comprehensive income (net after tax)						**105 073**
Closing equity 31 March 2020	**50 000**	**1 527**	**-8 955**	**1 915 149**	**109 047**	**2 066 768**
Opening equity 1 April 2020	**50 000**	**1 527**	**-8 955**	**2 024 196**		**2 066 768**
Net profit for the year					**140 158**	**140 158**
Other comprehensive income						
Difference after revaluation			**5 055**			**5 055**
Total comprehensive income (net after tax)						**145 213**
Closing equity 31 March 2021	**50 000**	**1 527**	**-3 900**	**2 024 196**	**140 158**	**2 211 980**

* The number of shares amounts to 50 000 with a quotient value of SEK 1 000 (share capital divided by number of shares)

Cash Flow Statement

Amounts in TSEK		**2020/21**	2019/20
Cash flow from operating activities			
Operating profit*		**182 690**	154 417
Adjustment for non-cash items:		**6 081**	-1 722
		188 770	152 695
Income tax paid		**-41 473**	-111 127
Cash flow from operating activities before changes in operating assets and liabilities		**147 297**	41 569
Financial investments		**-27 119**	16 527
Lending to the general public		**694 306**	-2 152 462
Other assets		**58 029**	-233 443
Prepaid expenses and accrued income		**227**	-1 586
Changes in the operating activities' assets		**725 443**	-2 370 964
Borrowing from credit institutions		**-708 962**	-519 430
Borrowing from the general public		**-148 698**	2 762 011
Other liabilities		**-39 811**	77 016
Accrued expenses and deferred income		**19 562**	-23 196
Changes in the operating activities' liabilities		**-877 909**	2 296 402
Cash flow from operating activities		**-5 169**	-32 994
Financial activities			
Received Group contribution, net		**0**	50 000
Cash flow financial activities		**0**	50 000
Cash flow for the year		**-5 169**	17 007
Cash and cash equivalents at the beginning of the year		**285 485**	268 657
Exchange rate difference in cash and cash equivalents		**117**	-179
Cash and cash equivalents at year-end	*Note 8*	**280 433**	285 485

*Annual net interest and rent received and paid amounts to TSEK 2244 139 (see Note 15)

Supplementary Disclosure

Adjustment for non-cash items		
Depreciation/amortization	**591**	495
Pension provision	**102**	240
Change in accrued interest income/costs	**451**	1 338
Unrealised exchange rate effects	**4 938**	-3 795
	6 081	-1 722

Supplementary Disclosures

Application of Accounting Principles
Toyota Material Handling Commercial Finance AB (TMHCF) is authorised by the Swedish Financial Supervisory Authority to act as a credit market company, and is thereby subject to the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1556) (ÅRKL).

The Company applies the ÅRKL, the Swedish Financial Supervisory Authority's regulations regarding annual accounts in credit institutions and securities companies, (FFFS 2008:25) in the preparation of its financial reports.

FFFS 2008:25, so-called statutory IFRS, implies that the International Financial Reporting Standards (IFRS), as adopted by the EU, are applicable for the preparation of the financial reports, with limitations and supplements in accordance with RFR 2 Accounting for Legal Entities.

New accounting policies
The accounting policies are unchanged compared with previous years.

None of the IFRS or IFRIC interpretations that are for the first time mandatory for the fiscal year beginning after January 1, 2020 have a significant impact on TMHCF's income statement or balance sheet.

New accounting policies *which have not yet been adopted*
In the preparation of the financial statements as of March 31, 2021, a number of standards and interpretations have been published, but not yet become effective. None of these are expected to have a material impact on TMHCF's financial statements.

Significant Assumptions and Estimations
Upon classification of financial assets and liabilities according to the IFRS regulations, the purpose of the holdings has been the decisive factor.

Upon assessment of whether or not accounts receivable are to be considered as doubtful debts, factors such as historical experience, credit ratings and the size of the receivable have been taken into account.

Financial Year
The Company's financial year is 1 April - 31 March.

