



Delivering Enduring Value with Speed and Precision to Remain the Customers' Choice

Toshihiro Mibe
Director,
President and Representative Executive Officer
Chief Executive Officer

Returning to a Customer-centric Perspective to Turn a Challenging Reality into the Starting Point of Transformation

Since our founding out of a desire to use technology to help people, Honda has delivered the joy and freedom of mobility. Expanding our business into motorcycles, automobiles, power products, marine equipment, and aircraft is also based on the desire to support the lifestyles and possibilities of even more customers.

Our origin remains unchanged. However, we're now faced with a challenging reality that cannot be overcome with a continuation of the status quo. The losses recorded in the Fiscal Year Ended March 31, 2026 based on revisions to our automobile electrification strategy caused great concern for many of our stakeholders, starting with our shareholders. As Honda's chief executive, I take those results very seriously.

Honda has been taking initiatives toward achieving carbon neutrality by 2050, but we made a decision to cancel the market

introduction of three EV models in North America to avoid future losses. However, this is by no means an indication that Honda is withdrawing from the EV business. We continue selling EVs in accordance with local customer needs and the pace of EV adoption in each market. In North America, as well, we continue to lay the groundwork while carefully monitoring market conditions and the trend of customer demand.

That said, the fundamental issue facing our automobile business is not simply the slowdown in the EV market. The real question is whether we have truly been developing and manufacturing products that deliver the value our customers seek at the right price and the right time.

Honda's hybrid vehicles are chosen by customers today because, even in challenging circumstances, we have remained focused on our customers and steadily refined our technologies and products. We will maintain this same approach in developing future products, including EVs. We will resolve technical issues one by one and steadily evolve our products so that customers can truly appreciate the value they offer.

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The origin of the Honda Philosophy is a desire to help people. Improving our technologies and growing our businesses only become meaningful when we produce value for the customers and society that lie beyond that process. This experience of recording losses and revising our strategy has created an opportunity for us to ask ourselves whether our decisions and actions were sufficient when considering our origin. To remain our customers' choice, we must review everything from our business structures to our decision-making and work processes.

Changing Honda's Work Processes by Rebuilding the Automobile Business

Our first task is to make the automobile business a reliable revenue base by 2030. This initiative doesn't only entail recovering profits. We must work to build a foundation that allows us to continue delivering attractive products to our customers and to continue making the necessary investments into the future.

We will pursue recovery in the automobile business through initiatives centered on three pillars. The first pillar is a strategic reallocation of our corporate resources. We will start by further improving our hybrid vehicles, one of Honda's strong suits, while creating more products chosen by customers in priority regions including North America, Japan, and India. Although hybrid vehicles are not the end goal, they will continue to be valuable in meeting customer needs during the transition period to carbon neutrality, and we will continue to evolve them both as an important technology and as products that

support our business. The second pillar driving our recovery in the automobile business is the thorough strengthening of our manufacturing structure. Competitive standards have changed dramatically. The speed of product development, costs, manufacturing systems, and application of digital technologies are all rapidly evolving. If development timeframes remain the same, technologies may already be out of date by the time sales launch. To deliver new value to our customers, Honda must review development cost, development timeframe, and development workload and change to a manufacturing framework that produces products more quickly and flexibly. As such, we are changing the entire flow of our manufacturing process from design and testing to manufacturing preparation and our supply chain, including our suppliers.

The third pillar driving recovery is the strategic utilization of external resources. In the age of software-defined vehicles (SDVs) whose value is updated through software, technologies in a wide range of fields including IT, communications, and energy enhance mobility value. As such, it's not realistic to try to handle everything in-house. While identifying the sectors that Honda needs to hone itself, we also need to flexibly incorporate external technologies and knowledge and improve our speed, flexibility, and cost competitiveness.

