

## 2026 Business briefing speech script

May 14, 2026

Honda Motor Co., Ltd.

Working toward the realization of carbon neutrality by 2050, Honda had been taking initiatives looking ahead to the popularization phase of EVs.

But we made a decision to cancel the market introduction of three EV models in North America.

However, this is by no means an indication that Honda is withdrawing from EV business.

We will continue selling EVs in regions such as Japan and Asia in accordance with local customer needs and the pace of EV adoption in each market.

In North America, as well, we will continue to carefully monitor market conditions and the trend of customer demand and lay the groundwork so that we can deliver compelling products when the timing is right.

That said, the fundamental issue facing our automobile business is not simply the slowdown in the EV market.

In the past, Honda carried out deep structural transformations of automobile business and improved the profitability to the point where ICE (gasoline) and hybrid vehicle models alone could generate operating profit of approximately one trillion yen, excluding EV-related losses.

However, currently, in North America, which is the principal market of Honda, we haven't been able to absorb the cost burden of tariffs, resulting in a decline in profit.

In China and ASEAN countries, where competition with emerging OEMs has been increasingly intense, we are losing competitiveness in terms of sales prices and the speed of offering new value to market, resulting in a decline in sales volume.

Based on this understanding, we believe that the key to restructuring our automobile business is to increase our competitiveness by

- 1) improving our cost structure,
- 2) increasing development efficiency, and
- 3) concentrating corporate resources in regions where we choose to take a more proactive approach and enhancing the lineup of compelling products.

Going forward, we will first focus on rebuilding our automobile business structure over the next three years or so.

Then, combined with the continued growth of our motorcycle and financial services businesses, which already have a solid profit structure, we will strive to recover our operating profit to a record-high level by the fiscal year ending March 31, 2029.

At the same time, starting in 2027, we will begin introducing next-generation hybrid models, in North America, Japan, and India, which we position as priority regions, and we will also continue to carefully assess customer needs and introduce new products in underserved product categories. Through these initiatives, we will further expand our product lineups.

In implementing these initiatives, we will not try to do everything internally, but will adopt a flexible approach that also leverages external resources.

Based on this overall direction, we have defined three key pillars of our initiatives:

- 1) The first is the “strategic reallocation of corporate resources.”
- 2) The second is the “thorough strengthening of our manufacturing structure.”
- 3) The third is the “strategic utilization of external resources.”

Let me explain each of them.

The first pillar is the “strategic reallocation of corporate resources.”

Our initiatives will be broadly divided into two.

First, is the “reassessment of the powertrain portfolio with an eye on future demand trends.”

To be more specific, we will reallocate more development and production resources into hybrid models. In doing so, we will accelerate the market launch of hybrid models ahead of the original schedule and increase the number of compelling products.

Based on our belief that hybrid models, where Honda has strengths, will continue to be the key to addressing environmental challenges until around 2030, when EVs would become more widely adopted, we have made steady progress in the development of hybrid vehicle technologies.

Starting in 2027, we will begin launching our next-generation hybrid models featuring both an all-new hybrid system and platform.

We are planning to launch 15 next-generation hybrid models globally by the end of the fiscal year ending March 31, 2030, primarily in North America.

Today, we would like to show you two prototypes.

One is the Honda Hybrid Sedan Prototype and the other is the Acura Hybrid SUV Prototype.

Production models based on these prototypes are scheduled to be launched in the market within the next two years.

We will continue to roll out new models equipped with our next-generation hybrid technology across both the Honda and Acura brands to further strengthen our hybrid vehicle lineup.

Also, as demand for large-size hybrid vehicles remains strong in North America, in 2029, we will launch large-size hybrid models, in the D-segment or above, which combine powerful driving and towing capability with high environmental performance.

Our next-generation hybrid system 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 hybrid system with our next-generation platform which is advanced in all aspects, including driving stability, passive safety structure, and further weight reduction, and the electric AWD unit,

Honda 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.

Moreover, we are pursuing further cost reduction mainly with key components such as batteries and motors, with various initiatives including co-creation activities with suppliers, further improvement of production efficiency and commonization of more parts and components.

Through these initiatives, we aim to reduce the cost of our next-generation hybrid system by more than 30% compared to the hybrid system introduced in 2023 models.

In addition, we are making progress, as planned, in the development of models equipped with our next-generation ADAS which will offer a new value mobility experience for our customers. Starting in 2028, we are planning to apply the next-generation ADAS to more than 15 models over a five-year period.

