

TOYOTA LEASING (THAILAND) CO., LTD.

No. 172/2024
30 September 2024

FINANCIAL INSTITUTIONS

Issue Ratings:

Guaranteed	AAA
Short-term guaranteed	T1+
Outlook:	Stable

Last Review Date: 28/09/23

Issue Rating History:

Date	Rating	Outlook/Alert
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 THB60 billion Medium-Term Debentures Program, at "AAA", and the ratings on TLT's guaranteed debentures, issued under its THB130 billion Thai Baht Debentures Programme in the year 2020 and THB130 billion Thai Baht Debentures Programme in the year 2022, at "AAA" and "T1+". TRIS Rating also affirms the ratings on TLT's THB1.2 billion guaranteed debentures due 2024 issued under the Digital Infrastructure (DIF) web portal initiative, at "AAA". At the same time, TRIS Rating assigns the ratings on TLT's proposed issue of guaranteed debentures under the THB130 billion Thai Baht Debentures Programme in the year 2024, 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 in turn wholly owned by Toyota Motor Corporation (TMC), the ultimate parent company in Japan. All three companies, TMF, TFS, and TMC, are rated "A+" with a "stable" outlook, with their short-term issue ratings rated "A-1+" by S&P Global Ratings.

KEY RATING CONSIDERATIONS

Unconditional, irrevocable guarantee

The ratings on TLT's short- and medium-term debentures reflect the unconditional and irrevocable guarantee provided 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 the bonds, debentures, and commercial papers (CP) 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 covers punctual payments to 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:

(1) By any Thai Government Agency: (i) interruption of payment by causing the Issuer to be unable to transfer monies or to convert foreign currency to the Registrar or debentureholders to pay debt obligations; (ii) causing the transfer of majority shareholding in, or control over, the Issuer to a third-party not associated with the Toyota Group; (iii) expropriation or nationalization of at least 10% of the net value of hire purchase receivables of the Issuer and its subsidiaries; and (iv) expropriation or nationalization that has the effect of preventing the Issuer and its subsidiaries from carrying on business.

(2) By any Sanctioning Authority: if the Guarantor is prevented to pay under any trade, economic or financial sanction laws, regulations, embargoes, or restrictive measures administered, enacted, or enforced by a Sanctioning Authority.

TRIS Rating believes it is highly unlikely that any of the above events would occur.

Maintain solid market position

TMC's position in the automotive industry remains strong, supported by diverse models and broad geographic presence. Over the past few years, the company has maintained a global market share of around 12%. In FY2024 (April 2023-March 2024), TMC sold 9.4 million vehicles, representing a 7% year-on-year (y-o-y) increase. However, in the first quarter of fiscal year 2025 (1Q FY25), sales declined 5% y-o-y to 2.3 million units, primarily due to decreased sales and production volumes in Japan, despite growth in other regions.

Japan remained TMC's largest revenue contributor in 1Q FY25, accounting for 35% of sales, followed by North America (33%), Asia excluding Japan (15%), Europe (10%), and other regions (7%). For FY2025, the company has set a sales target of 9.5 million units, consistent with FY2024 figure.

In 1Q FY25, the share of electrified vehicles rose to 43%, from 37% in FY2024. This increase was primarily driven by the strong performance of hybrid electric vehicles (HEVs) in overseas markets. Electrification is a critical challenge for automakers, including TMC, in coming years. We expect TMC to bolster its efforts in this area by expanding its lineup of battery electric vehicle (BEV) models to meet its strategic goal.

Strong financial performance to continue

We anticipate that TMC will maintain strong financial performance, bolstered by its ongoing cost-reduction initiatives and continuous product launches. In FY2024, TMC's operating income surged by 96% y-o-y to JPY5.4 trillion, driven by competitive pricing, effective marketing, cost-cutting measures, and favorable foreign exchange rates. In 1Q FY25, operating income rose by 17% y-o-y to JPY1.3 trillion. However, when excluding the impact of foreign exchange rates, operating income experienced a 20% y-o-y decline. TMC expects operating income to reach around JPY4.3 trillion in FY2025, based on its internal projections.