In our regional strategy, we will first establish the cost competitiveness needed to compete in any market as the foundation of our approach to developing and manufacturing products. Rather than applying globally uniform specifications to each region, we will reassess the functions needed based on the value and price customers in each region seek. We will then

It's the responsibility of management to balance fulfilling our social responsibility as a company and creating good products that are chosen by our customers.



share the knowledge gained in each region across Honda, transforming how we develop and manufacture products to deliver both the value customers want and competitive prices.

In line with this direction, we will steadily rebuild our automobile business while drawing on the strong foundations of our motorcycle and financial services businesses to strengthen Honda as a whole. Furthermore, by bringing together the strengths of our motorcycle, automobile, power products, and financial services businesses to deliver a broader range of value to customers, we will drive sustainable growth across Honda.

Maintaining Our Environmental and Safety Targets While Evolving the Pathway toward Achievement

Our aim is not merely an immediate recovery in earnings. We are looking beyond that, asking ourselves what unique value will continue to make Honda the customers'

choice. By confronting this question, we are shaping a strategy for sustainable growth.

Honda's goal is to realize a sustainable society in which everyone can enjoy the "joy and freedom of mobility." At the center of this goal are the keywords of "environment" and "safety." Even amid changes in the business environment and technology roadmap, our direction for 2050 remains unchanged: 1) to achieve carbon neutrality for all products and corporate activities Honda is involved in and 2) to achieve zero fatalities worldwide from traffic collisions involving Honda motorcycles and automobiles. This is not mere idealism, but a responsibility that must be fulfilled as a comprehensive mobility company.

However, there is more than one path to get there. Although we believe that EVs will play an important role in the future, not all applications will be replaced by a single technology. Rather, tailoring our to different factors such as regional energy policies, customer usage patterns, commercial or industrial applications, and mobility that

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supports daily life, we will combine a variety of methods including EVs, hybrid vehicles, fuel cells, carbon-neutral fuels, and carbon-offset technology.

It's the responsibility of management to balance fulfilling our social responsibility as a company and creating good products that are chosen by our customers. Honda has always valued and worked hard to develop environmental and safety technologies. We'll continue to face environmental challenges head on and deliver the joy and freedom of mobility in a sustainable format.

Our approach to safety is identical. The freedom of mobility is based on the ability to travel with peace of mind. Through next-generation ADAS, software, and data applications, we will balance the joy of driving with a secure and comfortable mobility experience. Honda's mission is to transform the environment and safety into values that the customer can truly experience in their everyday travel.

Connecting Technology to Our Business and Value Creation Process

Honda has many technologies that it has refined over the years, including engines, electrification technologies, safety technologies, intelligent technologies, control technologies, software, and data. However, possessing technologies is not the same as having the value of those technologies recognized by customers and the market. Even with superior technologies, if we cannot deliver the products and experiences chosen by our customers, we will not be able to continue to provide value to society.

We are further strengthening the link between our technologies and their commercialization. We are sharpening our execution to ensure we clearly identify our target customers, define the products and services that will resonate with them, and establish long-term commercial sustainability.

The possibilities for Honda as a comprehensive mobility company are not

limited to land-based mobility. There is still plenty of room for growth in mobility that expands human possibility from the air, the sea, and space to any new mobility frontiers of the future. What is important is that these possibilities do not remain dreams and that they instead lead to value for our customers and growth for our businesses.

To realize these dreams, we are transforming the way we work. This transformation will be driven by the expectations of our customers and not be limited to improvements in individual divisions. Instead, we will link product planning, technology, development, manufacturing, sales, service, and data-driven improvement in a single process, creating a structure that will continuously generate value for all of Honda.

Connecting internal data is not the goal but the starting point. The real job beyond that of considering what kind of value we discover and deliver to our customers is a job that can only be performed by people. AI and digital technology will not replace people. Driven by the individuality, skills, experiences, and passion to make things better that are shared by every member of Honda, we will incorporate digitalization to enhance and accelerate the creation of new value.

