

**Incurring losses associated with the reassessment  
of Automobile electrification strategy and the future direction  
speech script**

March 12, 2026  
Honda Motor Co., Ltd.

(Mibe)

Good afternoon.

Thank you for taking time from your busy schedules to join us today despite the short notice. As you may have already read in our news release and other materials, today, we announced revisions to our forecasts for the fiscal year ending March 31, 2026. The outlook is very challenging. However, we would like to explain the circumstances leading to this management decision and the future direction for rebuilding the mid- to long-term strategy for our automobile business.

Honda has been working toward the goal of realizing carbon neutrality by 2050. To realize carbon neutrality, especially for small-size mobility products, including passenger cars, Honda made a decision to shift our strategic direction toward the popularization of EVs based on our belief that EVs will be the optimal solution from a long-term perspective.

In this journey, it was anticipated that increasingly stringent environmental regulations would come into full effect in various countries in the latter half of the 2020s. For example, under the U.S. ACC II (Advanced Clean Cars II) automotive environmental regulation, penalties would have been imposed up to \$20,000 per non-compliant vehicle, requiring extremely stringent compliance. On the assumption that this business environment would continue, we spent the past several years steadily preparing for the upcoming era of widespread adoption of EVs. The decision to allocate more corporate resources to EV business was made after a comprehensive consideration of various factors, including incentives offered in the U.S. under the IRA (Inflation Reduction Act) and the profitability we could expect from our gasoline and hybrid models during the introductory period of EV adoption. Above all, we made the decision with a strong determination that taking initiatives toward the realization of carbon neutrality is a responsibility Honda, as a mobility company, has to take for our children and future generations.

However, our business environment changed dramatically over the past few years, at a speed far exceeding our expectations.

First, in the U.S., as you know, the easing of environmental regulations and the discontinuation of EV incentives have significantly slowed the growth of the EV market, and we expect this trend to continue for the time being. In contrast, the EV market has expanded in China. However, product launches, electrification, and application of more intelligent technology have progressed at a speed beyond our expectations. As a result, we are facing strong competition from emerging OEMs, and the competitive environment has become increasingly challenging also in ASEAN (Southeast Asian) markets.

In this competitive environment, Honda was unable to deliver products that offer value for money better than that of newer OEMs, resulting in a decline in competitiveness. We recognize that our automobile business has fallen into an extremely challenging earnings situation due to various factors, including 1) our inability to respond flexibly to these changes and 2) the decline in the profitability of our gasoline and hybrid models due to the impact of newly imposed tariffs.

Against this backdrop, we made the decision to cancel the market launch and development of the Honda 0 SUV, Honda 0 Saloon, and Acura RSX.

To realize carbon neutrality by 2050, electrification is an unavoidable challenge Honda has to take on. Within this context, through the development of the Honda 0 Series, we have consistently pursued the “new value Honda wants to offer in the upcoming era.” However, due to the changes in our business environment described earlier, demand for EVs has declined significantly, mostly in North America. Despite all measures we have taken, it will be extremely difficult to ensure profitability of our EV models. Moving forward into the production and sales phase under the current conditions would likely result in further losses over the long term. We are fully aware that many Honda associates, business partners, and those who are on the front lines of sales have devoted great passion to these EV models, and many customers have high expectations for them. Therefore, this decision was by no means an easy one. Nevertheless, we made this decision with a heavy heart, believing that introducing these three models to market without an outlook for business viability may lead to an early discontinuation of production, which could cause a concern and inconvenience to our customers as a result of potential damage to the value of the Honda brand and other issues. We also believe introducing these models will not be the best for the future of Honda. We take this decision very seriously, and we will address each affected supplier and partner individually and with due care.

Based on this management decision, we now expect to record impairment and write-off losses on tangible and intangible assets that were intended to be used for the production of these EV models, and additional losses related to this decision.

The maximum total amount of losses estimated as of today is 2.5 trillion yen, of which approximately 1.3 trillion yen will be recorded as an addition to the fiscal year forecasts announced on February 10, 2026.

The estimated breakdown of this amount is 1) 820 billion yen to 1.12 trillion yen for operating losses and 2) 110 billion yen to 150 billion yen for the share of the loss of investments accounted for using the equity method in China and other regions. We are planning to record the remaining loss of 1.2 trillion yen, for the most part, in next fiscal year ending March 31, 2027.

It is regrettable that we have to record such a large amount of loss this time. However, what is expected of the Honda management team now is not to justify the past, but to face this reality squarely and transition our automobile business to a structure that enables mid- to long-term growth.

Now, Vice President Kaihara will explain the direction for rebuilding our strategy.

(Kaihara)

Thank you. I would like to elaborate on the direction for rebuilding the mid- to long-term strategy.

First, we will reassess the allocation of our resources previously focused on EV business, and introduce new hybrid models as soon as possible toward the second half of the 2020s, through which we will improve near-term profitability and further strengthen the foundation of our automobile business.

As for EVs, assuming that demand for EVs will resume growth in the future, we will continue to lay the groundwork from a long-term perspective while maintaining investment discipline.

In addition, as part of our regional strategy, we will strengthen our initiatives in India, where market expansion is expected, by designating it as a “focus country” along with the U.S. and Japan.

In the U.S. market, in light of this change in resource allocation, in addition to the existing plans, we are planning to introduce new hybrid models toward the second half of the 2020s. Moreover, as we have been saying, from 2027 onward, we will start applying our next-generation hybrid system to key models in stages. Also, we are planning to further expand our HEV lineup by applying a newly developed large-size hybrid system to our larger vehicles in the D-segment and above, which represents a significant market size.

