

# TOYOTA LEASING (THAILAND) CO., LTD.

No. 140/2019  
10 September 2019

## FINANCIAL INSTITUTIONS

### Issue Ratings

Guaranteed	AAA
Short-term guaranteed	T1+

**Outlook:** Stable

**Last Review Date:** 12/09/18

### 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 billion medium-term debenture program, at "AAA". TRIS Rating also affirms the ratings on TLT's guaranteed debentures, issued under its Bt130 billion 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 "P-1" by Moody's.

## KEY RATING CONSIDERATIONS

### Unconditional and irrevocable guarantee

The ratings on 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 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 8.977 million units of cars in fiscal year 2019 (FY2019: April 2018-March 2019), slightly increasing by 0.1% from the 8.964 million units it sold in FY2018. Its share of the domestic market was around 46% in FY2019. In FY2019 (ended 31

March 2019), 31% of Toyota Motor's consolidated sales were generated in North America, 25% in Japan, 19% in Asia except for Japan, 11% in Europe, and 14% in other regions. Sales for the first quarter of FY2020 were 2.303 million units, a 3% increase from 2.236 million units for the same period in FY2019.

### Stable financial performance

TMC's profitability remains strong supported by ongoing cost reduction efforts and marketing effort. Operating income increased by 3% to 2.47 trillion yen for FY2019. Operating income continued to improve to 741.9 billion yen for the first quarter of FY2020, rising by 8.7% from the same period of FY2019.

### 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.

### BASECASE ASSUMPTIONS

- TMC's credit ratings assigned by S&P Global Ratings and Moody's still be maintained.
- There will be no change to the unconditional and irrevocable guarantee by TMF on TLT's debentures.

### RATING OUTLOOK

The "stable" outlook reflects the creditworthiness of TMF, 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 toward 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.

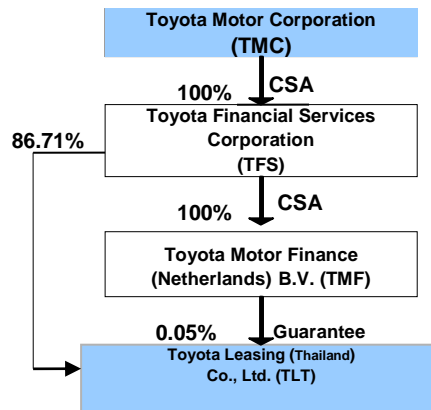
In addition to the automotive business, TMC also provides financial services through its captive financing arms. TMC believes that its ability to provide financing to its customers is an important marketing tool to support sales of Toyota cars. In 1987, TMC established TMF as a private limited company 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 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 2019	-----Year Ended 31 March -----			
		2019	2018	2017	2016
Net revenues	7,646,091	30,225,681	29,379,510	27,597,193	28,403,118
- Sales of automotive products	7,103,793	28,105,338	27,420,276	25,813,496	26,549,111
- Financing operations	542,298	2,120,343	1,959,234	1,783,697	1,854,007
Gross profit	1,234,141	4,715,843	4,819,802	4,270,461	5,093,025
Operating income	741,951	2,467,545	2,399,862	1,994,372	2,853,971
Gross interest expense	4,351	28,078	27,586	29,353	35,403
Funds from operations (FFO)	973,586	3,651,348	3,420,084	3,078,332	3,894,045
Total assets	52,117,436	51,936,949	50,308,249	48,750,186	47,427,597
Total debts	20,149,240	20,150,178	19,347,564	19,155,727	18,293,153
Total liabilities	31,378,907	31,371,739	30,386,173	30,081,233	29,339,411
Minority interest	713,424	718,985	694,120	668,264	861,472
Shareholders' equity	19,527,680	19,348,152	18,735,982	17,514,812	16,746,935
Operating income before depreciation and amortization as % of sales	14.91	14.09	14.07	13.06	15.77
Pretax return on permanent capital (%)**	8.97	5.83	6.90	5.98	8.34
Total debt/capitalization (%)	49.89	50.10	49.89	51.30	50.95
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	299.35	145.79	158.03	129.48	131.35
FFO/total debt (%)**	19.33	18.12	17.68	16.07	21.29

\* Consolidated financial statements

\*\* Annualized

**RELATED CRITERIA**

- Nonbank Lending Company, 7 May 2018

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

**Issue Ratings:**

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

- 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

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

Long-term guaranteed debentures	AAA
- TLT19NB: Bt1,800 million guaranteed debentures due 2019	AAA
- TLT201C: Bt3,000 million guaranteed debentures due 2020	AAA
- TLT207A: Bt2,000 million guaranteed debentures due 2020	AAA
- TLT209A: Bt4,000 million guaranteed debentures due 2020	AAA
- TLT200A: Bt2,800 million guaranteed debentures due 2020	AAA
- TLT212B: Bt1,100 million guaranteed debentures due 2021	AAA
- TLT214A: Bt400 million guaranteed debentures due 2021	AAA
- TLT216B: Bt700 million guaranteed debentures due 2021	AAA
- TLT217A: Bt4,000 million guaranteed debentures due 2021	AAA
- TLT218A: Bt4,000 million guaranteed debentures due 2021	AAA
- TLT21DA: Bt1,900 million guaranteed debentures due 2021	AAA
- TLT210A: Bt1,400 million guaranteed debentures due 2021	AAA
- TLT210B: Bt3,700 million guaranteed debentures due 2021	AAA
- TLT221A: Bt3,600 million guaranteed debentures due 2022	AAA
- TLT225A: Bt3,900 million guaranteed debentures due 2022	AAA
- TLT228A: Bt3,700 million guaranteed debentures due 2022	AAA
- Short-term guaranteed debentures	T1+

**Rating Outlook:**

Stable

**TRIS Rating Co., Ltd.**

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