Moving Forward with All Honda to Transform Dreams into Real Value

For Honda, dreams are not separate from reality. "Wouldn't it be great if we could do this?" "If we could achieve this, people's lives would really improve." At Honda, we believe in the power to turn those visions into reality.

Transforming the previously impossible into the possible and surprising the world in a positive way—this kind of track record creates

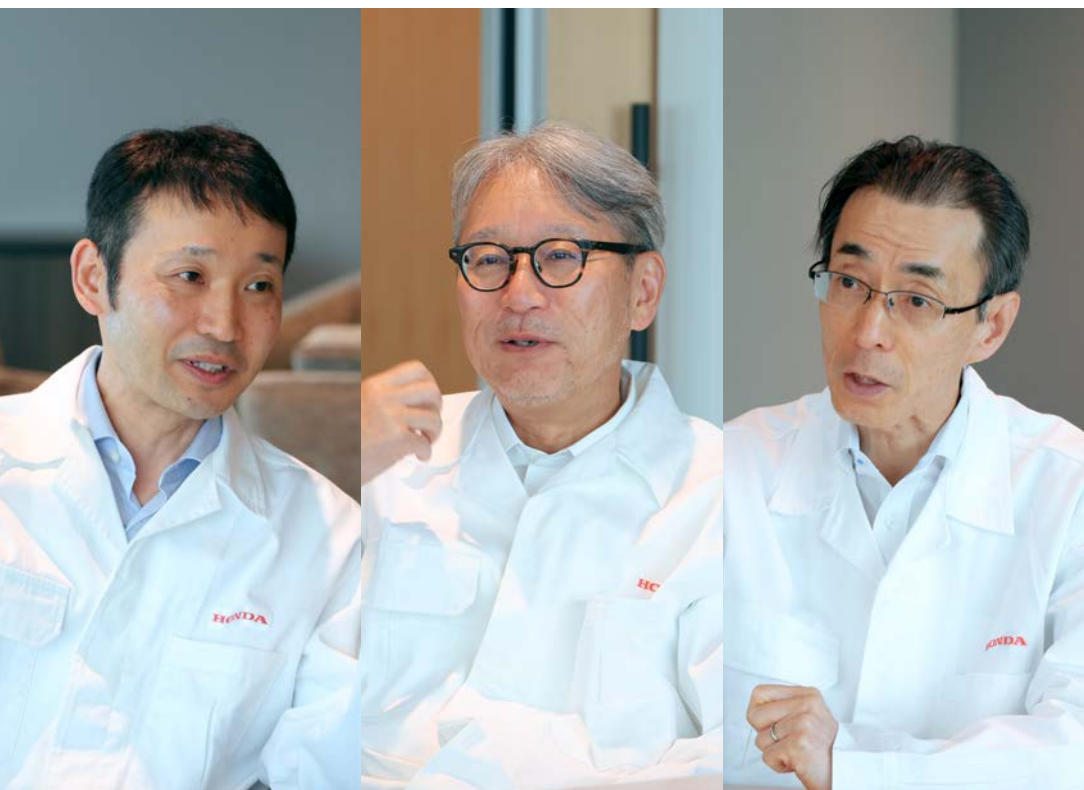
new value. What "The Power of Dreams" means to Honda is the desire to transform individual dreams into the power to move people and society forward. Transforming dreams into reality and continuously delivering value that moves our customers' hearts and enriches their lives—this is the driving force behind growth unique to Honda.

Companies that grow are companies that transform value the customers themselves are not yet aware of into reality and deliver it to society. However, transforming dreams into reality is not only a matter of large-scale technological development. It's present in every job, from small improvements to monumental challenges.

In this sense, returning to our origin doesn't mean returning to the old way of doing things. Driven by the Honda Philosophy that acts as the starting point of all our activities, we must shape value that is useful to people in a way that fits the current age. Refusing to change is now our greatest risk. We need to be a company whose management supports individual associates challenging themselves by considering how to make things better, sharing their opinions, and taking action.

