

Toyota (TM US)

FUNDAMENTAL VIEW ¹

As of 25 Nov 2024

- Toyota resolved its vehicle certification issue in Japan that led to temporary production halts for certain vehicles and lower YoY vehicle production in 1H25. Management expects to return its vehicle production to a 10 mn unit annualized pace in 2H25. HEV sales growth in North America was constrained by production disruption at its Indiana plant and dealer inventories that are half the level of conventional vehicles. The improved production volumes and its focus on lower sales incentive spending is expected to improve profitability in 2H25, which enabled the company to affirm its FY25 consolidated operating profit guidance for the full year. Although profit is expected to decline 20% YoY, the company's consolidated operating margin is projected to come in at a respectable 9.3%.

RISKS & CATALYSTS

As of 25 Nov 2024

- Toyota affirmed its FY25 financial guidance despite the H125 vehicle production disruption stemming from its certification issues in Japan. FY25 financial guidance that contemplates lower wholesales, higher consolidated revenue, and a 20% decline in consolidated operating income.
- Consolidated vehicle sales are now expected to decline by less than 1% YoY, a change from its previous expectation for sales to increase by less than 1%. The new forecast includes expected vehicle sales growth in Japan (+2%) and Asia (+3%), partially offset by lower sales in North America (-3%) and Europe (-4%).
- Toyota maintained its FY25 consolidated operating income forecast of ¥4.3 tn, which represents a 20% decline from ¥5.3 tn in FY24. The lower operating income was originally driven by a more challenging automotive industry environment, increased investments in its employees and suppliers, and an acceleration of investments in growth technologies, each of which was expected to account for roughly one-third of the decline.

CREDIT QUALITY SCORE (CQS)²

As of 24 Dec 2024

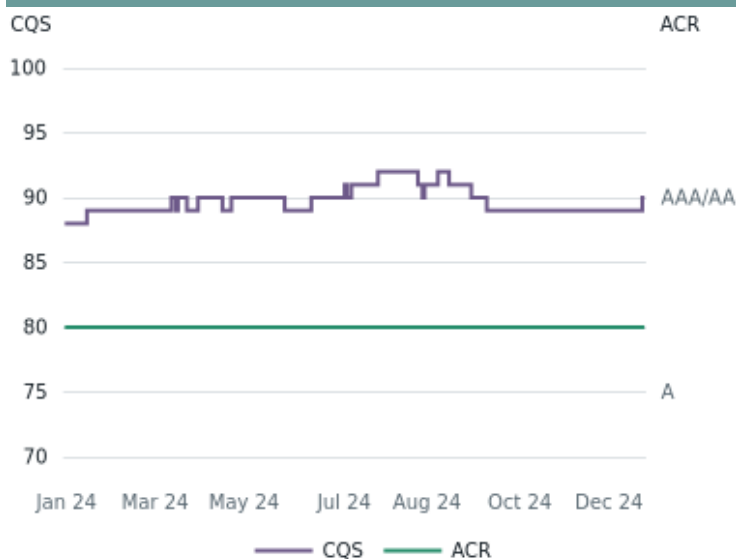
CURRENT CQS

90

CQS OUTLOOK ³



HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)⁴ VS CQS



KEY METRICS

As of 25 Nov 2024

¥ BN	FY21	FY22	FY23	FY24	LTM 3Q24
Automotive Revenue	24,652	28,606	33,777	41,081	41,902
EBIT	1,778	2,519	2,486	4,890	4,625
EBIT Margin	6.5%	8.0%	6.7%	10.8%	8.5%
EBITDA	2,654	3,526	3,671	6,139	5,960
EBITDA Margin	9.8%	11.2%	9.9%	13.6%	11.4%
Total Liquidity	11,557	15,864	10,090	12,401	n/m
Net Debt	597	(1,719)	(2,825)	(4,025)	(4,025)
Total Debt	3,872	2,580	2,724	2,868	2,868
Gross Leverage	1.5x	0.7x	0.7x	0.5x	0.5x
Net Leverage	0.2x	-0.5x	-0.8x	-0.7x	-0.7x

BUSINESS DESCRIPTION

As of 25 Nov 2024

- Toyota Motor Corp. (TMC) engages in the manufacture and sale of motor vehicles and parts. It operates through the following segments: Automotive, Financial Services, and All Other. The Automotive segment designs, manufactures, assembles and sells passenger cars, minivans, trucks, and related vehicle parts and accessories. Toyota is also involved in the development of intelligent transport systems. The Financial Services segment offers purchase or lease financing to Toyota vehicle dealers and customers. It also provides retail leasing through lease contracts purchased by dealers. The company was founded by Kiichiro Toyoda on August 28, 1937, and is headquartered in Toyota, Japan.
- Toyota Financial Services Corporation (TFSC), a wholly owned subsidiary of TMC, oversees the management of Toyota's finance companies worldwide. Toyota Motor Credit Corporation (TMCC) is the company's principal financial services subsidiary in the United States. Under terms of the credit support agreement between TFSC and TMCC, TFSC agrees to: (1) maintain 100% ownership of TMCC; (2) cause TMCC and its subsidiaries to have a tangible net worth of at least \$100,000; (3) make sufficient funds available to TMCC so that it will be able to service the obligations arising out of its own bonds, debentures, notes and other investment securities and commercial paper. The terms of the credit support agreement between TMC and TFSC are very similar to the terms of the TFSC and TMCC credit support agreement.

GLOSSARY

- The Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.
 - The Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.
 - The Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.
 - The Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.
- Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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