2025 Business briefing speech script

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Honda Motor Co., Ltd.

Good afternoon, everyone. Thank you for joining us today.

Since I became the Global CEO of Honda in 2021, we have been consistently pursuing the vision of “offering the joy and freedom of mobility to people worldwide in a sustainable manner.”
As you know, Honda is a comprehensive mobility company offering the joy of mobility to customers around the world through its wide range of mobility products and services, including motorcycles, automobiles, power products and aircraft.

In order to sustainably offer the joy of mobility, we have put the highest priority on our initiatives in the areas of the environment and safety. We set an ambitious goal to “achieve carbon neutrality for all products and corporate activities” and “zero traffic collision fatalities" by 2050 and to become a frontrunner in achieving these goals.
In particular, for passenger vehicles, we have made the strategic decision to make a major shift toward the popularization of EVs, based on our belief that EVs would be the optimal solution for achieving carbon neutrality from a long-term perspective.
We have publicly announced our goal of “increasing the ratio of EV and FCEV sales to 100% globally by 2040,” along with the milestones leading up to the goal, based on our strong commitment to be the driver of this transformation.

It is necessary to reduce CO2 emissions not only during product use, but throughout the entire product life cycle, including the production and disposal of batteries. To this end, last year, we announced a plan to build a comprehensive EV value chain in Canada with a central focus on batteries. One of our goals with this project is to take battery technology in-house as the core of electrification technology, but more importantly, it was an initiative we took from the perspective of achieving carbon neutrality.
We believe that carbon neutrality is not something Honda can achieve alone, but needs to be pursued in collaboration with a number of partner companies as well as governments of many countries.

In addition, Honda has been exploring various collaboration opportunities, including the discussion of a strategic partnership with Nissan and Mitsubishi Motors, from the perspective of how we can scale up the massive investments required in the areas of intelligent and electrification technologies, which will be the key to creating new value.
The consideration of business integration was discontinued, but we are continuing the discussions to strengthen our strategic partnership since we share the same recognition of the challenges.

In the meantime, the environment surrounding our automobile business is changing drastically.
In particular, it is becoming increasingly clear that environmental regulations, which had been the premise for the widespread adoption of EVs, are taking a direction toward relaxation, mainly in the U.S. and Europe. As a result, the expansion of the EV market has fallen behind the initial projection. In addition, recent developments in trade policies of various countries are making our business environment increasingly uncertain.
In contrast to the slowdown of the EV shift, demand for hybrid-electric vehicles (HEVs) is growing. We are forecasting that the demand for HEVs will continue to grow toward 2030, as they contribute to the reduction of CO_2 emissions, without the issue of needing charging infrastructure.

In light of the current situation, where the automobile business environment is changing significantly, we have re-evaluated the future direction of our automobile business. Our original motivation to pursue electrification and application of intelligent technologies is our strong determination to achieve carbon neutrality and zero collision fatalities by 2050. There is one more thing we want to remain committed to in this journey. That is to continue offering new value that helps, amazes, and inspires people, through our mobility products and services. We believe the key to this challenge will be the application of intelligent technologies in the coming era. In this increasingly competitive business environment, creation of new value through application of intelligent technologies will be the key differentiating factor among automakers, and Honda will be committed to making such new value more accessible to more people.
From this standpoint, we have set two key directions for the realignment of our automobile electrification strategy, which we announced in 2021.

1. To further enhance the competitiveness of our EV and HEV models with the core focus on application of intelligent technologies

2. To strengthen our business foundation through the reassessment of our powertrain portfolio

Let me explain the first direction of “further enhancing the competitiveness of our EV and HEV models with the core focus on application of intelligent technologies.”
As a part of the value of applying intelligent technologies, which will be the most critical competitive area of automobile business in the future, we are independently developing next-generation ADAS with an aim to begin applying it to our main models in North America, Japan and China in around 2027. Today, we will introduce some of our ADAS technologies.
And with this focus on intelligent technologies, we will strengthen our business foundation by reassessing our powertrain portfolio, such as EVs and HEVs.
As for EVs, due to the recent market slowdown, our EV sales ratio in 2030 is now expected to fall below the previously announced target of 30%.On the other hand, current market demand for our HEV models is high. Therefore, we will position our HEVs, mostly next-generation HEV models which we will introduce in 2027 onward, as a group of products that will play a key role during the transition period toward the popularization of EVs.
With the steady execution of this realignment, by 2030, we will strive to grow further and achieve total automobile sales volume above the current level of 3.6 million units, with a HEV sales target of 2.2 million units.