We need to move forward with both establishing a revenue base for our automobile business and fleshing out a sustainable growth strategy. As a comprehensive mobility company, we must transform ourselves to continue delivering the joy and freedom of mobility in a sustainable format while fulfilling our environmental and safety responsibilities. All of this is to meet the expectations of our customers and society—and go beyond them by delivering new excitement. With dreams as our driving force, Honda will continue to take on challenges. I invite you to, please, place your hopes in the future of Honda.

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Honda Is Transforming Itself to Remain the Customers' Choice

Mahito Shikama
Director, Executive Officer
Chief Transformation Officer



Toshihiro Mibe
Director, President and
Representative Executive Officer
Chief Executive Officer



Noriya Kaihara
Director, Executive Vice
President and Representative
Executive Officer
Culture Transformation Officer

Honda is now facing significant changes in its business environment. Customer values, technologies, and the competitive environment are all changing at unprecedented speeds. In response to this challenging reality, Honda itself must also change, but how do we change our corporate structures and work processes to transform Honda? Chief Executive Officer Toshihiro Mibe, Culture Transformation Officer Noriya Kaihara, and Chief Transformation Officer Mahito Shikama discussed what needs to be done to transform Honda.

Updating Our Work Processes to Keep Delivering Value to Customers

Mibe What Honda now faces is not merely a temporary problem with its financial results. Rather, our business environment itself is undergoing significant changes. Due to the policies and regulations of different countries, geopolitical risk, and changes in the competitive environment, there are an increasing number of situations in which business will not move forward based solely on conventional premises. The boundaries between the automotive industry and the IT industry are also diminishing, and efforts are accelerating to increase product value using software and data. Amid this trend, to keep customers choosing Honda, we need to revise our existing work processes and decision-making style to match the current business environment. To continue delivering even better products and services to our customers even more quickly, we will fundamentally review how we work, and as a result, will achieve business growth and enhance corporate value.

I believe that it's essential that we get this order correct in implementing Honda's corporate transformation.

Shikama I feel strongly about the importance of speed. How quickly can we deliver the value required by our customers in a tangible form? To answer this question, we must change how we conduct development and operations, use data, and collaborate across departments. Honda has invested time in building extremely careful processes in support of both quality and reliability. This is an invaluable strength of our company. However, amid a dramatically changing competitive environment, those processes alone are insufficient as our guiding premises. An important role of our corporate transformation is to build a system that can capture changes in our customers and society, quickly make necessary decisions, and translate those decisions into front-line execution.

Kaihara Since our founding, Honda has always been a company that's created new value by looking closely at society and our customers and thinking about what would be useful for them.

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As our company has grown, we have accumulated experience and knowledge, and our rules and processes have taken shape. These are valuable assets supporting quality and trust. However, as the expectations of our customers also change, we must constantly re-examine whether we are only aiming to protect our existing systems.

There are people on the front lines who



My goal for our corporate transformation is to use data and digital technology to free up time for our front lines to dedicate to value creation.

sense changes in customers or feel uneasy about our work processes. I believe that the transformation of our corporate culture starts with verbalizing and discussing those realizations and translating them into action.

Changing What Needs to Change to Protect Honda's Uniqueness

Mibe There are certain things that Honda should never change. These include the Honda Philosophy, deciding to take on new challenges based on people's dreams, expanding the possibilities for people through technology and ideas, and continuing to provide the joy and freedom of mobility in a sustainable format.

While these things don't need to be changed, the method through which we continue to deliver to our customers the joy and freedom of mobility must change to adapt to the times.

Our previous successes and established rules represent valuable assets for Honda. However, if they prevent us from changing and achieving the next stage of growth, they must be revisited. To create products and services that exceed our customers' expectations, we must rethink things, with value as the starting point, and without being limited by existing assumptions.

