

TOYOTA LEASING (THAILAND) CO., LTD.

No. 156/2022
8 September 2022

FINANCIAL INSTITUTIONS

Issue Ratings:

Guaranteed	AAA
Short-term guaranteed	T1+
Outlook:	Stable

Last Review Date: 10/09/21

Issue Rating History:

Date	Rating	Outlook/Alert
07/10/04	AAA	Stable

Contacts:

Siriwan Weeramethachai

siriwan@trisrating.com

Sithakarn Tongphiphat, CFA, FRM

sithakarn@trisrating.com

Jittrapan Pantaleard

jittrapan@trisrating.com

Taweekok Jiamsakunthum

taweekok@trisrating.com

Narumol Charnchanavivat

narumol@trisrating.com



WWW.TRISRATING.COM

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 debenture programme, at "AAA", and the ratings on TLT's guaranteed debentures, issued under its THB130 billion Thai Baht Debentures Programme in the year 2018 and THB130 billion Thai Baht Debentures Programme in the year 2020, at "AAA" and "T1+". TRIS Rating also assigns the ratings on TLT's proposed issue of guaranteed debentures under the THB130 billion Thai Baht Debentures Programme in the year 2022, 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, and their short-term issue ratings are rated "A-1+" by S&P Global Ratings.

KEY RATING CONSIDERATIONS

Unconditional and 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 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 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 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 Sanction Authority: if the Guarantor is prevented to pay under any trade, economic or financial sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by a Sanction Authority.

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

Market position remains solid

We believe TMC will sustain its solid market position in the automotive industry, backed by its broad product lines, global market coverage, and technological leadership. TMC has held a global market share of about 12% over the past few years. The company reported car sales of 8.23 million units in fiscal year 2022 (FY2022: April 2021-March 2022), increasing by 8% from the 7.6 million units sold in FY2021. This was driven by stronger demand in the global auto industry. However, sales for the first quarter of FY2023 decreased by 6% to 2.0 million units from 2.1 million units for the same period in FY2022. This was mainly due to production constraints resulting from semiconductor shortages. In the first quarter of FY2023 (ended June 2022), sales in Japan still made up the major revenue contribution at 36%, followed by North America at 30%, Asia ex-Japan at 17%, Europe at 9%, and 8% in other regions.

Continued strong financial performance anticipated

We expect TMC will maintain its strong earnings performance over the next few years through ongoing cost-reduction efforts and by continuously launching new vehicle models.

TMC's operating income improved to JPY3.0 trillion in FY2023, up by 36% from JPY2.2 trillion in FY2022 due to a gradual recovery in vehicle sales and the company's cost-reduction strategy. However, operating income for the first half of FY2023 was JPY579 billion, dropping by 42% from the same period of FY2022. This was mainly due to lower sales volume and rising raw material prices. Based on TMC's assumption, operating income is expected to reach around JPY2.4 trillion in FY2023, supported by the company's strong global supply chain.

Solid liquidity position and sufficient funding

TMC has maintained conservative financial policies. It has a solid liquidity profile with considerable reserves of cash and high-quality liquid assets, such as Japanese government bonds and US treasuries. At the end of the first quarter of FY2023, TMC had JPY10.5 trillion in total liquid assets, representing 10% of total assets. TMC also has diversified funding sources domestically and internationally including bank loans, bonds, and commercial papers (CPs). Based on the International Financial Reporting Standards (IFRS), TMC's short-term borrowings account for 42% of total borrowings, while long-term debt and other financial liabilities account for the remaining 58%. The larger proportion of long-term borrowings should help mitigate any liquidity risk that could arise from a funding mismatch of 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.

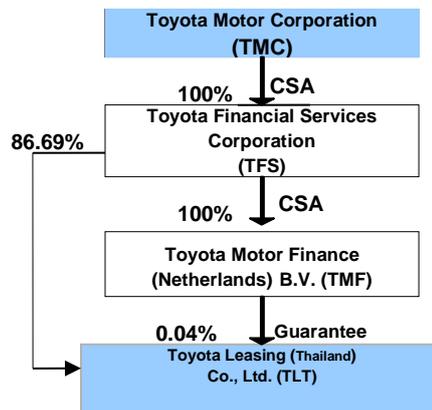
TMC is committed to the Toyota New Global Architecture (TNGA), an initiative for higher development efficiency and the manufacture of better cars. Since 2020, half of the company's global car sales have been TNGA models. The automobile industry is moving toward environmentally conscious car designs.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

In addition to the automotive business, TMC provides financial services through its captive financing arms. TMC believes its ability to provide customer financing is an important marketing tool to support the sales of its 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 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 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 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 2022	-----Year Ended 31 March -----			
		2022	2021	2020	2019
Total operating revenues	8,491,116	31,379,507	27,214,593	29,866,547	30,225,681
Earnings before interest and taxes (EBIT)	1,041,109	4,034,528	2,979,891	2,840,098	3,014,663
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	1,711,922	5,643,449	4,567,672	4,443,606	4,446,972
Funds from operations (FFO)	1,429,064	4,483,534	3,870,159	3,714,634	3,758,950
Adjusted interest expense	19,362	43,997	47,537	47,155	28,078
Capital expenditures	904,427	3,830,244	3,767,945	3,746,576	3,738,887
Total assets	71,935,190	67,688,770	62,267,140	53,972,362	51,936,949
Adjusted debt	21,418,098	19,525,016	18,432,281	16,656,984	14,885,340
Adjusted equity	28,308,543	27,154,819	24,288,329	21,339,012	20,565,210
Adjusted Ratios					
EBITDA margin (%)	20.16	17.98	16.78	14.88	14.71
Pretax return on permanent capital (%)	7.00	7.64	6.29	6.73	7.54
EBITDA interest coverage (times)	88.42	128.27	96.09	94.23	158.38
Debt to EBITDA (times)	3.84	3.46	4.04	3.75	3.35
FFO to debt (%)	20.85	22.96	21.00	22.30	25.25
Debt to capitalization (%)	43.07	41.83	43.15	43.84	41.99

* Consolidated financial statements

RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Nonbank Financial Institution Methodology, 17 February 2020
- Rating Methodology – Corporate, 26 July 2019

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

Issue Ratings:

THB60,000 million guaranteed debentures under medium-term debenture program:

- TLT22OA: THB3,000 million guaranteed debentures due 2022	AAA
- TLT22DA: THB3,000 million guaranteed debentures due 2022	AAA
- TLT235A: THB1,500 million guaranteed debentures due 2023	AAA
- 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 2018:

Long-term guaranteed debentures	AAA
- TLT22NA: THB2,260 million guaranteed debentures due 2022	AAA
- TLT232A: THB3,000 million guaranteed debentures due 2023	AAA
- TLT237A: THB2,100 million guaranteed debentures due 2023	AAA
Short-term guaranteed debentures	T1+

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

Long-term guaranteed debentures	AAA
- TLT234A: THB3,000 million guaranteed debentures due 2023	AAA
- TLT235B: THB2,000 million guaranteed debentures due 2023	AAA
- TLT23NA: THB2,200 million guaranteed debentures due 2023	AAA
- TLT23NB: THB1,000 million guaranteed debentures due 2023	AAA
- TLT242A: THB1,800 million guaranteed debentures due 2024	AAA
- TLT243A: THB3,000 million guaranteed debentures due 2024	AAA
- TLT245A: THB2,910 million guaranteed debentures due 2024	AAA
- TLT248A: THB2,600 million guaranteed debentures due 2024	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+

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

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

Rating Outlook: Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

© Copyright 2022, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria