

Highlights of Major Automakers' Financial Results for Fiscal Year Ended March 2026

The following are Japan Credit Rating Agency, Ltd. (JCR)'s perception of the current status and highlights for rating concerning the financial results for the fiscal year ended March 2026 (FY2025) and earnings forecasts for FY2026 of Japan's major automakers*.

* Among major Japanese automakers, JCR assigns credit ratings to NISSAN MOTOR CO., LTD. ("NISSAN"; security code: 7201), ISUZU MOTORS LIMITED ("ISUZU"; 7202), TOYOTA MOTOR CORPORATION ("TOYOTA"; 7203) and Mazda Motor Corporation ("Mazda"; 7261).

Abbreviations:

HV: hybrid vehicle, PHV: plug-in hybrid vehicle, EV: electric vehicle, CASE: connected, autonomous, shared and electric

1. Industry Trend

Global new car sales have been hovering at around the level of 90 million units, gradually trending upward, albeit regional differences in 2025 and 2026. By region, the Chinese market, which accounts for just over 30% of the total, is growing, driven by the sales of new energy vehicles such as EVs and PHVs, but many Japanese automakers are struggling in this market. Likewise, the U.S. market, which accounts for around 15%, remains resilient despite concerns about the pass-through of tariff costs into new car prices and persistently high interest rates.

The ratio of EVs in global new car sales is estimated to have risen to the upper 10% range, excluding PHVs, driven by EV adoption in China and Europe. While the momentum toward EV adoption remains strong in the Chinese market, growth has slowed in Europe and the U.S. since 2024. Factors behind this include persistently high EV prices, cuts in subsidies and delays in the development of charging infrastructure, and the popularity of HVs, which are less susceptible to these factors, is rising. In the U.S., the revision of environmental regulations in 2025 has also had some impact. Automakers have been making moves to revise EV adoption plans in light of strong demand for HVs, etc., thus facing some burdens including impairment charges on EV investments.

As regards the impact of the U.S. tariff policies, imported vehicles was subjected to an additional 25% tariff starting in April 2025; in September of the same year, the tariff rate was reduced to 15%, inclusive of MFN rates. Furthermore, additional tariffs are imposed on key components such as engines and transmissions. Hence, even for locally produced vehicles, if a company is highly dependent on imported components, its performance is drastically affected by rising costs.

The impact of the situation in the Middle East is beginning to manifest in the forms of a decline in the volume of sales to said region; and rising prices and procurement difficulties for naphtha-derived products such as synthetic rubber and energy-intensive materials such as aluminum.

2. Financial Results

For FY2025, operating income as the total of eight automakers (collectively, the "Companies") (see Chart) plunged by more than 40% from the previous year. Many of the Companies saw their performance weaken as they were not only affected by U.S. tariffs but also faced such burdens as rising costs of raw materials, labor, etc. As a result, operating margin dropped from the previous year's 7.4% to as low as 4.1%. Looking at the Companies individually, for TOYOTA, U.S. tariffs pushed down the income by 1,380 billion yen. NISSAN reported over 530 billion yen in net loss as U.S. tariffs caused a decline in operating income by over 280 billion yen and extraordinary losses of over 570 billion yen due in part to structure reforms were recognized. HONDA posted over 1.5 trillion yen in EV-related losses as a result of the revision of its EV adoption plan, ending the year with over 400 billion yen in operating loss.

Capital expenditures of the Companies combined for FY2025 grew 9.1% over the year to roughly 4.6 trillion yen, reaching a new high even in the midst of the tough business environment, and are expected to grow further in FY2026 by 10.2%. R&D expenses, too, increased 2.8% over the year to 4.1 trillion yen, marking a new high, and are expected to rise 1.6% in FY2026. The development of EVs and internal-combustion-engine vehicles in parallel, as well as investments in areas such as intelligent vehicles, is

resulting in heavy financial burden. In terms of net cash amount (difference between liquidity on hand and interest-bearing debt; based on total funds for TOYOTA) excluding the sales finance of major automakers as of the end of FY2025, TOYOTA continued building it up, topping 15 trillion yen, and NISSAN, while posting net loss, secured it at over 1.1 trillion yen, as opposed to just below 1.5 trillion yen a year before, as it worked to improve automotive free cash flow.

