

Sep 1, 2025

Rating and Investment Information, Inc. (R&I) has announced the following:

## Volkswagen Financial Services Japan Ltd. (Sec. Code: -)

[Affirmed]

CP Rating: a-1+

### RATIONALE:

Volkswagen Financial Services Japan Ltd. (VWFSJ) is a Japanese captive finance subsidiary of Volkswagen AG (VWAG), a major German automobile manufacturer, which indirectly owns a 100% stake in VWFSJ through Volkswagen Financial Services Overseas AG (VWFSO), VWAG's wholly-owned subsidiary that serves the Volkswagen Group as a coordinator of financial services activities throughout the world. In Japan, VWFSJ is responsible for supporting the sales of the Volkswagen Group brands' passenger cars through provision of financial services and plays a highly important role for the Volkswagen Group in terms of intragroup function. R&I has affirmed the CP Rating for VWFSJ at a-1+, reflecting the creditworthiness of the Volkswagen Group and given that the commercial paper program of VWFSJ is guaranteed by VWFSO.

VWFSJ provides captive finance services centered on auto loans and leasing, along with the peripheral services such as insurance and credit card, as well as dealer financing. Its captive finance services cover a wide array of automobile brands including Volkswagen, Audi, Bentley, Lamborghini and Ducati, whose vehicles are generally offered at higher prices than those of Japanese counterparts. VWFSJ also provides captive finance services for certified pre-owned vehicles in addition to new vehicles. The penetration rate, i.e. the share of vehicles purchased via financing or leasing offerings, stands at a relatively high level.

VWFSJ is not exposed to credit risks associated with individual consumer loans and credits, as they are secured by guarantees provided by external credit companies based on the framework of entrustment agreement. As for residual value guaranteed products, R&I believes that the possibility for residual value risks to materialize is limited, as the number of vehicles returned to VWFSJ from dealers is small. On the side of fund procurement, the interest rate risk is not large reflecting the high percentage of long-term fixed-rate debts.

VWFSJ has sufficient risk resilience thanks to the small risk exposures. The asset quality is sound reflecting the high-quality attributes of customers. As for captive finance services for certified pre-owned vehicles, its asset quality stands at much the same level as that for new vehicles, in R&I's view. Although the size of basic profits is not large, the indicators such as ordinary profit based ROA and the efficiency ratio stand at a robust level.

Besides bank loans, VWFSJ has secured diversified financing measures to access capital markets and fill its funding needs through securitization and issuance of commercial paper and medium-term notes. In addition, VWFSJ has access to the group's framework of intercompany loans that provides funds to its captive finance subsidiaries on a global basis. Given that VWFSJ has secured a sufficient level of financing capacity, the liquidity risk is small, in R&I's view.

VWAG is a major automobile manufacturer headquartered in Germany. Operating globally, it is a top player in the mainstay market of Europe and also has a high market share in China and South America. VWAG handles a broad lineup of products ranging from high-volume models to premium vehicles, backed by a number of strong brands. It has steadily increased the number of battery-electric vehicles sold. The automotive division has affluent net cash, and the financial services division boasts high-quality assets. R&I believes that the creditworthiness of the Volkswagen Group is considerably high.

Although the Volkswagen Group has the ability to continuously generate operating income and cash flow, its profit margin is lower than before, which is a negative factor in the evaluation of the creditworthiness. Upfront investments in vehicle electrification and software development are weighing on the group, while the group is suffering the impact of intensifying competition in China and the tariffs imposed by the U.S. are also exerting pressure on profits. The Volkswagen Group will work to optimize

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# NEWS RELEASE

its production system and reduce costs in addition to launching new models. A steady recovery in earning capacity through such initiatives will be crucial for the group to maintain its creditworthiness.

## R&I RATINGS:

**ISSUER: Volkswagen Financial Services Japan Ltd.**

### [Affirmed]

	Issue Limit	Rating
Commercial Paper (Guaranteed by Volkswagen Financial Services Overseas AG)	JPY 60,000 mn	a-1+

Primary rating methodologies applied:

R&I's Basic Methodology for Corporate Credit Ratings [Jun 24, 2024]

Credit Card and Credit Sales [Sep 26, 2022]

R&I's Analytical Approach to Group Companies [Feb 6, 2025]

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