Now, let me explain more details of our strategy realignment.
First, let’s talk about the development of next-generation ADAS.

As one of the key technologies to enhance application of intelligent technologies, Honda is currently developing next-generation ADAS which assists the driver with acceleration and steering operations throughout the entire route, whether on expressways or surface roads, to the destination the driver input on the navigation system.
Especially in urban areas, where there are various types of people sharing the road, including pedestrians and bicycle riders, providing driver assistance such as making turns at intersections requires highly sophisticated ADAS technologies.
However, by leveraging recognition and behavior planning technologies we have amassed through the development of automated driving technology, we can develop next-generation ADAS that enables safe and comfortable driving all the way to the destination including urban areas and apply it to a broader range of models faster than other OEMs.

Furthermore, through our independently developed next-generation ADAS, we will be able to accumulate and utilize various driving data obtained from our vehicles in the market. We will quickly leverage such data for our new value creation in the future, and will always offer the most current value of SDVs unique only to Honda.

Currently, in the global automobile market, these next-generation ADAS technologies are being adopted mainly to high-end EV and PHEV models due to technical challenges such as power supply constraints and the need for SoC cooling.
However, our full-fledged hybrid system has technological advantages necessary to overcome such technical challenges without compromising performance as it meticulously performs highly efficient energy management.

Also, based on the Honda M/M Concept, which calls for maximizing the space available for people and minimizing the space required for mechanical components, we can minimize the impact of installing ADAS-related devices on cabin space and vehicle design, which enables us to equip our small-size vehicles with next-generation ADAS. By taking advantage of our large business scale combining EVs and HEVs, we will develop next-generation ADAS with high competitiveness and low cost, and make it available for the lineup of key models which we are planning to launch in North America and Japan around 2027, including HEV categories where other OEMs have not been able to offer next-generation ADAS in North America and Japan.
In China, where electrification and application of intelligent technologies are proceeding faster than other regions, as we recently announced at Auto Shanghai, Honda will work with Momenta to develop next-generation ADAS optimized for road conditions in China and install it to all future models Honda will launch in China.

In China, we will fully utilize local resources, including collaboration with other companies, to swiftly deliver products aligned with the needs of Chinese customers.

Now, let me explain how we are going to strengthen our hybrid-electric vehicle strategy.
In addition to installing next-generation ADAS to a broader range of models, we will further advance our already popular e:HEV hybrid system and platforms in all aspects.
Both small-size and mid-size e:HEV systems will realize the world’s most efficient powertrain through various advancements such as an expansion of range where the engine operates most efficiently and an increase in the driving efficiency of the hybrid unit.

By combining this system with 1) a next-generation platform which is advanced in all aspects, including driving stability, occupant comfort, and passive safety performance, as well as further weight reduction, and with 2) a newly-developed electric AWD drive unit that realizes highly precise and responsive motor control, we will strive to improve the fuel economy of the next-generation e:HEV model by more than 10% and further advance a driving experience unique only to Honda, which is high-quality and exhilarating and resonates with all of the driver's senses.

Moreover, in order to increase the cost competitiveness of our HEV models, which are the core of our automobile business, we are pursuing further cost reduction mainly with key components of HEV models such as batteries and motors. Our initiatives include co-creation activities with our suppliers, further improvement of production efficiency and commonization of more parts and components.

Through these initiatives, along with an increase in sales volume, we are aiming to reduce the cost of the next-generation hybrid system by more than 50% compared to the hybrid system installed to models introduced in 2018, and more than 30% compared to the hybrid system of the current 2023 models.

In the North American market, which is the main battleground for our HEV models, there continues to be a solid demand for large-size vehicles with spacious interiors and high cargo capacity. In order for us to fulfil such demand in a sustainable manner, we will develop a hybrid system for large-size vehicles, which will feature powerful driving performance, high towing capability and high environmental performance. We are aiming to apply this hybrid system on our products to be launched in the latter half of the 2020s. With this, in North America, we will offer a broad lineup of HEV models ranging from entry-level models to large-size models.

While further refining the competitiveness of our products, starting in 2027, we will launch 13 HEV models, globally, that feature new value I introduced to you today. With these new models, we will build a broad lineup of next-generation HEV models and ensure that we will capture growing demand in the market.

Now, let me explain our initiatives for EV business.