Accounting for Lease contracts
Whether leases should be viewed as operational or financial is based on an assessment of the economic significance in the contractual terms. If the contractual terms imply that the agreement involves the financing of a purchase of an asset, the contract is classified as financial. If the contractual terms imply that the economic substance is a rent agreement, the lease is classified as operational. The main factor in the assessment of economic significance in the contractual terms in the agreements is a judgment of whether substantially all the risks and benefits of a tangible asset is transferred from the lessor to the lessee. All lease contracts in the company has been assessed as financial. In the annual report they are classified and accounted for, depending upon business model, some as financial leases under IAS17 and some as operational leases, under RFR2.

The company conducts leasing through two types of business structures, which for accounting purposes is handled in two ways. The main part of the company's leasing contracts consists of so-called *leasing of owned lease objects*. The second type of leasing contracts relate to so-called *back-to-back leasing* with a funder. The different types of leasing are accounted for in two ways as follows.

Lease contracts for owned lease objects refers to leased assets where the Company is the lessor. The lease objects refer to owned fixed assets with an associated lease contract.

Back to back lease - the Company follows and report according to IAS 17. TMHCF has a lease contract with a funder, as lessee, headlease, and classifies them as financial leases. TMHCF then has a lease contract with a third party as a lessor, the so-called sublease. In the balance sheet the financial assets are reported gross related to the sublease agreements and financial liabilities attributable to the headlease agreement.

Financial lease receivables are initially valued at the present value of future minimum lease payments. Subsequent valuations are done at the present value of the remaining minimum lease minus write-downs. Minimum lease fees are divided between interest income and amortization of the outstanding debt. Interest income is allocated over the lease period so that each accounting period is allocated with an amount corresponding to a fixed interest rate for the respective accounted receivable for the period. Variable fees are recognized as revenue in the periods they arise.

The financial lease liabilities are initially valued at the present value of future minimum lease fees. Subsequent valuations are done at the present value of the remaining minimum lease fees. Minimum lease fees are allocates between interest expense and amortization of the outstanding debt. Interest expense is allocated over the lease period so that each accounting period is allocated with an amount corresponding to a fixed interest rate for the respective accounted liability for the period. Variable fees are expensed in the periods they arise.

Two leasing cars are accounted for as assets under IFRS 16. Office rent is not accounted for as the contracts are for less than 12 months. TMHE own the office building and invoice internally on a yearly basis.

Intangible Assets
Intangible assets consist of capitalised expenditure for software and IT systems. The period of amortization is 3-5 years.

Financial Instruments
The Company classifies all of its financial assets in the category “Loan receivables and accounts receivable”. According to the definition in IFRS 9, loan receivables and accounts receivable are *financial assets which are not derivative, which have fixed payments or payments which can be fixed and which are not listed on an active market.* The Company’s loan receivables and accounts receivables are comprised of accounts receivables (Note 10), chargeable treasury bills (Note 17) and liquid assets (Note 8). These are valued at accrued acquisition cost (which is the same as nominal value). The Company has made limited provisions for decreased value of receivables due to expected and confirmed credit loss.

Liquid assets include bank account balances and current investments with due dates within 3 months after the date of acquisition. Liquid assets are valued at acquisition cost with additions for accrued interest income.

The Company’s financial liabilities are entirely attributed to the group titled ”Other financial liabilities”. Included in this category are accounts payable (Note 12) which, like accounts receivable, are valued at accrued acquisition cost, as well as borrowings from the general public via the Group’s internal bank (Note 7). Such loans are valued at acquisition cost with the addition of accrued interest expenses.

IFRS 9 "Financial Instruments" regulates classification and valuation including impairment of financial assets and liabilities and hedge accounting. The full version of IFRS 9 was issued in July 2014 and replaces IAS 39. The standard is applicable for fiscal years beginning January 1, 2018 and is adopted by the EU. IFRS 9 is principally compliant with IAS 39, which was rule-based and contains new principles for how financial assets should be classified and valued. What determines the classification, in which valuation category a financial asset relates to is, the company's "business model", the purpose of the holding and the financial asset's contractual cash flow. The regulations deal with classification and valuation, hedge accounting and impairment of financial instruments.

