

TOYOTA LEASING (THAILAND) CO., LTD.

No. 29/2018
18 April 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

Contacts:

Siriwan Weeramethachai

siriwan@trisrating.com

Saowanit Woradit

saowanit@trisrating.com

Taweechok Jiamsakunthum

taweechok@trisrating.com

Raithiwa Naruemol

raithiwa@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the ratings of 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 assigns the rating to TLT's proposed issue of up to Bt4,000 million in guaranteed debentures under the medium-term debenture program at "AAA".

Both the short- and medium-term debentures of TLT are guaranteed by Toyota Motor Finance (Netherlands) B.V., (TMF or Guarantor). TMF is a wholly-owned subsidiary of Toyota Financial Service 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.

TMC reported that it sold 8.97 million units of car in fiscal year 2017 (FY2017: April 2016-March 2017), rising by 3.3% from the level of 8.68 million units it sold in FY2016. The unit sales were 6.68 million units for the first nine months of FY2018, a slight increase when compared with the level at 6.64 million units for the same period in FY2017. TMC's financial performance has been supported by the ongoing cost reduction efforts and recovery of auto demand in Japan, Asia, and Europe. Net income that dropped by 20.8% to 1,831 billion yen in FY2017 increased 40.5% year-on-year (y-o-y) to 2,013 billion yen for the first nine months of FY2018. This was mainly encouraged by yen depreciation during that period. TMC's market and competitive positions remain strong, supported by its broad product lines, wide geographic market coverage, technological leadership, and low level of financial risk.

The ratings of TLT's short- and medium-term 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 guarantee of the medium-term 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.

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 for TLT’s guaranteed debentures could be revised should there be any changes in TMC’s creditworthiness.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Toyota Motor Corporation (TMC)

Unit: Million yen

	Apr-Dec 2017	-Year Ended 31 March-			
		2017	2016	2015	2014
Net revenues	21,796,974	27,597,193	28,403,118	27,234,521	25,691,911
- Sales of automotive products	20,335,530	25,813,496	26,549,111	25,612,836	24,312,644
- Financing operations	1,461,444	1,783,697	1,854,007	1,621,685	1,379,267
Gross profit	3,475,716	4,270,461	5,093,025	4,696,474	4,324,399
Operating income	1,770,186	1,994,372	2,853,971	2,750,564	2,292,112
Gross interest expense	20,049	29,353	35,403	22,871	19,630
Funds from operations (FFO)	2,611,848	3,078,332	3,894,045	3,364,005	2,941,494
Total assets	51,216,462	48,750,186	47,427,597	47,729,830	41,437,473
Total debts	20,364,476	19,155,727	18,293,153	18,977,887	16,327,393
Total liabilities	31,046,071	30,081,233	29,339,411	30,082,501	26,218,486
Minorities interest	685,001	668,264	861,472	859,198	749,839
Shareholders’ equity	18,996,488	17,514,812	16,746,935	16,788,131	14,469,148
Operating income before depreciation and amortization as % of sales	14.00	13.06	15.77	15.27	13.79
Pretax return on permanent capital (%)	5.04 **	5.98	8.34	8.30	8.25
Total debt/capitalization (%)	50.85	51.30	50.95	51.82	51.76
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	161.12	129.48	131.35	185.24	186.52
FFO/total debt (%)	12.83 **	16.07	21.29	17.73	18.02

* Consolidated financial statements

** Non-annualized

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

Issue Ratings:

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

TLT184B: Bt3,500 million guaranteed debentures due 2018	AAA
TLT188B: Bt3,100 million guaranteed debentures due 2018	AAA
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
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
TLT24OA: Bt3,500 million guaranteed debentures due 2024	AAA
Up to Bt4,000 million guaranteed debentures due within 7 years	AAA
Bt20,000 million guaranteed debentures under short-term debenture program No. 1/2560	T1+

Rating Outlook:

Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 02-098-3000

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