

# TOYOTA LEASING (THAILAND) CO., LTD.

No. 131/2018  
12 September 2018

## FINANCIAL INSTITUTIONS

### Issue Ratings

Guaranteed	AAA
Short-term guaranteed	T1+

**Outlook:** Stable

### Issue Ratings History:

Date	Rating	Outlook/Alert
27/10/10	AAA,T1+	Stable
12/03/10	AAA	Stable
12/01/06	AAA,T1+	Stable
07/10/04	AAA	Stable

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## RATIONALE

TRIS Rating affirms the ratings on Toyota Leasing (Thailand) Co., Ltd.'s (TLT or Issuer) guaranteed debentures, issued under its Bt60,000 million medium-term debenture program, at "AAA". TRIS Rating also affirms the rating of TLT's guaranteed debentures under the short-term debenture program No. 1/2560 at "T1+". At the same time, TRIS Rating affirms the ratings on TLT's guaranteed debentures, issued under its Bt130,000 million Thai Baht Debentures Programme, at "AAA" and "T1+".

All rated debentures of TLT are guaranteed by Toyota Motor Finance (Netherlands) B.V., (TMF or Guarantor). TMF is a wholly-owned subsidiary of Toyota Financial Services Corporation (TFS), which is 100% held by Toyota Motor Corporation (TMC), the ultimate parent company. All three companies, TMF, TFS, and TMC, are rated "AA-" by S&P Global Ratings and "Aa3" by Moody's Investors Service (Moody's), with short-term issue ratings at "A-1+" by S&P Global Ratings and at "P-1" by Moody's.

## KEY RATING CONSIDERATIONS

### Unconditional and irrevocable guarantee

The ratings of TLT's guaranteed debentures reflect the unconditional and irrevocable guarantee given by TMF, whose rating is based on the credit strength of TMC. Under this guarantee structure, TMC has provided a Credit Support Agreement (CSA) to TFS, which has, in turn, provided a CSA to TMF. Under the terms of the CSA, TMC will provide sufficient liquidity for the obligations of bonds, debentures, and commercial papers of both subsidiaries, TFS and TMF. TMC will also provide sufficient liquidity for TMF's guarantee obligations.

The guarantee is governed by the Dutch law and is unconditional and irrevocable. The guarantee provides punctual payment for the debentureholders of all sums payable by TLT. For the guaranteed debentures, the obligations of TMF rank at least pari passu with all other present and future unsecured and unsubordinated indebtedness of TMF. The guarantee cannot be amended or terminated without the consent of both the debentureholders' representatives and the Guarantor, TMF.

The Guarantor will not be under any obligation to make payment for the Issuer's failure to pay as a result of any of the following actions by any Thai government agency: (1) interruption of payment by causing Issuer to be unable to transfer monies or to convert foreign currency to the Registrar or debentureholders to pay debt obligations; (2) causing the transfer of majority shareholding in, or control over, the Issuer to a third-party not associated with the Toyota Group; (3) expropriation or nationalization of at least 10% of the net value of hire purchase receivables of the Issuer and its subsidiaries; and (4) expropriation or nationalization that has the effect of preventing the Issuer and its subsidiaries from carrying on business. TRIS Rating believes that the above events are highly unlikely to occur.

### Strong market position

In TRIS Rating's view, TMC's market and competitive positions remain strong, supported by its broad product lines, wide geographic market coverage, and technological leadership. TMC is one of the world's largest automakers and has a global market share of about 10%. TMC reported that it sold 8.964 million units of cars in fiscal year 2018 (FY2018: April 2017-March 2018),

slightly decreasing by 0.1% from the 8.971 million units it sold in FY2017. Its share of the domestic market was around 46% in FY2018. In FY2018 (ended 31 March 2018), 36% of Toyota Motor's consolidated sales were generated in North America, 32% in Japan, 16% in Asia except for Japan, 9% in Europe, and 7% in other regions. Sales for the first quarter of FY2019 were 2.236 million units, compared with 2.215 million units for the same period in FY2018.