Most of TMHCF's asset portfolio consists of lending to the general public, consisting mainly of leasing and loan receivables to group companies. A limited proportion consists of leasing and loan receivables to external parties through the branches in France, Germany and Italy. The company has defined its business model for these assets such that the assets are held for the purpose of collecting contractual cash flows, and that the agreed terms of the financial assets give rise to cash flows that are solely payments of capital amounts and interest on the outstanding capital amount. This means that TMHCF is to value its assets on the asset side at accrued acquisition value. As the company has previously valued its lending in this way, in accordance with IAS 39, the transition to IFRS 9 did not require any change in the reporting of these assets.

The Standard's new impairment model for financial instruments simplifies the fact that, at the time of payment of a credit, the company reports an impairment and estimates the expected loan losses, which requires further assessments regarding changed credit risk and forward-looking information unlike today's model based on credit loss events occurring. TMHCF has classified assets and liabilities as well as developed models for calculating expected loan losses in accordance with the new standard. IFRS 9 will entail an early warning and increase of provisions for deferred loan losses and a reduction in equity but will not affect cash flow or underlying credit risk. The impairment model contains a three-step model based on changes in the credit quality of the financial assets. The purpose of the three-step model is to divide the assets into 3 different categories depending on how credit risk has changed since the asset was first recorded in the balance sheet. The model group claims in the following three steps; step 1 working receivables, step 2 receivables whose credit risk is considered to have increased significantly since the first reporting date and step 3 receivables that are considered to be credit impaired due to a loss event. A key factor affecting the size of expected credit losses is the rules governing a credit transfer between steps 1 and 2. TMHCF takes the PD (Probability of Default) into consideration to assess significant risk increases, the change being judged by a combination of absolute and relative changes. In addition, all credits that are more than 30 days late are credited with payment to step 2 if there is a significant risk.

Expected loan losses according to IFRS 9 are calculated by: probability of default (PD) multiplied by exposures (EAD) multiplied by loss-based liability (LGD). For assets in step 1, the calculation of likelihood of default is based on the next 12 months, while for step 2 and 3, the calculation is based on the estimated life of the asset.

Historically TMHCF has a very low credit loss level because the risk exposure is mainly against intra-group companies. Following the outbreak of COVID-19 and continued uncertainty in the European market, the company makes a provision of TSEK 6 918 (Note 21) per 31 March 2021, for expected credit loss in the coming fiscal year. The amount is calculated on an average rate of 0,3175 % of the branches’ portfolios (previously 0,01 %). Credit risk against intra-group companies is still expected to be very low based on a high level of security in underlying assets. The company has not applied the transitional rules for capital adequacy purposes.

The company currently does not use hedge accounting, so the company is not affected by the changed rules at the time of transition.

Derivatives
Derivative financial instruments are recognized on the contractual date and are valued at fair value, both initially and at subsequent revaluations. In the valuation of the derivatives, the Group’s exchange rates are used which are drawn from the Bloomberg on the last business day.

Hedge Accounting
The Company currently does not apply hedge accounting.

Impairment test for write-down of Financial assets
At each reporting date the Company assesses whether there is objective evidence that a financial asset or group of assets are subject for write-downs as a result of one or more events (loss events) after the asset was reported for the first time and that these loss events has an impact on the estimated future cash flows from the asset or group of assets. Objective evidence comprises observable conditions that have occurred and have a negative impact on the ability to recover the acquisition value.

Regarding write-down or reversal of write-down of an asset being leased, the rules for financial leases are used.

Revenue Recognition
The Company reports revenue when the amount can be measured in a reliable manner and when it is likely that future economic benefits will accrue to the Company. Revenue is reported in the amounts expected to be received.

