

Toyota (TM 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."

CREDIT QUALITY SCORE (CQS)²

As of 25 Sep 2025

CURRENT CQS

87

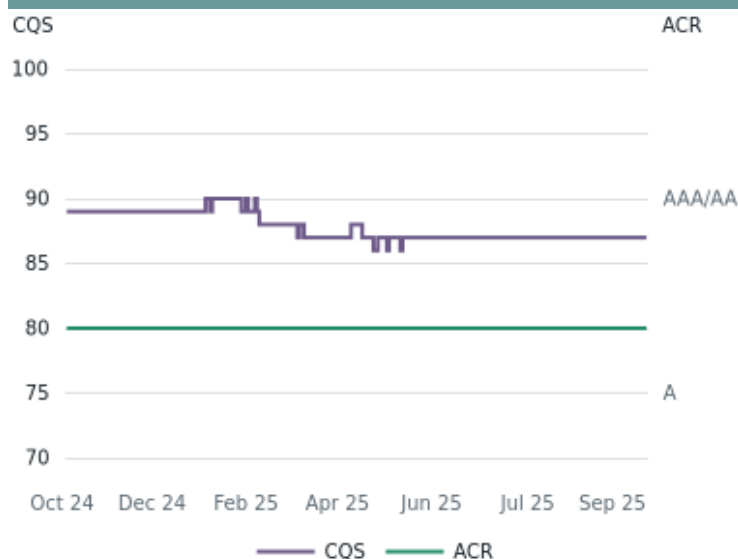
CQS OUTLOOK ³

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
Automotive Revenue	28,606	33,777	41,081	42,996	43,276
EBIT	2,519	2,486	4,890	4,047	3,849
EBIT Margin	8.0%	6.7%	10.8%	8.4%	7.6%
EBITDA	3,526	3,671	6,159	5,408	5,185
EBITDA Margin	11.2%	9.9%	13.7%	11.3%	10.3%
Total Liquidity	15,864	10,090	12,401	11,595	11,595
Net Debt	(1,719)	(2,825)	(4,025)	(3,355)	(3,355)
Total Debt	2,580	2,724	2,868	2,736	2,736
Gross Leverage	0.7x	0.7x	0.5x	0.5x	0.5x
Net Leverage	-0.5x	-0.8x	-0.7x	-0.6x	-0.6x

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.

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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