Sufficient liquidity and funding position

TMC maintains a conservative financial strategy, ensuring a robust liquidity position with a significant portion of its assets in cash and high-quality liquid assets, such as Japanese government bonds and US treasuries. As of the end of 1Q FY25, TMC's total liquid assets amounted to JPY15.6 trillion, accounting for 17% of its total assets. The company has diversified funding sources both domestically and internationally, including bank loans, bonds, and commercial papers (CPs). Short-term borrowings made up 40% of total borrowings, while long-term debt and other financial liabilities comprised the remaining 60%. The larger share of long-term borrowings has helped reduce the liquidity risk from potential funding mismatches within its captive finance business.

BASECASE ASSUMPTIONS

- TMC's credit ratings assigned by S&P Global Ratings will 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 reflects the creditworthiness of the ultimate parent, TMC. TMC's current international-scale company rating of "A+/Stable" assigned by S&P Global Ratings continues to reflect TMC's credit strengths.

RATING SENSITIVITIES

The ratings and/or outlook on TLT's guaranteed debentures could be revised downward in the event of a significant weakening in TMC's creditworthiness.

COMPANY OVERVIEW

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

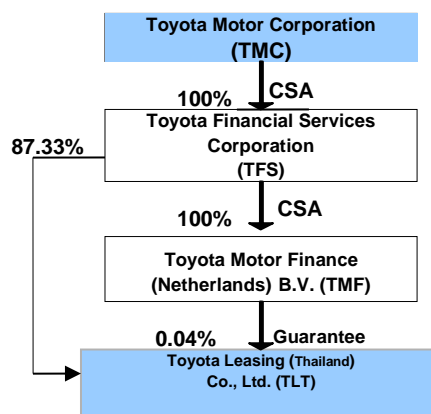
TMC is committed to the Toyota New Global Architecture (TNGA), an initiative for higher development efficiency and the manufacture of better cars. Since 2020, half of the company's global car sales have been TNGA models. The automobile industry is moving toward environmentally friendly car designs. As a result, TMC is shifting towards EVs and hybrid vehicles.

In addition to the automotive business, TMC provides financial services through its captive financing arms. TMC deems its ability to provide customer financing as an important marketing tool to support its car sales. 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 finance companies, such as TLT, on a global scale.

The Toyota Group made its first investment in Thailand through Toyota Motor Sales (Thailand) Co., Ltd. (TMT) in 1957. TMT was founded under Toyota’s umbrella in 1962, followed by several subsidiaries and affiliates including TLT in 1993. In 2002, the Toyota Group announced 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 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: Mil. JPY

	Apr-Jun 2024	-----Year Ended 31 March -----			
		2024	2023	2022	2021
Total operating revenues	11,837,880	45,095,325	37,154,298	31,379,507	27,214,593
Earnings before interest and taxes (EBIT)	1,888,768	7,068,794	3,793,846	4,034,528	2,979,891
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	2,766,400	8,979,982	5,651,038	5,643,449	4,567,672
Funds from operations (FFO)	2,241,456	6,982,608	4,350,160	4,483,534	3,870,159
Adjusted interest expense	16,509	103,709	125,113	43,997	47,537
Capital expenditures	1,497,666	5,048,394	3,705,832	3,830,244	3,767,945
Total assets	94,037,318	90,114,294	74,303,179	67,688,770	62,267,140
Adjusted debt	27,911,812	24,701,056	21,642,059	19,525,016	18,432,281
Adjusted equity	36,779,372	35,239,338	29,264,214	27,154,819	24,288,329
Adjusted Ratios					
EBITDA margin (%)	23.4	19.9	15.2	18.0	16.8
Pretax return on permanent capital (%)	10.2	10.7	6.6	7.6	6.3
EBITDA interest coverage (times)	167.6	86.6	45.2	128.3	96.1
Debt to EBITDA (times)	3.0	2.8	3.8	3.5	4.0
FFO to debt (%)	25.6	28.3	20.1	23.0	21.0
Debt to capitalization (%)	43.1	41.2	42.5	41.8	43.1