Interest income
Interest income is reported over the contract length so that each accounting period is charged with an amount corresponding to a fixed interest rate for the receivable reported during each period.

Accounting Principles for Borrowing Costs
Borrowing costs are charged to profit/loss in the period to which they are attributable.

In TMHCF, borrowing costs include the interest portion of the financial lease agreement and interest on borrowing from the general public via the Group's internal bank, Toyota Industries Finance International AB, as well as interest expenses on bank accounts.

Cash Flow Statement
The cash flow statement has been prepared in accordance with the so-called indirect method. Reported cash-flows include only those transactions incurring ingoing, or outgoing payments. Liquid assets refers, aside from cash and bank balances, to short-term financial investments exposed to only insignificant risk of value fluctuation, with a remaining term of shorter than three months from the purchase date.

Transactions in Foreign Currency
The Company's functional currency is SEK.

Assets and liabilities in foreign currency are translated to SEK at the exchange rate on balance sheet date. Exchange rate differences arising during such translation are reported in the income statement.

Branches in Foreign Currency
Business in branches has been recalculated in accordance with the current price method which means that assets and liabilities have been translated to SEK at the exchange rate on balance sheet date. Revenues and costs are recalculated on an average rate for the period they refer to. Translation differences arising on translation of foreign operations are recognized in other comprehensive income and accumulated in a separate component of equity called the translation reserve.

Definition of Key Ratios
Equity/assets ratio: Equity and 78% of untaxed reserves in relation to total assets.

Return on asset: Operating income plus financial income as a percentage of total assets.

Core capital ratio: Core capital in relation to risk-weighted assets, calculated according to legal stipulations.

Pension Commitments
The Company has both defined contribution plans and defined benefit plans. For the defined contribution plans, the Company pays fixed fees to a separate, independent legal entity and, has thereafter, no obligation to the employee to pay additional fees. The Company's profit/loss is charged for such costs at the rate that the benefits are earned which normally coincides with the point in time at which the premium is paid. For other pension plans, when there is an agreement regarding a defined benefit plan, the obligation is not settled until the agreed upon pension amount has been paid.

The Company's pension commitments are not covered by capital from any pension foundation or by subscribed pension insurance, instead, provisions are made in the balance sheet and is determined by the estimated actuarial present value of future pension payments in the pension plan. The Company reports defined benefit plans and defined contribution plans in accordance with the exceptions in RFR 2.2, paragraph 38.

The Company's reported pension liabilities are covered by credit insurance with Försäkringsbolaget Pensionsgaranti.

Memorandum Items
Contingent liabilities are reported in conjunction with the signing of the agreement.

Guarantees, that is, leasing commitments are reported at present value of the remaining leasing payments, including the residual value.

Financial Risks
Information regarding the financial risks identified in the Company, and the manner in which these risks are to be managed, is provided in the administration report.

Appropriations
Received group contribution is presented as appropriations.

Income Tax
Reported income tax includes tax which is to be paid or received regarding the current year, adjustments regarding the previous year's current taxes, and changes in deferred tax.

The valuation of all tax liabilities/receivables takes place at nominal amounts and is carried out according to the tax regulations and tax rates which have been determined, or which are recommended and are likely to be adopted.

For items reported in the income statement, associated tax effects are also reported in the income statement. The tax effects for items reported directly against equity are reported against equity.

Note 1 Net interest income

Amounts in TSEK	**2020/21**	2019/20
Interest income		
Lending to credit institutions	**54**	11
Lending to the general public	**378 145**	358 038
Other interest income	**2 700**	1 017
Total interest income	**380 900**	359 066
of which interest income from Group companies	**312 538**	298 195
Interest expenses		
Liabilities to credit institutions	**-52 584**	-69 892
Interest expenses for borrowing from the general public	**-80 723**	-67 032
Other interest expenses	**-3 454**	-2 652
Total interest expenses	**-136 761**	-139 576
of which interest expenses to Group companies	**-80 723**	-67 032
Total net interest income	**244 139**	219 491

All interest income and interest expenses are attributable to instruments measured at amortized cost or fair value.

