May 30, 2025

Highlights of Major Automakers' Financial Results for Fiscal Year Ended March 2025

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 2025 (FY2024) and earnings forecasts for FY2025 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

In FY2024, global new car sales by eight Japanese listed automakers fell 2.8% over the year to 23,389,000 units. The domestic market was sluggish due in part to model certification application issues, while the U.S. market was robust despite the negative impact of soaring new car prices and high interest rates. In China, while the sales of new energy vehicles grew as the market is supported by government subsidies for replacement, Japanese automakers struggled. For FY2025, global new car sales as the total of seven companies excluding Mazda are projected to rise 1.9%, but this projection reflects special factors like growth in absence of the impact of model certification application issues seen in the previous year. Three of the seven companies expect a drop in sales volume as they appear to be wary of such factors as worsening business confidence due to globally high prices and interest rates and the impact of the U.S. tariff policies.

The U.S. administration announced on March 26 the imposition of an additional 25% tariff on all imported vehicles, which went into effect on April 3. Japanese automakers have already been promoting local production in the U.S., but those with a high percentage of imports to the U.S. will see a significant negative impact on their performance. The additional tariff was extended to cover key components as well, effective May 3, which means that, even for locally produced vehicles, if a company is highly dependent on imported components, its performance will be drastically affected.

As regards a shift to EVs, it appears to have been slowing down in Europe since 2024, and HVs are gaining popularity in the meantime. Background factors here include high EV prices, surging power bills worldwide and delays in the development of charging infrastructures. The trend toward EVs is expected to remain unchanged over the long term, but there are moves among some companies to partially reconsider their EV plans in light of current high demand for HVs, etc.

2. Financial Results

Aggregated results of eight automakers (collectively, the "Companies") for FY2024 show that sales revenues grew 4.6% year-on-year, while operating income shrank 14.7% to around 7.7 trillion yen. Operating margin dropped to 7.4% from the previous year's 9.1%. Even though some companies benefited from the weak yen, only one reported income growth as increases in the costs of raw materials, labor, etc. weighed on heavily. Moreover, while the supply of new cars is normalizing with the elimination of semiconductor shortages, many companies suffered from an increase in sales incentives in the U.S. market, on which the Companies are highly dependent for profits. Companies that do not have a lineup of HVs, which are becoming increasingly popular in the U.S., faced an uphill battle in sales, while the incentives helped boost sales for the companies strong in HVs.

Capital expenditures of the Companies combined for FY2024 grew 12.4% over the year to 4.2 trillion yen, reaching a new high, and those of the Companies except Mazda and SUBARU are expected to grow further in FY2025 by 8.0%. R&D expenses increased 13.8% over the year to 4.0 trillion yen for the Companies in FY2024 and are expected to rise 1.8% in FY2025 for the Companies except Mazda. 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. Despite heavy expenditures, seven companies attained positive free cash flow in the automotive business (figures of operating companies including motorcycle for HONDA). Net cash amount (difference between liquidity on hand and interest-bearing debt; based on total funds for TOYOTA) excluding the sales finance of the big three, i.e. TOYOTA, HONDA and NISSAN, as of the end of FY2024 came to around 19.2 trillion yen, increasing by roughly 1.2 trillion yen from a year before.

3. Highlights for Rating

As the business environment is becoming increasingly uncertain, including the impact of U.S. tariffs, NISSAN, Mazda and SUBARU have postponed the announcement of FY2025 earnings forecasts. Operating income as the total of the Companies except these three is expected to drop 27.2% in FY2025 to 5.1 trillion yen, and the five companies individually project a decline in income. Likely negative factors here include U.S. tariffs, the strong yen, growth in production costs and upfront investments for constant growth.

As regards U.S. tariffs, such moves as cost-cutting, the pass-through of the increase in tariff costs to new car prices and a shift to local production in the U.S. are anticipated. The degree of the price pass-through will probably be determined based on brand power, impact on sales volume and so forth. There are concerns that the aforementioned price pass-through may lead to a decrease in sales volume. The status of disclosure on the impact of U.S. tariffs varies among the Companies, and the consequences of the tariff policies is also unpredictable. For the FY2025 performance, JCR is looking not only at trends in profits after reflecting the impact of U.S. tariffs but also at trends in profits excluding such impact and individual companies' actual competitiveness. Attention will be paid to the consequences of the U.S. tariff policies, the Companies' responses and impact on earnings and finances.

