HONDA

News Release

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Honda Announces Losses Associated with Reassessment of Automobile Electrification Strategy; Revision to Forecast for Consolidated Financial Results; and Future Direction

TOKYO, Japan, March 12, 2026 – Honda Motor Co., Ltd. (Honda) today announced that it has made a decision to cancel the development and market launch of three EV (electric vehicle) models that had been planned for production in North America. This decision was made as part of the reassessment of the company's automobile electrification strategy due to various factors including recent changes in the business environment.

Consequently, Honda now expects to record losses in its consolidated financial results for the fiscal year ending March 2026, resulting in the revision of previously announced forecasts for the consolidated financial results for the fiscal year. More details and background of the decision and revisions made to the fiscal year forecasts are explained below.

■ **Automobile electrification strategy to date and changes in the business environment**

Setting a goal to realize carbon neutrality for all products and corporate activities Honda is involved in by 2050, and due to a major policy change in the U.S. seeking to accelerate the transition to EVs, Honda undertook a major strategic shift toward the popularization of EVs based on its belief that EVs will be the optimal solution to realize carbon neutrality especially for small-size mobility products, including passenger cars, from a long-term perspective.

Honda had been making steady progress in pursuit of EV adoption by leveraging its stable earnings base provided by existing gasoline and hybrid vehicle business based on technologies and know-how amassed through the development of hybrid models over many years, and motorcycle and financial services businesses with a solid customer base.

However, the profitability of Honda automobile business is currently declining due primarily to 1) the unfavorable impact of changes in U.S. tariff policies on the gasoline and hybrid vehicle business and 2) a decline in the competitiveness of Honda products in Asia due to the impact of the allocation of more resources to EV development.

In addition, the automobile business environment surrounding Honda is undergoing significant changes, and the outlook remains uncertain. Previously, with stringent environmental regulations fully implemented in the U.S. and other countries, Honda pursued EV adoption with strong determination that striving for carbon neutrality is a responsibility Honda, as a manufacture of mobility products, must fulfill for the future. However, in the U.S., the expansion of the EV market has slowed down due to several factors including the easing of fossil fuel regulations and revisions to EV incentives.

Moreover, in China, what customers value more in automobiles is shifting from hardware features, such as fuel efficiency and cabin space, to software-based features that will continuously advance according to customer preferences. This has intensified the competition due to the rapid emergence of newer EV manufacturers that leverage their short product development cycles and strengths in the area of software-defined vehicle (SDV) technologies, including advanced driver-assistance systems (ADAS). In such a difficult competitive environment, Honda was unable to deliver products that offer value for money better than that of newer EV manufacturers, resulting in a decline in competitiveness.

Honda automobile business has fallen into an extremely challenging earnings situation due to various factors, including its inability to respond flexibly to these changes in the business environment, compounded by a decline in the profitability of gasoline and hybrid models due to the impact of newly imposed tariffs.

■ **Incurring losses associated with reassessment of automobile electrification strategy**

In order to improve the current earnings situation as early as possible, Honda considered various options; however, after careful consideration, the company made the decision to cancel the development and market launch of three EV models that had been planned for production in the U.S., namely the Honda 0 SUV, Honda 0 Saloon, and Acura RSX. Honda determined that starting production and sales of these three models in current business environment where the demand for EVs is declining significantly would likely result in further losses over the long term.

Based on this decision, Honda now expects to record 1) write-off and impairment losses on tangible and intangible assets that were intended to be used for the production of these three EV models, as well as 2) losses related to additional expenses resulting from the cancellation of the development and sales of these models.

In addition, in consideration of the intensification of competition in China, Honda reassessed the recoverability of investments accounted for using the equity method in China, and now expects to incur an impairment loss on the investments accounted for using the equity method.

As a result, in the consolidated financial results for the current fiscal year, Honda expects to record 1) operating expenses of 820 billion yen to 1.12 trillion yen and 2) a share of the loss of investments accounted for using the equity method of 110 billion yen to 150 billion yen. Moreover, Honda expects to record special losses of 340 billion to 570 billion yen in the non-consolidated financial results for the same fiscal year.

These amounts are preliminary estimates as of today (March 12, 2026), and should be finalized in the consolidated and non-consolidated financial results for the fiscal year ending March 31, 2026.