Note 2 Net result of financial transactions

Amounts in TSEK	**2020/21**	2019/20
Exchange rate fluctuations	**-5 162**	5 613
Total net result of financial transactions	**-5 162**	5 613
of which exchange rate fluctuations of loans, receivables,	**-5 162**	5 613

Note 3 Distribution of income by geographical market

The sum of the income statement items, Interest income, Net results of financial translations and Other operating income are distributed over the following geographical markets:

Amounts in TSEK	2020/21	2019/20
Interest income	**380 900**	359 066
Sweden	**30 023**	27 719
Rest of Nordic region	**40 869**	42 974
Rest of Europe	**310 007**	288 373
Net result financial transactions	**-5 162**	5 613
Sweden	**-5 162**	5 613
Rest of Europe	**0**	0
Other operating income	**19 613**	17 467
Sweden	**5 479**	5 233
Rest of Nordic region	**679**	400
Rest of Europe	**13 454**	11 834
Total	**395 350**	382 146

Note 4 General administrative expenses

Amounts in TSEK	2020/21	2019/20
Personnel costs [1)]	**-41 274**	-42 444
Costs for premises	**-918**	-898
Other administrative expenses [4) 5)]	**-28 519**	-34 960
Total general administrative expenses	**-70 711**	-78 302
[1)] **Of which salaries, remunerations and social security contributions**		
Remuneration to members of the Board	**0**	0
Remuneration to the Managing Director [2)]	**-2 907**	-2 648
Salaries to other employees	**-26 176**	-24 707
Social security contributions	**-8 980**	-8 800
Pension costs [3)]	**-2 472**	-3 300
Total salaries, remunerations and social security contributions	**-40 535**	-39 454

[2)]Of which variable remuneration 5655 TSEK (506)

[3)]Of which Managing Director, present and previous officers 578 TSEK (749)

[4)] During the period of 1 April 2020 to 31 March 2021 the company was invoiced for hiring staff to an amount of 2 976 TSEK

Note 4 General administrative expenses, continuing

Remuneration to senior management

According to the decision of the AGM no fees are paid to the Board. Salary to the Managing Director consists of a fixed and variable portion. The number of board members who are not part of the senior management amounted 2021-03-31 to four.

Average number of employees	**2020/21**	2019/20
Average number of employees	**39**	36
of whom men, %	**51**	50

[6] **Remuneration to the Company's auditors**

Amounts in TSEK	**2020/21**	2019/20
Öhrlings PricewaterhouseCoopers		
Audit fees	**-718**	-634
Audit related fees	**0**	0
Tax advice	**-620**	-263
Other assignments	**0**	0
Total remuneration to the Company's auditors	**-1 337**	-898

Note 5 Appropriations

Amounts in TSEK	**2020/21**	2019/20
Received Group contribution	**0**	0
Total	**0**	0

Note 6 Tax on profit for the year

Amounts in TSEK	**2020/21**	2019/20
Income before tax	**182 690**	154 417
Income tax calculated in accordance with national tax rate	**39 096**	33 045
Tax deductions attributable to income not subject to tax	**-155**	-85
Tax charge attributable to expenses not deductible for tax purposes	**651**	567
Tax attributable to previous years	**2 940**	11 844
Total	**42 532**	45 370

Note 7 Information on durations

Amounts in TSEK	**Remaining duration**					
2020/21	Payable upon request	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 year	> 5 year	**Total**
Charegable Treasury Bills etc	0	24 029	106 860	277	0	**131 167**
Lending to credit institutions	268 863	0	0	0	0	**268 863**
Lending to the general public*	11 570	1 153 402	3 343 884	10 657 758	605 442	**15 772 057**
Liabilities to credit institutions	0	397 346	1 055 680	2 809 568	139 058	**4 401 652**
Deposits from the gen. public**	259 198	672 130	1 914 460	6 719 096	417 435	**9 982 319**

* of which financial leasing receivables 15 760 486. From "lending to the general public" refers 13 574 167 to Group companies.