Kaihara We need to be careful with the phrase "Honda's uniqueness." If we see our past

True Honda uniqueness is an approach that looks at our customers and works to deliver even better value to them by holding real discussions, tackling challenges, and seeing things through to completion with our colleagues.



methods and rules themselves as Honda's uniqueness, that can become a reason not to change what needs changing.

True Honda uniqueness is an approach that looks at our customers and works to deliver even better value to them by holding real discussions, tackling challenges, and seeing things through to completion with our colleagues.

To do so, it's essential that we voice objections and speak up when something doesn't feel right. Rather than saying, "This is always how we've done things," we need to reframe the question as, "Is this really meaningful for our current customers?" Only by having these types of discussions will we be able to identify what should be changed and what should be preserved.

Shikama The same approach is necessary as we advance corporate transformation. The goal is not just to promote efficiency and automation.

Honda's culture begins by asking, "Why

are we doing this?" and by thinking thoroughly about our approach.

My goal in our corporate transformation process is not to reduce time spent on discussion or creation. Rather, it's to use data and digital technology to free up time for our front lines to dedicate to value creation. The time that we create will be used to think thoroughly about value for our customers. I believe that this will lead to making the necessary changes while preserving Honda's uniqueness.

Mibe Honda has a culture of open-minded discussion represented by Waigaya (Y-gaya). Rather than simply holding discussions, Waigaya is a process of gathering people with different approaches to talk in detail about how we achieve ambitious targets. Through the Waigaya process, we can identify solutions that are impossible for one person to reach. This is what has supported value creation at Honda.

What's required now is to make that

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fundamental approach function in our current business environment. To exceed our customers' expectations, we must think about what to change and what to improve. I'd like Honda to be a company in which every member can freely discuss this process in their own words.

Corporate Transformation (CX)
Connects Top Management with
the Front Lines and Changes the
Systems That Deliver Value

Shikama Honda's corporate transformation is an initiative to reconnect our top management, front lines, talent, data, and operations from the starting point of what kind of value we deliver to our customers.

In our corporate transformation initiative, we are clarifying our targets and roadmap and linking them to the initiatives of each of our operations and projects.

Various transformation projects are already underway on the front lines, and we are visualizing the progress and results of each project as well as providing the necessary support.

Additionally, there are certain issues that cannot be resolved solely at the individual operational level. These include issues that span different departments, Honda's data infrastructure, and shortages of talent and resources.

Resolving these kinds of company-wide structural issues and connecting front-line activities to company-wide results will lead to faster and higher quality decision-making by top management.

Mibe Top management expects corporate transformation to improve the quality and speed of decision-making.

Management decisions require a wide range of information, including not only vehicle units and sales, but also customer value, profit, cash flow, and real data. If we can confirm the necessary information in a timely manner, it will have a significant positive impact on both the speed and accuracy of our management decisions.

When information is siloed within certain departments, it delays our response to change. We need to create conditions through which the necessary people can access the necessary data and leverage it as company-wide knowledge. That will allow us to deliver tangible value to our customers more quickly.

However, the Company will not change just because we use AI or data. What kind of decisions are we using it for? Which processes will we change? Where do people add value? It's important that we include these considerations in our AI and data use design.

Kaihara To leverage data and knowledge throughout the Company, our corporate culture must change. Each organization has roles and responsibilities. While these are necessary, if roles become too strongly defined, departments may consider their information and knowledge as "their property."

In principle, the Company's knowledge should be leveraged for the benefit of all of Honda. Although certain departments may manage certain information, we need to consider how we as a company leverage that information to enhance customer value. It's also important that we make the best use of the wisdom of the past. Past decision-making includes the background of the eras in which it took place and the challenges faced by our predecessors. Sharing that knowledge and leveraging it to make decisions in the present will foster decision-making that is unique to Honda.

Transformation isn't something that's
assigned to others.
We must first change ourselves and
then work together with
the front lines to
achieve transformation.



How do we incorporate the Honda Philosophy into the process of digitalization? This is what we must consider in the ongoing process of our corporate transformation.