By applying next-generation ADAS to our affordable hybrid models, we would like to enable more customers to experience the new value unique to Honda models that combine the “joy of driving at the will of the driver,” and a stress-free and comfortable mobility experience.

To ensure that we can consistently meet demand for our hybrid models, we will strengthen our production and parts supply operations for hybrid models.

At our auto plants in Ohio, we will reallocate all of the excess capacity to production of gasoline and hybrid vehicles.

Furthermore, we will make all of our auto plants in North America capable of producing hybrid models.

Next, let me explain our initiatives to secure sufficient supply of hybrid vehicle batteries, which will be the key to the increase in production.

We are working toward the production and supply of highly competitive batteries by converting part of the EV battery production lines at L-H Battery Company, our joint venture with LG Energy Solution, to hybrid battery production.

As for motors and inverters, we will further increase the local content of ASSY (assemblies) and component parts by more than four times the current level, to both reduce the risk of a supply shortage and mitigate the impact of U.S. tariffs.

Now, let me explain our second initiative – the enhancement of the product lineup in each of our priority regions.

We have positioned North America, Japan and India as priority markets for our future growth strategy, and will strategically allocate our resources to these markets.

I have already explained what we are going to do in North America, so, let me explain initiatives we will take in other regions.

First, let me talk about Japan – the home market of Honda, which is not merely a market where Honda seeks volume or market share. Rather, it plays a critical role as a market where we refine new technologies and value propositions and demonstrate their level of maturity to the global market.

One of these technologies is EV.

In Japan, we are expanding our EV model lineup starting from the mini-vehicle (kei car) category, as the way mini-vehicles are used in people’s daily lives in Japan aligns well with the characteristics of EVs, including their clean and quiet performance.

To be more specific, following the market launch of the Honda N-VAN e: in 2024 and the N-ONE e: in 2025, we are preparing to launch, in 2028, the EV version of the N-BOX, which has been the best-selling new vehicle in Japan for 11 consecutive years.

For categories other than mini-vehicles, sales of the all-new Insight crossover passenger EV started in April, and the Super-ONE compact EV will begin later this month.

In Japan, we will focus on offering a broad EV lineup and amassing know-how for the future popularization of EVs.

Moreover, in addition to the market launch of the Sport Line and Trail Line models we announced at the Tokyo Auto Salon in January of this year,

starting in 2027, we will introduce next-generation hybrid models, mostly in the SUV category.

Then, from 2028 onward, starting with the all-new Vezel, we will equip our key models with our next-generation ADAS.

Through these initiatives, we will enhance the lineup of high-value added products, in all vehicle categories. With that, we will strive to 1) achieve new vehicle sales greater than the current unit sales and 2) establish a solid business foundation in Japan.

Now, let me move on to India.

India is one of the few markets in the world where further expansion is expected in the future. However, currently, Honda is present in only a limited range of product segments and has not been able to fully expand sales volume due to an insufficient number of competitive models in each segment.

One contributing factor is that we have not been able to deliver products fully aligned with the characteristics and preferences of customers in India.

It has been our standard approach to develop all products based on global standard performance specifications, regardless of target countries and regions, and to sell such products in different regions.

However, climate conditions, vehicle usage patterns, customer preferences and other factors vary significantly from country to country and region to region. As environmental regulations and other laws and rules are also different, in some cases, the global specifications of our vehicles have been somewhat excessive in the Indian market.

Therefore, we will redefine the best specifications that are well aligned with the market environment and customer needs in India. Then, in 2028, we will begin introducing strategic models tailored to the Indian market, that pursue an optimal balance of performance and price that satisfies our customers in India.

To be more specific, we will launch our strategic models in two categories. One is for “vehicles under 4 meters in length,” which has the largest volume in India, and the other is the mid-size category. We will proactively utilize local development resources, including external resources, and introduce new models as quickly as possible.

The solid foundation of our motorcycle business will become the key strength of Honda in this market.

In India, Honda sells nearly 6 million units of motorcycles annually and has the largest UIO (units-in-operation) and sales network among all countries where Honda motorcycles are sold. Honda also has a robust supply chain.

In India, the price range of motorcycles is close to the price range of entry-level automobiles. So, we will fully utilize our competitiveness in motorcycle business and strive to grow our business by steadily capturing demand from customers upgrading from motorcycles to automobiles.

Moreover, in April of this year, we established Honda Digital Innovation India, a digital platform company, which will utilize the Honda digital foundation to address the diverse needs of our customers. Through this initiative, we will enhance synergies between our motorcycle and automobile businesses in India.