** of which Group companies 19 982 319

2019/20	Payable upon request	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 year	> 5 year	Total
Charegable Treasury Bills etc	0	0	120 000	279	0	**120 279**
Lending to credit institutions	263 123	0	0	0	0	**263 123**
Lending to the general public*	5 535	1 065 534	2 998 039	9 735 681	503 372	**14 308 160**
Liabilities to credit institutions	323	555 919	1 508 338	3 452 639	112 825	**5 630 044**
Deposits from the gen. public**	94 538	430 082	1 236 132	5 241 332	366 922	**7 369 006**

* of which financial leasing receivables 16 438 527. From "lending to the general public" refers 14 461 570 to Group companies.

** of which Group companies 10 131 017

Note 8 Liquid assets

Included in liquid assets in the balance sheet and cash flow statement is the following:

Amounts in TSEK	**2020/21**	2019/20
Balances in bank accounts and Group accounts in banks*	**280 433**	285 485
Total	**280 433**	285 485

* included in the balance sheet under the item lending to credit institutions and lending to the general public

Note 9 Intangible and tangible fixed assets

Intangible fixed assets

Amounts in TSEK	2020/21	2019/20
Opening acquisition cost	**3 663**	3 628
Investments for the year	**113**	35
Closing accumulated acquisition cost	**3 777**	3 663
Opening accumulated amortisation according to plan	**-3 183**	-2 794
Amortisation for the year according to plan	**-289**	-389
Closing accumulated amortisation according to plan	**-3 472**	-3 183
Residual value according to plan	**305**	480

Tangible fixed assets

Amounts in TSEK	2020/21	2019/20
Opening acquisition cost	**1 587**	1 116
Purchases during the year	**-59**	471
Closing accumulated acquisition cost	**1 528**	1 587
Opening accumulated depreciation	**-910**	-755
Accumulated depreciation on sales during the year	**-201**	-155
Closing accumulated depreciation	**-1 111**	-910
Residual value	**416**	677

Note 10 Other assets

Amounts in TSEK	2020/21	2019/20
Accounts receivable - trade 1)	**44 972**	20 795
Income taxes recoverable	**76 059**	76 480
VAT recoverable	**395 399**	437 686
Other	**33 314**	72 967
Total	**549 743**	607 928
of which Group companies	**3 079**	18 054

1) Age analysis, matured but not doubtful debts include

Matured less than 1 month	**1 985**	3 205
Matured 1-2 months	**6 866**	4 696
	8 851	7 901

Note 11 Prepaid expenses and accrued income

Amounts in TSEK	**2020/21**	2019/20
Accrued interest income	**0**	0
Other accrued income and prepayments	**7 811**	8 038
Total	**7 811**	8 038
of which Group companies	**0**	0

Note 12 Other liabilities

Amounts in TSEK	**2020/21**	2019/20
Accounts payable - trade	**71 188**	102 828
Tax liabilities	**45**	152
VAT liabilities	**0**	0
Other	**8 749**	15 754
Total other liabilities	**79 982**	118 734
of which Group companies	**64 373**	80 729

Note 13 Accrued expenses and deferred income

Amounts in TSEK	**2020/21**	2019/20
Accrued interest expenses	**6 568**	6 117
Accrued statutory fee	**1 874**	2 038
Pre-payed rent	**16 005**	-1 245
Accrued expenses and deferred income	**24 236**	21 759
Total accrued expenses and deferred income	**48 682**	28 669
of which Group companies	**6 568**	6 117

Note 14 Provisions

Amounts in TSEK	**2020/21**	2019/20
Provisions for pensions and similar commitments	**5 746**	5 644
Total provisions	**5 746**	5 644
of which credit insured via FPG	**5 746**	5 644

TMHCF AB's pension liabilities amounted to TSEK 5 746 as of 31 March 2021 (5 644). 2 percent of pension liabilities, i.e. TSEK 115 (113) is reported as an obligation to FPG (Försäkringsbolaget Pensionsgaranti).