Furthermore, in the next fiscal year or later, additional expenses or losses may be incurred in connection with the above-mentioned reassessment of the automobile electrification strategy. Combined with the losses to be recorded in the current fiscal year, the total amount of losses is expected to be a maximum of 2.5 trillion yen. This amount is estimated based on information currently available to Honda, and as this estimate includes risks and uncertainties, the actual amount to be recorded may differ from this estimate.

In order to achieve more stable and continuous dividends, Honda adopted DOE (dividend on equity ratio) as its shareholder redistribution indicator; therefore, despite this revision to the consolidated financial results for the fiscal year ending March 31, 2026, Honda made no revision to the forecast for the dividend per share for this fiscal year.

■ **Future direction for automobile business transformation**

In order to respond flexibly to rapid changes in its business environment, Honda is making progress in reorganizing its strategic framework and reestablishing its competitive strengths.

In light of the recent slowdown in the growth of the EV market in the U.S., Honda will reassess its resource allocations and further strengthen its hybrid models. As for regional business, in addition to its main markets, namely Japan and the U.S., Honda will enhance the model lineup and cost competitiveness in India, where market expansion is expected. In other countries in Asia as well, Honda will strive to enhance its competitiveness by introducing next-generation hybrid models and reassessing the allocation of its resources.

Moreover, in order to strengthen its business structure, Honda will establish a fixed-cost structure appropriate for the scale. Initiatives toward the future introduction of EV models will be implemented flexibly from a long-term perspective, while monitoring the balance between profitability and market trends.

Although there is a possibility that additional expenses and/or losses will be recorded in the next fiscal year or later, Honda will maintain stable returns to shareholders by 1) improving profitability of its automobile business with the enhancement of the lineup, including next-generation hybrid models, and 2) leveraging solid earnings power and the cash-generating capability of its motorcycle and financial services businesses.

Honda is planning to announce details of the reestablishment of its mid- to long-term strategy for its automobile business at a press conference to be held in May this year.

■ **Revisions on forecasts for the consolidated financial results for the fiscal year ending March 31, 2026 (April 1, 2025 – March 31, 2026)**

	Sale revenue (in billion yen)	Operating profit (in billion yen)	Profit before income taxes (in billion yen)	Profit for the year attributable to owners of the parent (in billion yen)	Share of profit (loss) of investments accounted for using the equity method (in billion yen)	Earnings per share attributable to owners of the parent (in yen)
Previously announced forecasts (A)	21,100.0	550.0	620.0	360.0	300.0	75.05
Revised forecasts (B)	21,100.0	-570.0 to - 270.0	-650.0 to -310.0	-630.0 to 360.0	-690.0 to -420.0	-172.62 to -105.07
Change (B - A)	0	-1,120.0 to -820.0	-1,270.0 to -930.0	-990.0 to -720.0	-990.0 to -720.0	
Change (in%)	-	-	-	-	-	-
(For reference) Previous year results (FY ended March 31, 2025)	21,688.767	1,213.486	1,317.640	903.034	835.837	178.93

Note: These forecasts for the fiscal 12-month financial results are estimated by top management based on information currently available to Honda and are disclosed with a range as they contain potential risks and uncertainties.

■ **Voluntary return and reduction of executive compensation**

In light of the revised forecasts of financial results for the fiscal year ending March 31, 2026 and the losses associated with the reassessment of automobile electrification strategy, some Honda Executive Officers will voluntary return a part of their monthly executive compensation for the fiscal year ending March 31, 2027 as follows:

President and Representative Executive Officer, and Vice President and Representative Executive Officer:	30% of monthly compensation for three months
Executive Council members and Managing Executive Officers involved in automobile operations*	20% of monthly compensation for three months

*Only those executives who held relevant responsibility during the fiscal year ending March 31. 2026, excluding executives scheduled to retire as of March 31, 2026

In addition, it has been decided that the President and Representative Executive Officer, and the Executive Vice President and Representative Executive Officer will forfeit their short-term performance-linked compensation (STI) for the fiscal year ending March 31, 2026.
As a result, the annual compensation of the Representative Executive Officers will be reduced by approximately 25% to 30% from the standard level.