In addition, we are planning to apply our next-generation ADAS to our key hybrid models and continue to expand the lineup. This system is already in the development phase with on-road testing in the U.S. By leveraging all-new hybrid models equipped with the next-generation ADAS, we will keep improving the model mix, through which we will further grow our North American operations in terms of both volume and profit.

In the Japanese market, in addition to the recently announced introduction of the SPORT LINE and TRAIL LINE models, we will start full-fledged application of our next-generation hybrid system from 2027 onward. As for next-generation ADAS, we will introduce it in the Japanese market by fully adapting it to Japan's complex road environment and unique driving preferences of customers in Japan.

The next-generation ADAS is a novel technology for most customers in Japan, and we believe it could change the concept of "driving" for them. That is why we would like to offer our next-generation ADAS to as many customers as possible. To this end, we will start applying it to the all-new Vezele. We will strive to popularize ADAS-equipped models in Japan by offering them in an affordable and competitive price range.

Through these initiatives, we will elevate the level of our product lineup, which currently has a high ratio of mini- and small-size models, and further strengthen the Honda brand in Japan. In India, we are not ready to share any details today, but we are currently discussing various initiatives we will take to fundamentally strengthen our automobile business, including enhancement of the model lineup through the introduction of new models tailored to demand in India.

In China, where the precondition of the business environment, including the progress of electrification, is different from other regions, we will take regional characteristics into account and further enhance the application of intelligent and electrification technologies, while also working to build a competitive supply chain optimized for the Chinese market. With this approach, we will strive to fundamentally enhance both our product strengths and cost competitiveness.

In addition to the execution of these regional strategies, in order to fundamentally enhance the competitiveness of our automobile business and ensure sustainable growth into the future, we will pursue the transformation of our manufacturing operations, with focus on 1) shortening the development period, 2) improving production efficiency and 3) strengthening supply chains.

We would like to share more details on each initiative at a later time.

Regarding supply chains, which have a major impact on our automobile business, in addition to strengthening stable procurement of critical, high-risk components such as

semiconductors and rare earth materials, we will strengthen our supply chains in accordance with the business environment in each region.

In North America, where new tariffs have significant impact on our business, we will further increase the local content of our products, mostly with our next-generation hybrid models, which will be launched from 2027 onward.

Especially with batteries — one of the core components of hybrid systems — discussion is moving forward as part of our JV partnership with LG Energy Solution to localize production of hybrid batteries by converting EV battery production lines to hybrid battery production lines at L-H Battery Company, our joint venture in Ohio.

With this approach, we will strive to accommodate high demand for hybrid vehicles in North America, mitigate the impact of tariffs, and achieve stable operation of LH-B, all at the same time.

While pursuing these initiatives, from a financial perspective, we will transition to a fixed-cost structure appropriate for the scale of our business by thoroughly implementing disciplined spending controls.

To be more specific, we will tighten the criteria for setting investment caps based on earnings, and we will enforce even more disciplined decision-making than before.

Based on prioritization that reflects both strategic importance and profitability, we will be more selective and focused in making investments. Then, we will continuously monitor post-investment earnings performance.

With the recording of these EV-related impairments, our consolidated earnings will bottom out in the fiscal years ending March 31, 2026 and March 31, 2027. However, excluding the impact of these non-recurring losses, we estimate that operating profit would remain at the level of 1 trillion yen.

Furthermore, through the initiatives outlined today, we will put our automobile business back on a growth trajectory. In particular, from the fiscal year ending March 31, 2028 onward, positive effects of the introduction of new models in the U.S. and next-generation hybrid models globally can be expected for multiple models and for the entire fiscal year. By fully leveraging this effect, we will steadily regain the inherent earnings power of our automobile business. By increasing the competitiveness of our products and improving the model mix, we will strengthen our earnings structure in terms of both volume and profitability, with which we will transition to a business structure capable of generating profit more stably.

Moreover, although there is a possibility that a portion of additional expenses related to this decision will be recorded in the next fiscal year or later, thanks to the solid earnings power and the cash-generating capability of our motorcycle and financial services businesses, the operating cash flow adjusted for R&D expenses for the fiscal nine months has remained at

the same level as that of the last fiscal year. From a financial stability perspective, we continue to hold cash on hand equivalent to one month's revenue, which is considered to be appropriate, and the level of borrowing remains relatively low, therefore, we are maintaining a higher credit rating compared to other OEMs.

With this robust cash-generating capability and solid balance sheet, we will continue to provide stable shareholder returns based on the DOE indicator.

Despite this revision of the forecast for our consolidated fiscal year results, the forecast for dividends for this fiscal year remains unchanged.

(Mibe)

Thank you, Kaihara-san.

As explained today, we will reassess additional EV-related investments from here forward. However, we will fully leverage the software technologies and expertise we have amassed through the development of EV models.

In particular, the new value we were intended to offer through Honda 0 Series, such as ASIMO OS and next-generation ADAS, will be offered to customers through our hybrid models without significant delay.

As of today, demand for EVs is declining in North America and other regions; however, we do not believe this trend will be permanent. For the realization of carbon neutrality, when the demand for EVs resumes expanding again in the future, Honda will be ready to fulfill the expectations of customers and offer compelling products unique to Honda. To do so, we must continue to lay the groundwork for EV business with a long-term perspective and flexibility, while monitoring a balance with profitability and demand trends. That is why we made decision to take a step back and reassess the current situation and rebuild our earnings structure now.

With this understanding of the challenges we face, today, we explained the direction we will take to rebuild our mid- to long-term strategy. We will share more details at the press conference in May.

Thank you very much for your attention today.