As I mentioned earlier, due to the recent market slowdown, our EV sales ratio in 2030 is now expected to fall below the previously announced target of 30%. In light of this outlook, as we mentioned in the financial results announcement last week, we are reassessing our EV strategy and roadmap, including the plans for the product lineup and the timing of relevant investments including the one to build a comprehensive EV value chain in Canada.

Although we will revise the scale and timeline of our automobile electrification strategy from now through around 2030, there is no change in our view that EVs are the optimal solution to achieve carbon neutrality of passenger vehicles. Therefore, we will steadily carry out what we have done so far to prepare for the future EV shift.

As for the Honda 0 Series, which will become the main pillar of our future EV business, we are set to launch the first-generation models next year. We will offer the value of SDVs tailored to each and every user through “ultra-personal optimization,” which is made possible mainly by the ASIMO OS and AD/ADAS we introduced at CES 2025.
In order to offer even more sophisticated AD/ADAS functions, the next-generation Honda 0 Series models will be equipped with the Centralized E&E Architecture. In addition, jointly with Renesas Electronics, we will develop a high-performance SoC (system-on-chip) which will achieve one of the industry’s top class AI performances of 2,000 TOPS (Sparse) with 20 TOPS/W power efficiency. With these technologies, we will continue to increase the value SDVs can offer to our customers.
Looking ahead to the forthcoming period of EV popularization, Honda will steadily work to build a strong EV brand and business foundation from a long-term perspective.

In summary, Honda is committed to creating new and unique value suited to the era of intelligent and electrified mobility products.
The next-generation ADAS we introduced today is just one example. When the driver wants to take the wheel, they can enjoy high-quality and exhilarating “joy of driving” unique only to Honda, and when the driver wants a stress-free ride to the destination, they can take advantage of the value of SDVs and enjoy a comfortable ride whether on surface roads or expressways. Honda will provide such a wide range of experiential value all in one vehicle.
As a symbol of the transformation of Honda automobile business, the new “H mark” will be used not only for EV models but also for major HEV models which will be introduced in 2027 and beyond.
Regardless of powertrain, EV or HEV, Honda will remain committed to offering attractive products to our customers.

In implementing measures to realign our automobile electrification strategy, our production and procurement system will serve as a key advantage.

Honda has adopted a resilient supply chain strategy that is not easily swayed by fluctuations in demand—such as shifts between EVs and HEVs—or by government policy changes in different countries.

To address fluctuations in demand, Honda will establish a flexible production system that is capable of optimizing production according to demand and sales strategies. This will be achieved mainly with mixed-model production lines that can produce both EVs and HEVs, such as the one we have at the Marysville Auto Plant in Ohio.

Furthermore, in anticipation of continuous growth in HEV sales and a mid- to long-term EV shift, Honda is working to secure a stable supply of electrified components, particularly batteries, by optimizing supply capacity and allocation, including the effective use of existing assets.

To address government policy changes, Honda has established supply chains based on our longstanding commitment to “build products close to the customer,” which is a concept of “local production for local consumption.” For example, the local production ratio of Honda vehicles sold in the U.S. stands at 60%, and reaches nearly 100% within the framework of the USMCA, which are relatively high ratios. Similarly, the local content of our vehicles is also high. We believe these high ratios are the result of our commitment to establish operations which take root in the local community.

In addition, we have been strengthening our flexible production system that allows the swift transfer of production models between facilities. Such a system is enabling us to adjust the production allocation flexibly according to demand. We believe this will be our strength along with the mixed-model production line I mentioned earlier.

While maintaining our commitment to “local production for local consumption,” we will continue to strengthen our supply chains that will be resilient to unexpected changes such as government policy changes.

So far, I explained about the realignment of our automobile electrification strategy, but I also want to talk about our motorcycle business, which is the founding business of Honda and the starting point of the Honda commitment to offering the “joy of mobility.” More importantly, it has been playing a major role in establishing the solid business foundation of Honda.

For the fiscal year ended March 31, 2025, Honda motorcycle unit sales reached 20.57 million units, which account for approximately 40% of the global motorcycle market. We also set an all-time record for fiscal year sales in 37 countries and territories.

Moreover, demand for motorcycles is expected to grow further, particularly in the Global South, which includes India, the world’s largest motorcycle market, where population is increasing and people’s income is increasing.

