

TOYOTA LEASING (THAILAND) CO., LTD.

No. 184/2023
28 September 2023

FINANCIAL INSTITUTIONS

Issue Ratings:

Guaranteed	AAA
Short-term guaranteed	T1+
Outlook:	Stable

Last Review Date: 20/04/23

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 Debenture 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 THB1.2 billion guaranteed debentures due 2024 issued under the Digital Infrastructure (DIF) web portal initiative, at "AAA".

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, 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 sanction 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.

Maintain strong market position

TMC's business position in the automotive industry remains solid, thanks to broad product lineup and global market coverage. TMC has sustained a global market share of about 12% over the past few years.

The company sold 8.82 million units of automobiles in the fiscal year 2023 (FY2023: April 2022-March 2023), increasing by 7% from the 8.23 million units sold in FY2022. Sales for the first quarter of FY2024 (1Q/FY24) increased by 16% year-on-year (y-o-y) to 2.3 million units. This was driven by resilient demand in the global auto industry and improvements in semiconductor supply. TMC targets sales of 9.6 million units in FY2024. Given the industry's accelerated shift forwards electric vehicles (EV), we expect TMC to continue to broaden its hybrid models and battery electric vehicle (BEV) models.

In 1Q/FY24, sales in Japan continued to contribute the major revenue, at 38%, followed by North America at 30%, Asia ex-Japan at 14%, Europe at 10%, and 8% elsewhere.

Strong financial performance to continue

We expect TMC to maintain satisfactory financial performance overall. This will be supported by growing sales and strong product competitiveness. Although TMC's operating income dropped by 9% y-o-y to JPY2.7 trillion in FY2023 due to high raw material prices, operating income in 1Q/FY24 rose by 94% y-o-y to JPY1.1 trillion. This was driven by improved in vehicle sales and the effects of weaker JPY. Based on TMC's assumption, operating income is expected to reach around JPY3 trillion in FY2024, supported by ongoing cost-reduction efforts and continuous new product launches.

Strong liquidity position, sufficient funding

TMC continues to pursue conservative financial policies. It has a solid liquidity position with cash and high-quality liquid assets, including Japanese government bonds and US treasuries, comprising a sizeable portion of assets. At the end of 1QFY24, TMC had JPY12.3 trillion in total liquid assets, representing 15% of total assets. TMC has diversified funding sources domestically and internationally including bank loans, bonds, and commercial papers (CPs). Short-term borrowings accounted for 43% of its total borrowings, while long-term debt and other financial liabilities accounted for the remaining 57%. The larger proportion of long-term borrowings should 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 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.

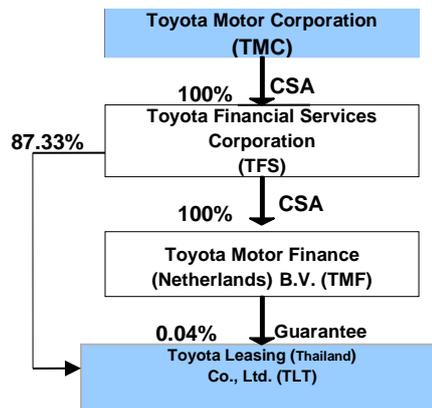
TMC is committed to the Toyota New Global Architecture (TNGA), an initiative for higher development efficiency and the manufacture of better cars. Since 2020, half of the company's global car sales have been TNGA models. The automobile industry is moving toward environmentally conscious car designs.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

	-----Year Ended 31 March -----				
	Apr-Jun 2023	2023	2022	2021	2020
Total operating revenues	10,546,831	37,154,298	31,379,507	27,214,593	29,866,547
Earnings before interest and taxes (EBIT)	1,743,893	3,793,846	4,034,528	2,979,891	2,840,098
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	2,502,284	5,651,038	5,643,449	4,567,672	4,443,606
Funds from operations (FFO)	2,085,282	4,350,160	4,483,534	3,870,159	3,714,634
Adjusted interest expense	23,339	125,113	43,997	47,537	47,155
Capital expenditures	1,174,759	3,705,832	3,830,244	3,767,945	3,746,576
Total assets	80,131,209	74,303,179	67,688,770	62,267,140	53,972,362
Adjusted debt	23,501,007	21,642,059	19,525,016	18,432,281	16,656,984
Adjusted equity	31,274,404	29,264,214	27,154,819	24,288,329	21,339,012
Adjusted Ratios					
EBITDA margin (%)	23.73	15.21	17.98	16.78	14.88
Pretax return on permanent capital (%)	7.32	6.63	7.64	6.29	6.73
EBITDA interest coverage (times)	107.21	45.17	128.27	96.09	94.23
Debt to EBITDA (times)	3.65	3.83	3.46	4.04	3.75
FFO to debt (%)	21.30	20.10	22.96	21.00	22.30
Debt to capitalization (%)	42.90	42.51	41.83	43.15	43.84

* 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:

- TLT240A: 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
- 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+

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
- TLT25DA: THB5,100 million guaranteed debentures due 2025	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
- TLT275A: THB2,150 million guaranteed debentures due 2027	AAA
- TLT278A: THB2,280 million guaranteed debentures due 2027	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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Rating Outlook:	Stable
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