For the operations in China, the Companies are planning and implementing measures to recover, including bringing forward the launch of EVs and accelerating local development, and the results of these efforts will be closely watched.

As regards the shift to EVs, as it stands, the profitability of EVs often pales compared to that of internal-combustion-engine vehicles for the Companies, and thus the expansion of EV sales is most likely to result in a decline in profitability. It is becoming increasingly vital for them 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 HVs, PHVs, etc.

On the financial front, JCR is watching trends in equity capital, net cash and free cash flow in the automotive business. For net cash in the automotive business, 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 free cash flow in the automotive business through efficient investments, improvement of development efficiency, etc. is vital.

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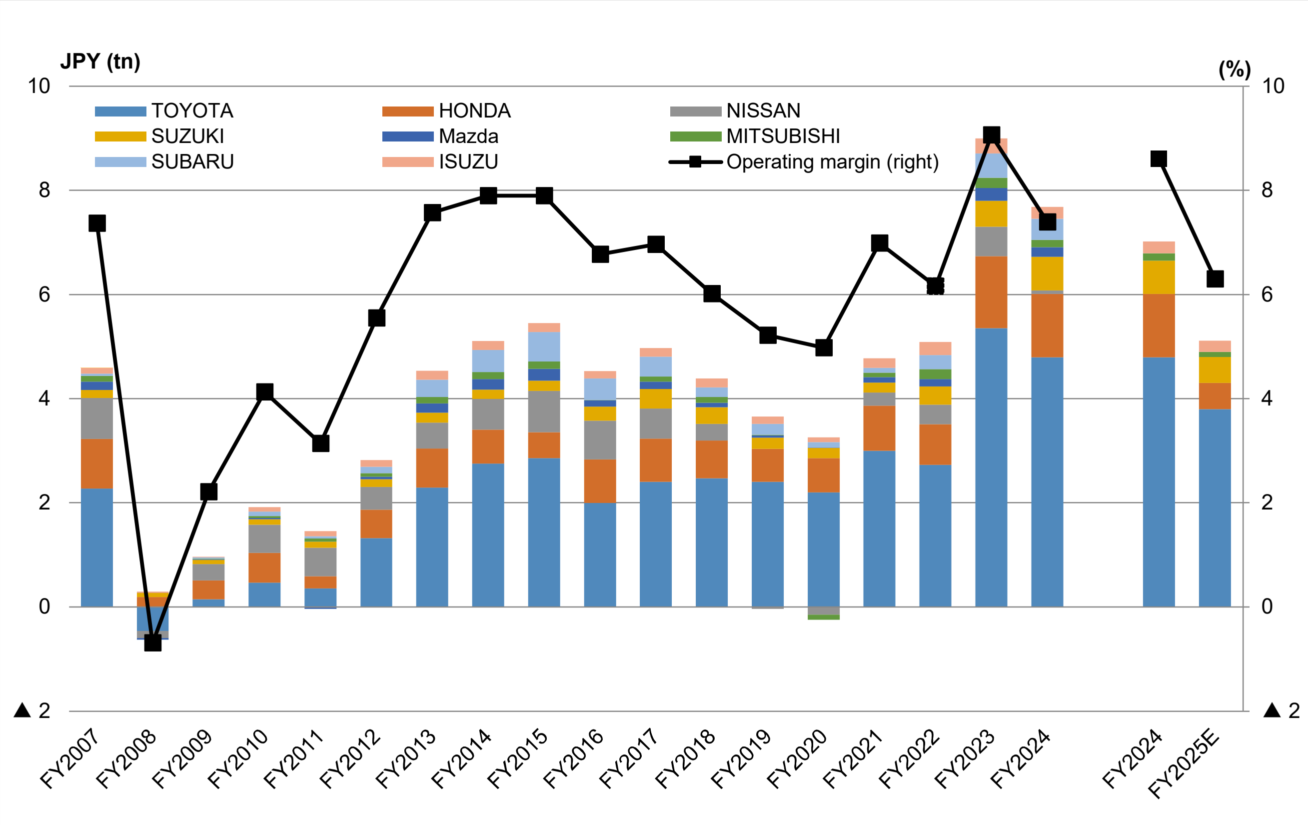
(Chart) Operating Income and Operating Margin of Listed Automakers



Notes:
1. For eight listed automakers excluding HINO, which is a consolidated subsidiary of TOYOTA.
2. FY2024 and FY2025E figures on far right are the total of five companies.
(Source: Prepared by JCR based on financial materials of above automakers)

<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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