* Consolidated financial statements

RELATED CRITERIA

- Financial Institution Rating Methodology, 25 September 2024
- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

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

Issue Ratings:

THB60,000 million guaranteed debentures under Medium-term Debenture Program:

- TLT24OA: THB3,500 million guaranteed debentures due 2024	AAA
- TLT255A: THB1,000 million guaranteed debentures due 2025	AAA

THB130,000 million guaranteed debentures under Thai Baht Debentures Programme in the year 2020:

Long-term guaranteed debentures	AAA
- TLT24NA: THB3,000 million guaranteed debentures due 2024	AAA
- TLT253A: THB1,500 million guaranteed debentures due 2025	AAA
- TLT255B: THB2,900 million guaranteed debentures due 2025	AAA
- TLT256A: THB2,580 million guaranteed debentures due 2025	AAA
- TLT258A: THB1,200 million guaranteed debentures due 2025	AAA
- TLT258B: THB2,000 million guaranteed debentures due 2025	AAA
- TLT263A: THB1,500 million guaranteed debentures due 2026	AAA
- TLT265A: THB2,900 million guaranteed debentures due 2026	AAA
- TLT285A: THB1,290 million guaranteed debentures due 2028	AAA
Short-term guaranteed debentures	T1+

THB130,000 million guaranteed debentures under Thai Baht Debentures Programme in the year 2022:

Long-term guaranteed debentures	AAA
- TLT24DA: THB1,400 million guaranteed debentures due 2024	AAA
- TLT252A: THB3,297 million guaranteed debentures due 2025	AAA
- TLT256B: THB1,000 million guaranteed debentures due 2025	AAA
- TLT250A: THB1,280 million guaranteed debentures due 2025	AAA
- TLT25NA: THB2,100 million guaranteed debentures due 2025	AAA
- TLT25DA: THB5,100 million guaranteed debentures due 2025	AAA
- TLT261A: THB1,000 million guaranteed debentures due 2026	AAA
- TLT261B: THB4,500 million guaranteed debentures due 2026	AAA
- TLT262A: THB3,568 million guaranteed debentures due 2026	AAA
- TLT265B: THB2,850 million guaranteed debentures due 2026	AAA
- TLT268A: THB2,740 million guaranteed debentures due 2026	AAA
- TLT268B: THB2,200 million guaranteed debentures due 2026	AAA
- TLT268C: THB4,500 million guaranteed debentures due 2026	AAA
- TLT26NA: THB2,800 million guaranteed debentures due 2026	AAA
- TLT272A: THB3,000 million guaranteed debentures due 2027	AAA
- TLT275A: THB2,150 million guaranteed debentures due 2027	AAA
- TLT276A: THB2,900 million guaranteed debentures due 2027	AAA
- TLT278A: THB2,280 million guaranteed debentures due 2027	AAA
- TLT278B: THB2,000 million guaranteed debentures due 2027	AAA
- TLT27NA: THB3,900 million guaranteed debentures due 2027	AAA
- TLT282A: THB1,000 million guaranteed debentures due 2028	AAA
- TLT285B: THB4,000 million guaranteed debentures due 2028	AAA
- TLT288A: THB1,100 million guaranteed debentures due 2028	AAA
Short-term guaranteed debentures	T1+

Guaranteed debentures under Digital Infrastructure Project (DIF):

- TLT24NB: THB1,200 million guaranteed debentures due 2024	AAA
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Up to THB130,000 million guaranteed debentures under Thai Baht Debentures Programme in the year 2024:

Long-term guarantee debentures	AAA
Short-term guarantee debentures	T1+

Rating Outlook:

Stable

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