In addition, our captive finance company in India is scheduled to become operational before the end of the current fiscal year ending March 31, 2027.

By strengthening our financial services business at the same time, we aim to expand sales opportunities for our motorcycle and automobile products.

Finally, as part of our regional strategy, I would like to touch on China, where we need to fundamentally strengthen our competitiveness.

As you know, competition in the Chinese market is becoming increasingly intense, and Honda is facing a very challenging business environment, including a decline in production and sales volume.

Let me explain some of the initiatives we are taking to continue competing in such a market.

First, for the China domestic market, we will pursue cost reduction by using locally sourced standard components, while incorporating local technologies for next-generation ADAS and other technologies to keep pace with the overwhelming speed of the advancement of intelligent technologies in China.

Furthermore, by introducing NEVs built on platforms provided by local partners, we will better serve the needs of customers in China.

In addition, we will apply our initiatives to improve development efficiency in China, such as the use of standard components, to market outside China, so that we can strengthen our products and cost competitiveness in ASEAN and other regions.

Now, let me explain the second pillar.

In order to deliver our future products with strong competitiveness, we will focus on strengthening our lean and agile manufacturing structure.

I will introduce three specific initiatives we will pursue:

The first is “fundamental cost reduction.”

Particularly with the cost of outsourced parts, we will improve our cost structure on a global basis 1) by reassessing Honda-specific standards and proactively utilizing standardized components, and 2) by incorporating the competitiveness of local businesses in China and India.

The second is “thorough improvement of development efficiency.”

This initiative aims to address three areas of challenges we face in competition with emerging OEMs, which are 1) development cost, 2) development timeframe, and 3) development workload. We will undertake a fundamental reassessment of the series of processes in our production — so called “engineering chain management”— and increase our production efficiency by reducing each of the three items by half, compared to the those in 2025. And we will call this initiative “Triple Half.”

In addition to improving efficiency in the design, testing, and initial production through the use of digital environment and AI technology,

we will undertake transformation of our development process by reassessing development

requirements themselves, as well as product planning and development management to reduce development cost and workload and shorten the development timeframe.

Through these initiatives, starting this fiscal year, we will reduce the development timeframe for minor model change products by half. As for full model change products, we will also halve the development timeframe, starting with development projects which will start in 2028. This will enable us to introduce up-to-date products more quickly and continuously.

Finally, let me explain the “establishment of a manufacturing structure which is resilient to changes in our business environment.”

In order to establish a robust manufacturing structure, which enables us to secure profitability even in situations where production must be reduced due to changes in market conditions, we will strive to achieve an improvement in production efficiency of approximately 20% over the next five years by 1) efficiently executing and allocating resource investments in new models and equipment, and by 2) increasing efficiency and the speed of our work through the use of digital technologies.

The third pillar of our initiatives is the “strategic utilization of external resources.”

To build the future competitiveness of Honda, in-house sourcing of technologies, resources and parts can be one of the effective approaches. However, it will require substantial investments and allocation of resources.

In an increasingly uncertain market environment, the in-house sourcing approach carries some risks of losing competitive advantage.

Therefore, as I mentioned while explaining other initiatives, we will increase our competitiveness by utilizing external resources more flexibly and strategically. This includes strategic leveraging of the cost competitiveness and speed of local business in China, India and other countries, as well as the utilization of industry-standard components.

As for batteries, we will not pursue complete in-house sourcing for the time being. Instead, will fully utilize the L-H Battery facilities. While keeping an eye on future growth in EV demand, in the near term we will improve operational efficiency by capturing strong demand for hybrid vehicles and other applications, and implement a battery procurement strategy with a focus on our competitiveness in North America.

Based on this strategy, we have decided to indefinitely suspend the project to build a comprehensive EV value chain in Canada, which we announced, last year would be postponed by about 2 years. We will continue to reassess our procurement strategy while carefully monitoring market conditions.

In this way, while working internally to further refine the core of Honda competitive advantages, we will proactively leverage external competitiveness and resources in the areas where we determined that they can increase our speed, flexibility and cost competitiveness, thereby strengthening the overall competitiveness of Honda.

Up to this point, I have explained the three pillars of our strategy to rebuild automobile business structure toward 2030.

From here, I would like to explain our strategic direction beyond 2030.

In the mid- to long-term, and in an even more uncertain business environment, we must lay a solid technological groundwork while ensuring greater flexibility and a wider range of options, so that we will be well prepared to meet demand when it emerges.

First of all, our direction to strive for achieving carbon neutrality by 2050 remains unchanged, because we believe it is a responsibility we must pursue as long as Honda conducts business as a comprehensive mobility company.

