

Toyota Motor Credit (5672A US)

FUNDAMENTAL VIEW ¹

As of 20 Aug 2025

- While we expect its automotive profit margin to fall below the Moody's EBIT margin downgrade trigger of below 10%, we believe Moody's is unlikely to make a negative outlook revision in the near term considering it revised its outlook on Toyota from positive to stable in early June after the tariffs had been implemented. Outside the tariff impacts, Toyota's global sales and market share remain strong, and it maintains a leadership position—if not THE leadership position—in hybrid vehicle sales, which is currently the fastest growing light vehicle segment globally. And while management maintains the long-term strategy of localizing vehicle production in the US, it also announced a new manufacturing facility in Japan that is expected to open by the early 2030s to support its home market.

RISKS & CATALYSTS

As of 20 Aug 2025

- Toyota revised its FY26 financial guidance that maintains projections for vehicle wholesales (+5%) and revenue (+1%). The guidance reflects a full-year tariff impact of ¥1.4 tn, a ¥725 bn headwind from yen appreciation, and a ¥300 bn drag from higher material costs. These pressures are projected to be partially offset by planned improvement efforts totaling ¥900 bn, comprised of volume/mix gains, cost reductions, value chain profit expansion, and other positive drivers. The company's consolidated operating margin is now expected to decline from 10.0% in FY25 to 6.6% in FY26, representing 340 bp of contraction, 290 bp of which is from tariffs.
- The tariff impact assumptions include a 25% tariff on Japanese exports to the U.S. from April through July, shifting to 12.5% for the remainder of the fiscal year, and a 25% tariff on exports from Canada and Mexico for the entire period. Management highlighted that a portion of these costs are expected to be absorbed by suppliers or mitigated by exemptions for USMCA-compliant parts and U.S.-produced vehicles, but acknowledged “the impact of U.S. tariffs and other factors drove the profit guidance cut.”

KEY METRICS

As of 20 Aug 2025

\$ MN	FY22	FY23	FY24	FY25	F1Q26
Total Company Earning Assets	117,659	120,018	129,707	132,385	130,960
Cash and Investments	7,670	6,398	8,570	10,769	9,128
Total Liquidity	36,070	33,498	37,570	37,569	37,128
Unsecured Debt	82,288	78,949	88,083	90,028	85,245
Secured Debt	26,864	32,736	34,337	37,717	37,913
Total Debt	109,152	111,685	122,420	127,745	123,158
Allowance % Retail Rece.	1.66%	1.83%	1.81%	1.81%	1.73%
Allowance / Net Charge-offs	6.68x	3.03x	2.32x	2.06x	2.03x
Net Charge-offs % Avg. Receivable	0.26%	0.63%	0.82%	0.88%	0.84%
30+ Day Delinquency Rate	1.8%	2.3%	2.6%	2.5%	2.4%

BUSINESS DESCRIPTION

As of 20 Aug 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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