Note 15 Interest and rent which has been received and paid

Amounts in TSEK	**2020/21**	2019/20
Interest received	**380 900**	259 066
Interest paid	**-136 761**	-139 576
Net interest and rent which has been received and paid	**244 139**	219 491

Note 16 Assets and liabilities in foreign currencies

	2020/21	2019/20
Assets	**14 843 140**	15 470 127
Liabilities	**-14 864 708**	-15 498 910
Net difference in foreign currencies	**-21 568**	-28 783

Note 17 Financial assets and liabilities

Amounts in TSEK

	Loan receivables and accounts receivable	**Derivatives used for hedging purposes**	**Other financial liabilities**	**Total book amount**	**Fair value**
Chargeable Treasury Bills etc	131 167	0	0	131 167	131 167
Lending to credit institutions	268 863	0	0	268 863	268 863
Lending to the general public	15 772 057	0	0	15 772 057	15 772 057
Prepaid expenses and accrued income	549 644	0	0	549 644	549 644
Other financial assets	7 811	0	0	7 811	7 811
Derivatives assets	0	99	0	99	99
Total	**16 729 542**	**99**	**0**	**16 729 641**	**16 729 641**
Liabilities to credit institutions	0	0	4 401 652	4 401 652	4 401 652
Borrowing from the general public	0	0	9 982 319	9 982 319	9 982 319
Other liabilities	0	0	72 873	72 873	72 873
Accrued expenses and deferred income	0	0	48 682	48 682	48 682
Derivatives liabilities	0	7 109	0	7 109	7 109
Total	**0**	**7 109**	**14 505 526**	**14 512 635**	**14 512 635**

Note 18 Capital base and Capital requirements

Information of capital adequacy and risk management

Information regarding the capital adequacy of Toyota Material Handling Commercial Finance in this note is related to such information that will be given according to chapter 6, 3-4§§ in Swedish Financial Supervisory Authority regulations regarding prudential requirements and general advices (FFFS 2008:25) of Credit Institutions and Investment Firms Act and relates to information that appears in the articles; 92, 436, 437 and 438 in (EU) no 575/2013 and in chapter 8 7§ in the Swedish Financial Supervisory Authority regulations (FFFS 2014:12) regarding prudential requirements and general advices of requirements and capital buffers and in column a in appendix 6 in EU no 1423/2013. Other disclosures that are required according to FFFS 2014:12 and (EU) no 575/2013 are presented on the webpage of Toyota Material Handling Commercial Finance https://toyota-forklifts.eu/

Information of Capital base and capital requirement

For the determination of Toyota Material Handlings Commercial Finance legal capital cover requirement according to the law (FFFS 2014:968) of the Special Supervision of Credit Institutions and Investment Firms Act, the Credit Requirements Regulation (575/2013/EU), the capital buffers act (2014:966) and Swedish Financial Supervisory Authorities regulations regarding prudential requirements and capital buffers (FFFS 2014:12). The purpose with the regulations is to determine that firms manage their risks and protect the customers deposits. The rules and regulation that states that the capital base shall cover the minimum of capital requirements (capital requirement for credit, - market, liquidation and operational risks) buffer requirements (capital conservation and contracyclical buffer). Toyota Material Handling Commercial Finance do not have the permission from Swedish Financial Supervisory Authority to use internal rating models for Capital adequacy. This means that capital requirements are based on standardised methods according to Capital Requirements Regulation CRR (EU) no 575/2013. Standardized methods mean that capital requirements for different types of risks are calculated on determined requirements in percentage that will be multiplied by amounts that can be found in the Income-, and Balance sheet statement of Toyota Material Handling Commercial Finance. The result will generate a capital requirement in Swedish Kronor. The Toyota Material Handling Commercial Finance capital requirements comes mainly from Credit-, and Operational risks.