Corporate Culture Reform Provides
the Power to Execute Strategy

Kaihara Transformation of our corporate culture is an important theme in terms of our ability to implement strategy.

No matter how good the strategy or process we create, we will be unable to implement it if people's actions don't change. Not speaking up when we feel something is off, or prioritizing protecting the role of the department does not translate into company-wide value and makes it more difficult to create value for our customers. The Honda Philosophy includes the three principles of "Initiative, Equality, and Trust." This entails that every person should think for themselves,

share opinions regardless of their position, and hold discussions based on trust. It's important that we create conditions in which we can experience this more fully in our everyday work.

Waigaya is essentially an initiative aimed at leveraging diverse opinions. Opinions may not align at first; however, as different viewpoints clash, eventually our directions align. I believe that process is what creates new value.

To foster this process, the nature of our people and organizations must change. Without being limited by departmental boundaries, we need to ensure that the necessary people can exercise their strengths in the necessary locations. We also need to support actions that lead to better results through horizontal collaboration.

We also must enable management to support front-line initiatives and to connect this process to transforming individual action.
Mibe The nature of top management itself

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must also change. We need a structure and culture in which realizations and any sense of unease from the front lines are translated more quickly into management decisions. So that communication from top management does not become one-sided, we need to change both how we ask questions and how we receive feedback. If top management doesn't change, the Company won't change. This is precisely why we as the top management must lead from the front in advancing corporate transformation through dialogue with the front lines.

Transformation isn't something that's assigned to others. We must first change ourselves and then work together with the front lines to achieve transformation.

Shikama "Corporate transformation" and "corporate culture transformation" are not separate activities. Even if we change our processes and data flow, the changes will not last if our people's actions don't also change. Conversely, even with a culture that embraces challenge, without structure we can't produce results. That's exactly why we must pursue both simultaneously. The front lines must think, decide, and then act to produce tangible results. If we can produce this kind of cycle, our transformation will be long-lasting.

Small Actions Add up to a Company That Society Looks to

Shikama So that our corporate transformation is long-lasting, we must take whatever action we can, no matter how small. It's important that we create an environment in which we can quickly feel that something has changed.

Through a series of successful experiences, we will build an environment in which the front lines can feel how their actions have created

positive changes. This accumulation of efforts will lead to company-wide change.

Kaihara The starting point for corporate culture transformation also includes each individual forming their own opinions. What issues do they feel exist in their current work? What could they do to deliver more value to customers and society? It's important that they ask these kinds of questions in their everyday work and speak with those around them.

To do so, we need an environment in which people can say what they want to say and engage in frank discussion while maintaining mutual care and attentiveness.

It's particularly important that Honda's management both be receptive to the opinions of the front lines and support them in tackling challenges.

Honda will be able to change once we combine the collective strengths of our individual talent. As the Culture

Transformation Officer, my goal is to draw out these strengths.

Mibe We don't want Honda to be a company that struggles to keep up with change. We want to be a company that anticipates change and not only meets, but also exceeds our customers' expectations.

Our environmental and safety initiatives form the basis of our future initiatives. With that in mind, it's important that our customers desire and want to choose Honda.

I believe Honda is expected to continue developing products and technologies and taking on challenges that exceed the expectations of our customers and society, while also increasing profitability.

Since our founding, both our customers and society have always expected something different from Honda than from other companies.

Honda's uniqueness has always been our

ability not only to meet but also to exceed those expectations.

It's important we understand the voice of the market. However, if we create based only on market feedback, we will not be able to exceed our customers' expectations. We must consider what lies beyond those expectations and propose value that our customers don't even know exists yet. That's the kind of company I want Honda to continue to be.

We must change what needs to be changed and refine our founding principles, whose essence must remain unchanged. To deliver the value that keeps customers choosing Honda, we are reconnecting our top management, front lines, talent, and data. Top management will lead the way while working hand-in-hand with our front lines to transform Honda into a company more capable of executing.



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