That said, we will carefully assess the market environment and demand trends in each region and take a multi-faceted approach to achieving carbon neutrality, which will include not only EVs but also various other technologies such as hybrid vehicles, carbon-neutral fuels and carbon-offset technologies.

Also, as I mentioned at the beginning, Honda will continue laying the groundwork for the time when demand for EVs will expand again.

In order to launch compelling products in a timely manner when the time comes, we are continuing the groundwork for the highly competitive EV hardware platform as well as the research and development of all-solid-state batteries.

Furthermore, we continue to pursue initiatives to enhance application of intelligent technology in order to offer new mobility experiences for our customers.

Looking ahead, we will apply ASIMO OS, the original vehicle OS of Honda, to a wide range of Honda vehicles – from ICE to EV – so that we can increase the value of mobility through cross-domain integration.

Moreover, for the E&E architecture, which is the key to this initiative, we adopted a “domain-based” architecture that can flexibly address changes in customer needs and market conditions, as well as the utilization of external resources. With the adoption of a unified software architecture, we will be able to achieve highly efficient development.

This will enable us to continuously deliver new value to customers in a timely manner, while pursuing both flexibility and competitiveness.

So far, I have explained the initiatives we are taking for our automobile business. Now, let me explain initiatives for our fast-growing motorcycle business.

As mentioned earlier in the financial results announcement, our motorcycle sales for the fiscal year ended March 31, 2026 reached 22.1 million units, representing approximately a 40% share of the global market.

It is forecasted that the global motorcycle market will expand from the current scale of 50 million units to around 60 million units by 2030. We will further increase our market share and enhance our presence in the market by introducing products and optimizing our production capability, well aligned with increasingly diverse customer needs.

For example, in India, which is the largest market for Honda motorcycle business, Honda holds a market share of approximately 28% as of the end of the fiscal year ended March 31, 2026, with annual sales of approximately 5.8 million units.

However, customer demand is showing a trend toward shifting from the currently most popular 100cc class to the 125cc and even 160cc classes.

We started seeing the same trend in Central and South America. We will steadily address this shift in demand by making progress in our initiatives to launch compelling products and further enhance our sales network and service capabilities.

As emerging motorcycle OEMs from India and China are beginning to strengthen their presence in Central and South America, we are poised to aggressively expand our presence, while leveraging

highly-competitive resources we have in India and China.

Moreover, we will further strengthen our motorcycle production operations to accommodate globally expanding demand.

In India, we plan to expand our annual production capacity from the current 6.25 million units to approximately 8 million units in 2028.

Moreover, our production operation in India will also continue to advance as an export hub.

Through various initiatives such as in-house production of parts, modularization of chassis, and acceleration of local procurement, our motorcycle operation in India will further increase its cost competitiveness and speed of operation,

with which it will expand exports to Central and South America, including Argentina, where road conditions and customer preferences are similar to those in India.

Also, in Indonesia, the Philippines, and Brazil, we will progressively strengthen our motorcycle production/supply operations and establish a business environment where we can accommodate growing demand in a timely manner.

In addition, we will further enhance the value of our motorcycle products.

With the development of a wide range of original motorcycle technologies, such as Dual Clutch Transmission and Honda E-Clutch, Honda continues to offer the “joy of riding” to many customers.

Going forward, we will further differentiate ourselves from emerging competitors by creating new value for customers using new and unique technologies of Honda.

As for electric motorcycles, the growth momentum of the electrified motorcycle market is slowing compared to initial projections.

That said, there are cases where the shift to electric models progresses rapidly due to changes in environmental regulations in each country, such as Vietnam. The outlook of the motorcycle market has been highly uncertain.

In India, we will move forward as planned and introduce electric motorcycle models that meet customer needs and proceed with the construction of a factory dedicated to production of electric models.

While we continue to develop electric models without slowing down, we will closely monitor changes in the market environment and customer demand and take a flexible and agile approach to product launches and establishment of production operations.

Now, I will explain our financial strategy in light of what we discussed so far.

As I mentioned earlier, over the next three years, we will focus on rebuilding our automobile business structure and transform our automobile business into a stable, profit-generating business.

Meanwhile, we will continue to make investments for future growth during this period.

EV-related investments will be controlled at a certain level while ensuring readiness to respond quickly to future EV demand.

In addition, for hybrid vehicles, we will prepare ourselves to enhance our product lineup in the priority markets explained today.

As a result of these initiatives, we will strive to achieve a fiscal year operating profit of more than 1.4 trillion yen, setting an all-time high, in the fiscal year ending March 31, 2029, which is three years from now.