### **Stable financial performance**

TMC's profitability remains strong despite a fluctuation in foreign exchange rates. TMC's financial performance has been supported by ongoing cost reduction efforts and recovery of auto demand in Japan, Asia, and Europe. This was mainly encouraged by yen depreciation against the US dollar and Euro during that period. Net income increased by 36% to 2,494 billion yen for FY2018. Net income continued to improve to 657 billion yen for the first quarter of FY2019, rising by 7% from the same period of FY2018.

### **High liquidity and moderate leverage**

TMC has plentiful liquidity. TMC has a large amount of cash and high liquidity assets, Japanese government bonds, and US treasury bonds. TMC has a high-ability to maintain funding through diversified funding sources such as bank loans, bonds, and commercial papers (CPs). TMC also receives financial support from many domestic banks and diverse funding globally. This financial support mitigates any impact of a mismatch of captive finance business in the maturities of assets and liabilities.

In our view, we expect TMC to maintain its leverage at a moderate level. High earnings and cash flow generating capacities will strengthen the capital base.

### **RATING OUTLOOK**

The "stable" outlook reflects the creditworthiness of TMF or TLT's Guarantor. TMF's credit profile is reflected by the creditworthiness of the ultimate parent, TMC. TMC's current international scale company ratings of "AA-/Stable" assigned by S&P Global Ratings and "Aa3/Stable" by Moody's still reflect TMC's relatively strong credit profile when compared with TRIS Rating's "AAA" national scale rating.

### **RATING SENSITIVITIES**

The ratings and/or outlook on TLT's guaranteed debentures could be revised downward if the rating of TMC's creditworthiness was revised downward.

### **COMPANY OVERVIEW**

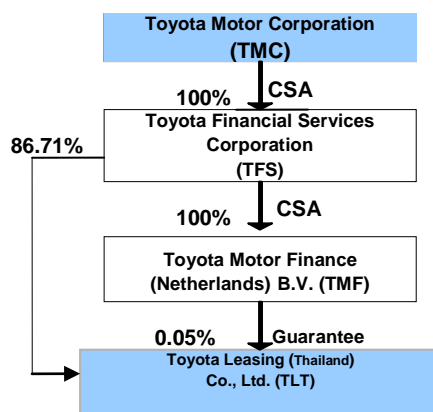
TMC, the ultimate parent company of the Toyota Group including TLT, was founded in 1937. It has competitive advantages among automakers in its wide-ranging vehicle types. TMC produces its main brands under the "Toyota" and "Lexus" brands, as well as the "Daihatsu" and "Hino" brands. Automotive business accounts for more than 90% of TMC's total sales.

TMC is moving forward to the Toyota New Global Architecture ("TNGA"), an initiative for higher development efficiency and the manufacture of better cars. Half of its global car sales will be TNGA models around 2020. The automobile industry is moving toward environmentally conscious cars; as a result, TMC is shifting to electrified vehicles (EV) such as hybrid vehicles.

In addition to the automotive business, TMC also provides financial services through its captive financing arms. TMC believes that its ability to provide financing to its customers is an important marketing tool to support sales of Toyota cars. In 1987, TMC established TMF as a private limited company to function as a finance company. TMF raises funds through bonds and notes issued in the international capital markets. In 2000, TMC established TFS, a holding company, as a new framework for effectively integrating the strengths of the Toyota Group's sales finance companies such as TLT, all over the world.

The Toyota Group made its first investment in Thailand through Toyota Motor Sales (Thailand) Co., Ltd. in 1957. Toyota Motor (Thailand) Co., Ltd. (TMT) was founded under Toyota's umbrella in 1962, followed by several subsidiaries and affiliates including Toyota Leasing (Thailand) in 1993. In 2002, the Toyota Group announced its decision to use Thailand as a global manufacturing base to support its production and sales.

TLT is a subsidiary of TFS, a wholly-owned subsidiary of TMC in Japan. TLT was established to service automobile hire purchase loans for Toyota's customers and dealers by providing financial services to customers. TLT ranks in the top three of automobile hire purchase companies in Thailand, according to TRIS Rating's database.

