

# Toyota (TM US)

## FUNDAMENTAL VIEW <sup>1</sup>

As of 27 May 2025

- Toyota's financial guidance for FY26 reflects expectations for higher vehicle production and wholesales but lower consolidated operating profit. Most of the decline in profit is attributable to currency that is projected to go from a tailwind in FY25 to a material headwind in FY26. The other major profit headwind is tariffs, which we estimate could be a 200 bp automotive EBITDA margin headwind based upon management's estimates. While significant, we believe the tariff headwind – if realized – would not push its profit margin below the rating agency downgrade triggers. Management noted tariff impacts are difficult to estimate based on ongoing negotiations, including government-to-government dialog between Japan and the US.

## RISKS & CATALYSTS

As of 27 May 2025

- Toyota unveiled FY26 financial guidance that includes a 5% increase in vehicle wholesales and a 1% increase in automotive revenue but a 21% decrease in consolidated operating income. Consolidated vehicle sales are expected to increase by about 5% YoY based on growth in all regions. FY25 consolidated operating income guidance of ¥3.8 tn is 21% lower on a YoY basis, which would represent the second consecutive double-digit decline from its peak ¥5.4 tn consolidated operating income it reported in FY24.
- On tariffs, management stated details of tariffs are still in flux, including ongoing government-to-government negotiations between Japan and the US. It indicated the tariffs that have been imposed to date are reflected in its forecast, but noted it is difficult to forecast the future given the fluidity of global trade negotiations. The company has a long-term plan to increase its local supply percentage ratio in the US as part of its business continuity plan. However, it has no immediate plans to change in its US vehicle production or auto parts sourcing plans in the near term owing to uncertainty in country tariffs and the durability of US vehicle and auto parts tariffs.

## CREDIT QUALITY SCORE (CQS) <sup>2</sup>

As of 04 Jun 2025

### CURRENT CQS

87

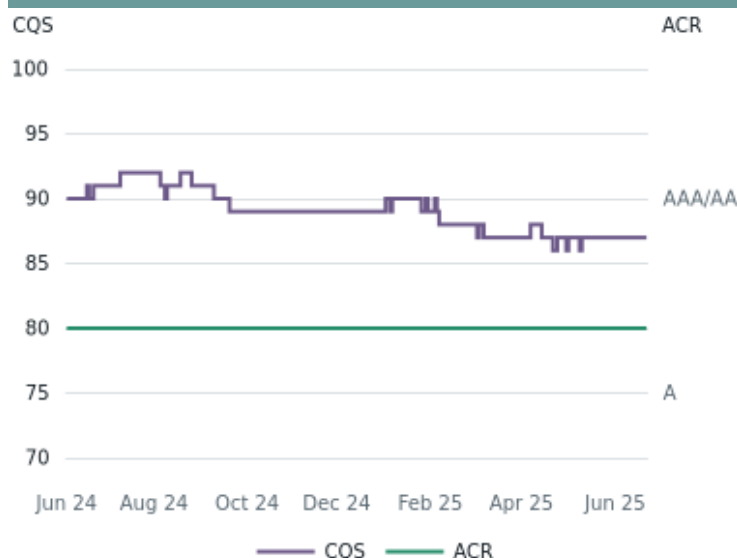
### CQS OUTLOOK <sup>3</sup>

NEGATIVE

STABLE

POSITIVE

### HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) <sup>4</sup> VS CQS



## KEY METRICS

As of 27 May 2025

JPY BN	FY21	FY22	FY23	FY24	FY25
Automotive Revenue	24,652	28,606	33,777	41,081	42,996
EBIT	1,778	2,519	2,486	4,890	4,047
EBIT Margin	6.5%	8.0%	6.7%	10.8%	8.4%
EBITDA	2,654	3,526	3,671	6,159	5,425
EBITDA Margin	9.8%	11.2%	9.9%	13.7%	11.3%
Total Liquidity	11,557	15,864	10,090	12,401	11,599
Net Debt	597	(1,719)	(2,825)	(4,025)	(3,355)
Total Debt	3,872	2,580	2,724	2,868	2,736
Gross Leverage	1.5x	0.7x	0.7x	0.5x	0.5x
Net Leverage	0.2x	-0.5x	-0.8x	-0.7x	-0.6x

## BUSINESS DESCRIPTION

As of 27 May 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.

## GLOSSARY

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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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