3. Highlights for Rating

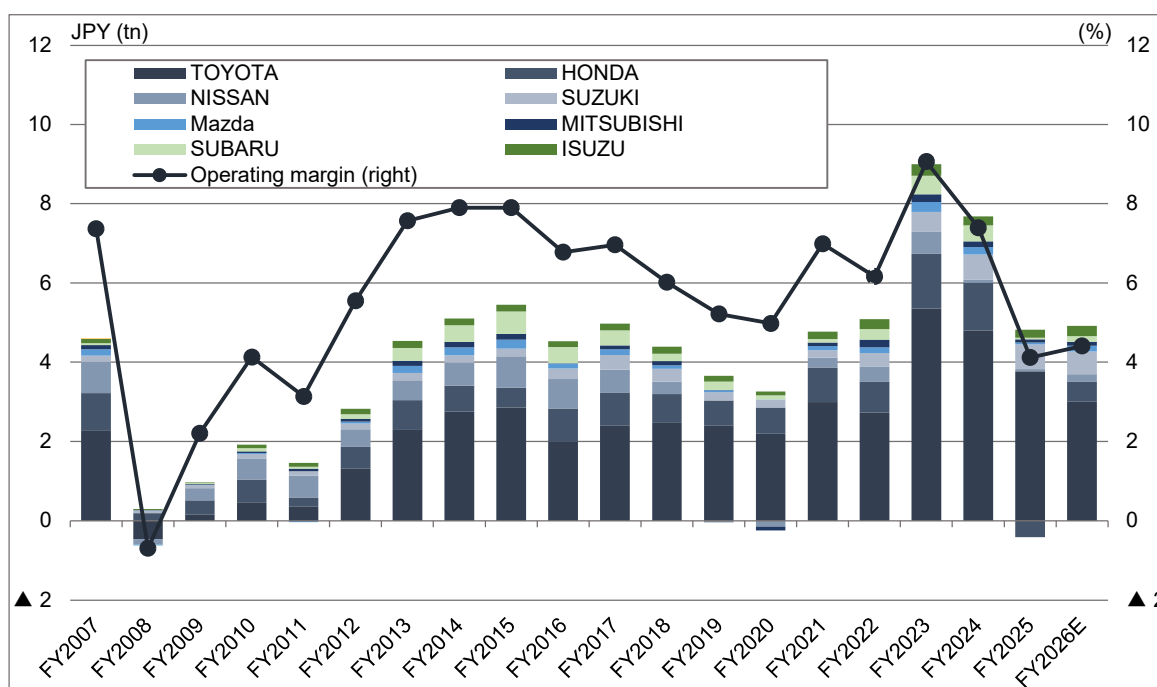
The business environment surrounding Japanese automakers is becoming increasingly challenging. In addition to U.S. tariffs and rising costs, the impact of the Middle East situation is also of concern for FY2026. TOYOTA projects operating income to decline in FY2026, incorporating the impact of the Middle East situation on both sales and costs as a factor pushing down the income by 670 billion yen. Seven other companies expect improvement in operating income/loss, helped by a rebound from deterioration in FY2025 results, but such improvement will be modest on the whole; operating margin will rise only slightly from the previous year's 4.1% to 4.4% (forecast) in FY2026. As for the impact of the Middle East situation, the Companies are all exploring measures such as securing parts and materials, substituting components and reducing the volume of materials used, and the outcome of these efforts will be closely watched.

Electrification is expected to advance in the medium run in the form of combining EVs, HVs, PHVs, etc., and the pace of this advancement is likely to vary by region and depending on regulations. JCR considers that it is becoming increasingly vital for the Companies to maintain profitability while urgently strengthening cost competitiveness, including batteries, and complying with environmental regulations in key sales areas, including the development of a lineup of EVs, HVs, PHVs, etc.

On the financial front, JCR is watching trends in equity capital and automotive net cash / free cash flow. For automotive net cash, a reasonable buildup is required to prepare for fixed cost payments in the automobile business and so forth in the event of various risk events. Moreover, as CASE-related expenditures are growing larger, whether the Companies can secure a certain level of automotive free cash flow through efficient investments, improvement of development efficiency, etc. is vital.

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(Chart) Operating Income and Operating Margin of Eight Listed Automakers



Source: Prepared by JCR based on financial materials of above automakers. FY2026E figures are the forecast of individual companies.

Note: ARCHION Corporation, a holding company founded on April 1, 2026 through the business integration of HINO MOTORS, LTD. and Mitsubishi Fuso Truck and Bus Corporation, is excluded.

<Reference>

Issuer: NISSAN MOTOR CO., LTD.

Long-term Issuer Rating: BBB+ Outlook: Stable

Issuer: ISUZU MOTORS LIMITED

Long-term Issuer Rating: A+ Outlook: Stable

Issuer: TOYOTA MOTOR CORPORATION

Long-term Issuer Rating: AAA Outlook: Stable

Issuer: Mazda Motor Corporation

Long-term Issuer Rating: A- Outlook: Stable

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