Amounts in TSEK	**2020/21**	2019/20
Tier 1 capital		
Equity capital	**2 211 980**	2 066 768
Dividend	**-**	-
Equity capital adjusted for dividend	**2 211 980**	2 066 768
Deductible items		
Intangible assets	**305**	480
Deferred tax liabilities	**0**	-
Common equity Tier 1 capital	**2 211 675**	2 066 288
Total capital base	**2 211 675**	2 066 288
Capital requirement		
Credit risk according to standardised approach	**1 062 730**	1 125 017
Market risk	**1 797**	2 106
Operational risk	**32 153**	27 191
Total capital requirement	**1 096 680**	1 154 314
Total risk exposure amount	**13 708 503**	14 428 928
Risk weighted exposure amounts for credit and counterparty risks in total, standardised approach:	**13 267 486**	14 062 713
Government	**53 794**	53 986
Corporate	**9 883 252**	10 758 171
Household (SME)	**3 192 055**	3 166 518
Other	**138 385**	69 262
Exposure in default	**-**	-
Credit valiation adjustment	**16 644**	14 778
Market risk	**22 460**	26 325
Operational risk	**401 913**	339 890
Capital and Liquidity Assessment Process	**137 982**	146 099

Amounts in TSEK	**2020/21**	2019/20
Capital conservation buffer	**342 713**	360 723
Contracyclical capital buffer	**0**	0
Capital relations and buffers		
Common equity Tier 1 capital ratio, %	**16,13%**	14,32%
Tier 1 capital ratio, %	**16,13%**	14,32%
Total capital ratio, %	**16,13%**	14,32%
Capital base in relation to capital requirements	**2,02**	1,79
Tier 1 Capital requirements, %	**8,00%**	8,00%
Capital conservation buffer, %	**2,50%**	2,50%
Contracyclical capital buffer, %	**0,00%**	0,00%
Total capital requirement including capital buffer, %	**10,50%**	10,50%
Common equity Tier 1 capital available for capital buffer requirements, %	**8,13%**	6,32%
Total capital base	**2 211 675**	2 066 288
Capital requirements	**-1 096 680**	-1 154 314
Buffer requirements	**-342 713**	-360 723
Total requirements	**-1 439 393**	-1 515 037
Capital surplus after buffer requirements	**772 282**	551 251

Note 19 Pledged assets

Amounts in TSEK	**2020/21**	**2019/20**
Pledged assets		
Deposits for other own commitments		
Deposits in the Swiss central bank	**277**	313

Note 20 Transactions with related parties

Amounts in TSEK

Transactions with companies within the Group are presented below:

	Income	Expenses	Receivables	Liabilities
2020/21			**2021-03-31**	**2021-03-31**
Parent Company (TMHE AB)	1 456	2 475	1 031	1 626
Other Group companies	316 928	81 089	13 631 606	10 085 429
Total	**318 384**	**83 564**	**13 632 637**	**10 087 055**

	Income	Expenses	Receivables	Liabilities
2019/20			**2019-03-31**	**2019-03-31**
Parent Company (TMHE AB)	0	2 008	0	323
Other Group companies	304 459	67 995	14 527 460	10 052 048
Total	**304 459**	**70 003**	**14 527 460**	**10 052 371**

For information regarding remuneration to senior management, see note 4.

Note 21 Subsequent events

The COVID-19 outbreak has continues to cause uncertainty in the European market. Based on that, the company has made provisions for a TSEK 6 918 to cover expected credit losses in the coming fiscal year.

For signatures, please refer to the official Annual Report. Note that only the Swedish version is reviewed by PwC and filed with the Swedish Companies Registration Office.

Chairman of the Board	*Lars Hägerborg*
Managing Director	*Sotirios Asimakopoulos*
Board Members	*Norman Memminger*
	Akihiro Oiwa
	Göran Åseborn
Auditor in charge	*Marcus Robertsson, Öhrlings ProcewaterhouseCoopers AB*