Then, in the following two years, based on the rebuilt business structure, we will introduce compelling products we have been preparing for each priority market and put our automobile business on a trajectory of further growth.

Then, 5 years from now, by the fiscal year ending March 31, 2031, our business efficiency is expected to further improve as we start seeing positive effects of new models to be introduced in new product segments in North America, India and Japan, as well as the full effects of the initiatives we outlined today, such as achieving the "Triple Half" in the area of product development. At this point, we will strive to realize the long-standing ROIC (Return on Invested Capital) target of 10%.

Now, let me explain our capital allocation plans up to the fiscal year ending March 31, 2029.

During this three-year period, we will reallocate resources we had scheduled to invest in EVs to hybrid vehicles.

As for EV-related resource investment, we will continue to prepare for future recovery in demand; however, for the time being, we will keep investments at a certain level and control them to approximately 0.8 trillion yen over the next three years.

As for software-related investment, given that software applications are essential for all products, including hybrid models, we plan to allocate resources of approximately 1.0 trillion yen, maintaining a scale consistent with the original plan

For ICE and hybrid models, we will strategically invest resources for future growth in priority markets; therefore, we plan to invest 4.4 trillion yen during this 3-year period.

The total amount of these resource investments during this 3-year period will be 6.2 trillion yen.

As for operating cash flow after R&D adjustment, we expect to generate more than 7 trillion yen, excluding EV-related losses, as our automobile business will return to profitability and our motorcycle business maintains its cash-generating capability.

This cash flow will allow us to steadily secure the funding source for shareholder returns, while continuing to invest for future growth.

In the fiscal year ending March 31, 2030 onward, we will carefully assess EV demand trends, particularly in North America, and make decisions regarding investments in EVs.

In making investment decision, we take into account the highly uncertain business environment, and further improve investment efficiency by proactively leveraging external resources, without being overly focused on assets from past investments or internalization of resources.

Finally, let me explain our plans for dividends.

As you can see, since the 2008 global financial crisis, Honda has faced a series of challenging business environments, including the Great East Japan Earthquake and the COVID-19 pandemic. Nevertheless, we have positioned stable and continuous dividend payments as one of our key corporate management priorities and have continued our business without reducing the amount of dividend payments. Going forward, we aim to maintain stable and continuous dividend payments, with a target DOE of 3%.

Through the balanced pursuit of “rebuilding of business structure, efficient investments for future growth, and shareholder return,” we will make steady progress toward the enhancement of Honda corporate value over the medium to long term.

Finally, I would like to explain the advancement of our corporate governance structure.

Since transitioning to a company with three committees in 2021, Honda has significantly expanded the scope of authority delegated from the Board of Directors to executive officers, with the aim of ensuring greater agility in management led by executive officers.

At the same time, the company has strengthened the “supervisory functions” of each committee and the Board of Directors through various measures such as appointing the chairperson of each of the three committees, namely Nominating Committee, Audit Committee and Compensation Committee from among independent outside directors.

In this way, Honda has continuously advanced its corporate governance structure in accordance with changes in its business and external environment.

The members of the Honda management team recognize the importance of continuously and consistently seeking and institutionalizing an optimal corporate governance structure, in light of business operations expected by our shareholders and customers and the current circumstances surrounding Honda.

As we expect that our business environment will continue to be uncertain for the foreseeable future,

We decided to once again reassess our corporate governance structure and accelerate its advancement in order to ensure steady execution of each business strategy, as well as bold and transparent decision-making necessary for such strategy execution.

First, in order to strengthen the supervisory function of the Board of Directors and enable more transparent decision-making, the Board of Directors will be composed of a majority of outside directors.

With the aim of further enhancing the effectiveness of the Board of Directors, one of the outside directors will serve as the Chair of the Board.

Finally, in order to ensure more transparent decision-making regarding the appointment and dismissal of directors, as well as the evaluation and compensation of directors and executive officers, all members of the Nominating Committee and the Compensation Committee will be outside directors.

The business environment surrounding Honda is facing an unprecedented level of uncertainty.

Even under such circumstances, we will sincerely and steadily execute the initiatives for rebuilding our automotive business that we outlined today. At the same time, leveraging our strong motorcycle business and solid financial foundation, we are committed to putting Honda back on a strong growth trajectory.

We would like to set up another opportunity, before the end of the current fiscal year, to share more details about technologies and strategies for our next-generation hybrid models. Please stay tuned.

Thank you very much for joining us today.