**Chart 1: Shareholding and Credit Support Structure of Toyota Group**


Source: TLT

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***
**Toyota Motor Corporation (TMC)**

Unit: Million yen

	Apr-Jun 2018	-----Year Ended 31 March-----			
		2018	2017	2016	2015
Net revenues	7,362,733	29,379,510	27,597,193	28,403,118	27,234,521
- Sales of automotive products	6,853,963	27,420,276	25,813,496	26,549,111	25,612,836
- Financing operations	508,770	1,959,234	1,783,697	1,854,007	1,621,685
Gross profit	1,213,967	4,819,802	4,270,461	5,093,025	4,696,474
Operating income	682,687	2,399,862	1,994,372	2,853,971	2,750,564
Gross interest expense	3,439	27,586	29,353	35,403	22,871
Funds from operations (FFO)	909,723	3,420,084	3,078,332	3,894,045	3,364,005
Total assets	51,049,149	50,308,249	48,750,186	47,427,597	47,729,830
Total debts	20,240,450	19,347,564	19,155,727	18,293,153	18,977,887
Total liabilities	30,926,252	30,386,173	30,081,233	29,339,411	30,082,501
Minority interest	684,029	694,120	668,264	861,472	859,198
Shareholders' equity	18,946,917	18,735,982	17,514,812	16,746,935	16,788,131
Operating income before depreciation and amortization as % of sales	14.89	14.07	13.06	15.77	15.27
Pretax return on permanent capital (%)**	7.91	6.90	5.98	8.34	8.30
Total debt/capitalization (%)	50.76	49.89	51.30	50.95	51.82
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	346.48	158.03	129.48	131.35	185.24
FFO/total debt (%)**	17.98	17.68	16.07	21.29	17.73

\* Consolidated financial statements

\*\* Annualized

## Toyota Leasing (Thailand) Co., Ltd. (TLT)

### Issue Ratings:

Bt60,000 million guaranteed debentures under medium-term debenture program:

- TLT192B: Bt3,500 million guaranteed debentures due 2019	AAA
- TLT194A: Bt5,000 million guaranteed debentures due 2019	AAA
- TLT198B: Bt8,000 million guaranteed debentures due 2019	AAA
- TLT19NA: Bt2,280 million guaranteed debentures due 2019	AAA
- TLT201B: Bt1,000 million guaranteed debentures due 2020	AAA
- TLT202A: Bt4,500 million guaranteed debentures due 2020	AAA
- TLT204A: Bt3,000 million guaranteed debentures due 2020	AAA
- TLT205A: Bt3,300 million guaranteed debentures due 2020	AAA
- TLT208A: Bt4,000 million guaranteed debentures due 2020	AAA
- TLT20NA: Bt1,120 million guaranteed debentures due 2020	AAA
- TLT211A: Bt1,300 million guaranteed debentures due 2021	AAA
- TLT212A: Bt3,200 million guaranteed debentures due 2021	AAA
- TLT216A: Bt1,500 million guaranteed debentures due 2021	AAA
- TLT21NA: Bt3,000 million guaranteed debentures due 2021	AAA
- TLT22DA: Bt3,000 million guaranteed debentures due 2022	AAA
- TLT22OA: Bt3,000 million guaranteed debentures due 2022	AAA
- TLT235A: Bt1,500 million guaranteed debentures due 2023	AAA
- TLT24OA: Bt3,500 million guaranteed debentures due 2024	AAA
- TLT255A: Bt1,000 million guaranteed debentures due 2025	AAA

Bt20,000 million guaranteed debentures under short-term debenture program No. 1/2560 T1+

Bt130,000 million guaranteed debentures under Thai Baht Debentures Programme:

- Long-term guaranteed debentures	AAA
- TLT209A: Bt4,000 million guaranteed debentures due 2020	AAA
- TLT218A: Bt4,000 million guaranteed debentures due 2021	AAA
- Short-term guaranteed debentures	T1+

**Rating Outlook:** Stable

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