

Toyota Motor Credit (5672A US)

FUNDAMENTAL VIEW ¹

As of 25 Mar 2025

- Toyota is back on the path to normalized production schedules following its vehicle certification challenges in Japan during 1H25 that disrupted production of certain models. The company expects 10 mn units of retail sales in FY25, which would enable it to retain its place as the leading global automaker by volume. Toyota expects sales of its hybrid electric vehicles (HEVs) to account for 46% of retail sales this year, up from 37% in FY24, which is beneficial to customers and the company alike as management claims its HEVs are more profitable than its ICE vehicles. While Toyota was late to the BEV party and BEVs account for a paltry 1% of its retail sales, it has made significant BEV investments that will support the rollout of new BEV models and volumes over the next couple years.

RISKS & CATALYSTS

As of 25 Mar 2025

- Consolidated vehicle sales are expected to decline by less than 1% YoY, unchanged from last quarter but modestly below its initial FY25 expectation for a modest sales increase of less than 1%. While management affirmed its vehicle sales forecast, it changed the regional composition of sales by boosting its projected sales in North America and Europe while lowering its forecast for Japan, Asia, and other regions.
- The company raised its FY25 revenue forecast by 2% from ¥46 tn to ¥47 tn based on the regional shift in expected sales and currency changes. Management also raised its FY25 consolidated operating income forecast to ¥4.7 tn, up 9% compared to its previous forecast of ¥4.3 tn. The higher guidance is based primarily on currency impacts (+7%), especially transactional currency impacts on exports to the US, lower material costs (+3%), and marketing efforts (+4%). These benefits are expected to be partially offset by higher expenses (-2%) and other items (-3%), including the Hino Motors certification debacle.

KEY METRICS

As of 25 Mar 2025

\$ MN	FY21	FY22	FY23	FY24	F3Q25
Total Company Earning Assets	116,546	117,659	120,018	129,707	133,925
Cash and Investments	8,195	7,670	6,398	8,570	8,284
Total Liquidity	35,895	36,070	33,498	37,570	36,984
Unsecured Debt	85,513	82,288	78,949	88,083	89,994
Secured Debt	24,212	26,864	32,736	34,337	35,425
Total Debt	109,725	109,152	111,685	122,420	125,328
Allowance % Retail Rece.	1.64%	1.66%	1.83%	1.81%	1.80%
Allowance / Net Charge-offs	4.50x	6.68x	3.03x	2.32x	2.02x
Net Charge-offs % Avg. Receivable	0.39%	0.26%	0.63%	0.82%	0.89%
30+ Day Delinquency Rate	1.2%	1.8%	2.3%	2.6%	2.9%

BUSINESS DESCRIPTION

As of 25 Mar 2025

- 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.

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