

Honda Motor (7267 JP)

FUNDAMENTAL VIEW ¹

As of 20 Aug 2025

- F1Q26 Non-Financial Services results reflected robust motorcycle sales and record segment profitability, offset by a sharp downturn in automobile earnings due to tariffs, one-time EV-related expenses, and regional sales declines in Asia and Japan. Management is pursuing active mitigation of tariff impacts through localization, production reallocation, and pricing, while maintaining strong cash generation and shareholder returns. Management lowered its projected FY26 tariff cost estimate by nearly one-third, improving its projected FY26 consolidated operating margin compression from 310 bp previously to 230 bp. While the projected FY26 consolidated operating margin of 3.3% remains low, improvement from its previous forecast and lower tariff impact could alleviate negative rating pressure.

RISKS & CATALYSTS

As of 20 Aug 2025

- Management maintained its FY26 wholesale unit volume guidance that includes higher motorcycle wholesales and lower wholesales of Automobiles (-3%) and Power Products (-1%). The changes in Motorcycle segment (higher) and Automobile segment (lower) wholesales are expected to be primarily driven by Asia. Automobile wholesales in North America are projected to increase 2% YoY and account for 46% of the company's global wholesales.
- Management raised its FY26 consolidated operating profit forecast from ¥500 bn to ¥700 bn. The increase is equivalent to reduction in projected tariff impacts from to ¥650 bn to ¥450 bn. The revised forecast also includes higher currency tailwinds that are expected to be offset by unfavorable sales and price/cost impacts. While the revised forecast is a material improvement from last quarter's forecast, it still represents a 42% decline from FY25 operating profit of ¥1.3 tn, mostly attributable to the company's projected to ¥450 bn tariff cost. Finally, the updated forecast calls for Honda's consolidated operating profit margin to decline by 230 bp from 5.6% in FY25 to 3.3%, an improvement from the 310 bp margin compression it previously expected.

CREDIT QUALITY SCORE (CQS) ²

As of 25 Sep 2025

CURRENT CQS

74

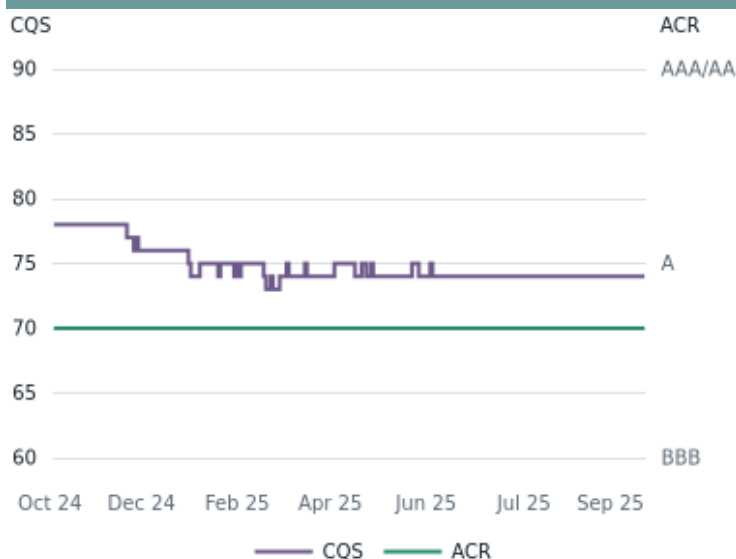
CQS OUTLOOK ³

NEGATIVE

STABLE

POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) ⁴ VS CQS



KEY METRICS

As of 20 Aug 2025

JPY BN	FY22	FY23	FY24	FY25	LTM F1Q26
Revenue	11,967	14,167	17,434	18,509	18,550
EBIT	741	612	1,219	899	661
EBIT Margin	6.2%	4.3%	7.0%	4.9%	3.6%
EBITDA	1,334	1,294	1,964	1,630	1,383
EBITDA Margin	11.1%	9.1%	11.3%	8.8%	7.4%
Total Liquidity	4,612	4,926	6,150	5,368	5,044
Net Debt	(2,481)	(2,751)	(3,762)	(3,216)	(2,908)
Total Debt	837	803	863	646	630
Gross Leverage	0.6x	0.6x	0.4x	0.4x	0.5x
Net Leverage	-1.9x	-2.1x	-1.9x	-2.0x	-2.1x

BUSINESS DESCRIPTION

As of 20 Aug 2025

- Honda Motor Co., Ltd. engages in the manufacture and sale of automobiles, motorcycles, and power products. It operates through the following segments: Automobile, Motorcycle, Financial Services, and Power Product and Other Businesses. The Automobile segment manufactures and sells automobiles and related accessories. The Motorcycle segment handles all-terrain vehicles, motorcycle business, and related parts. The Financial Services segment provides financial and insurance services. The Power Products and Other Businesses segment offers power products and relevant parts.
- American Honda Finance Corporation (AHFC) is a wholly-owned subsidiary of American Honda Motor Co., Inc. (AHM or the Parent). Honda Canada Finance Inc. (HCFI) is a majority-owned subsidiary of AHFC. Non-controlling interest in HCFI is held by Honda Canada Inc. (HCI), an affiliate of AHFC. AHM is a wholly-owned subsidiary and HCI is an indirect wholly-owned subsidiary of Honda Motor Co., Ltd. (HMC). Honda Motor Co. (HMC) maintains Keep Well (support) agreements with its North American finance subsidiaries, AHFC and HCFI. Under the Keep Well agreements, HMC agrees to (1) maintain at least 80% ownership in AHFC and HCFI, (2) ensure AHFC and HCFI maintain a positive net worth, and (3) ensure both AHFC and HCFI have sufficient liquidity to meet their debt payment obligations.

GLOSSARY

¹ 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.

² 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.

³ 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.

⁴ 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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