Industry-wide sales is expected to grow from the current level of 50 million units to the level of 60 million units by around 2030. To ensure we capture this growing demand, we will offer attractive products tailored to the diverse needs of global customers and also optimize our product supply system.
Furthermore, for Honda to maintain its position as an industry leader in environmental initiatives, we will accelerate electrification of our motorcycle products, while also improving the fuel economy of our ICE models and expanding the lineup of flex-fuel compatible models.

As for electric motorcycle models, in February of this year, we began sales of Active e: and QC1, which we announced in India last year. We also began sales of CUV e: and ICON e:, our global electric commuter models, first in Indonesia, then in Vietnam, Thailand and the Philippines. The CUV e: is also scheduled to go on sale in Europe and Japan this year.
Going forward, we will modularize models developed exclusively as electric models and begin production at a highly efficient, dedicated electric motorcycle production plant which will become operational in India in 2028. This will enable us to further strengthen the business structure for our electric motorcycle products.
Through these initiatives, we will offer more affordable electric motorcycle models to more customers, and further down the road, we will strive to capture the No. 1 market share in the electric motorcycle market, as well.
In this way, by continuously launching attractive products and building an efficient supply system for both ICE and electric models, we will effectively capture growing demand for motorcycles.
Through these initiatives, in the long term, we will establish a solid profit base with a global market share of 50% and ROS of more than 15% as of 2030.

Next, I will explain our plans to improve profitability based on this realignment of our electrification strategy.
Although we are currently facing a challenging profitability situation due to various factors including the impact of tariffs, we are expecting that our profitability will improve toward 2030, due to 1) continuous expansion of motorcycle business, 2) cost reduction effects in automobile business associated with the adoption of the next-generation HEV system and platforms, and 3) an increase in unit sales of HEV models. We will keep making progress toward achieving the company-wide ROIC target of 10% for the fiscal year ending March 2031.

At last year’s Honda Business Briefing, we explained our plan to invest 10 trillion yen in resources in the area of electrification.

However, based on our decisions to postpone the project to establish a comprehensive EV value chain in Canada, and delay the investment in dedicated production plants for next-generation EVs and optimize product lineups, we decided to reduce the investment amount by 3 trillion yen, to 7 trillion yen in total, over the period through the fiscal year ending March 31, 2031.
Regarding the changes in capital allocation over the five year period starting from the fiscal year ending March 31, 2027, in light of the reduction in the investment amount of resources, we will strive to generate more than 12 trillion yen in cash, combining our ability to generate cash stably from our motorcycle business and an increase in unit sales of HEV models.
For resource allocation through the fiscal year ending March 31, 2031, while we reduce electrification-related investment by 3 trillion yen, we are expecting a minimum increase in the investment related to HEV business, which will be our focus going forward. As for shareholder returns, we will maintain the previously announced target of more than 1.6 trillion yen.
With these plans, we will secure capital for further growth in the future and prepare for the upcoming EV era.

By revising our resource allocation by responding to market changes swiftly and flexibly, we will establish automobile business that can prepare for the future while also improving profitability. By adding strong earning power of our motorcycle business on top, we will pursue further growth even under uncertain market conditions.
Also, as we explained at the financial results announcement last week, we made a change to our dividend policy. As an expression of our ongoing commitment to maintain shareholder returns in line with business growth, we decided to introduce DOE (dividend on equity ratio). In this way, we will achieve both growth through further strengthening of our business structure and stable, continuous shareholder returns at the same time.

Today, I explained the current situation facing Honda, as well details about the realignment of our automobile electrification strategy with an eye toward the future automobile market trend from two perspectives:
One, is how we will “further enhance the competitiveness of our EV and HEV models with the core focus on application of intelligent technologies,” and the other is how we will “strengthen our business foundation through the reassessment of our powertrain portfolio.”

The environment surrounding the global automotive industry is becoming increasingly uncertain. However, as I explained today, Honda is making steady progress in our initiatives

toward achieving carbon neutrality while strengthening our business foundation through the reassessment of our powertrain portfolio.

In the pursuit of the application of intelligent technologies, which will be the core focus in executing our automobile electrification strategy, we will work to create new value unique only to Honda that will bring about new possibilities in mobility. Today, I introduced next-generation ADAS as one example of such value, but we are also preparing to create new value in various areas from multiple aspects, while also leveraging collaboration with partners.
We will set up separate opportunities, such as the Tech Meeting, to introduce and let you experience details of such new value we are working on, so please look forward to that.

That concludes my presentation. Thank you.