

HONDA

Investors and Analyst Session for the Fiscal Third Quarter Ended December 31, 2025

Financial Results Q&A

Date/Time : February 10, 2026, 17:00-18:00

Speakers :

Noriya Kaihara Director, Executive Vice President and Representative Executive Officer

Eiji Fujimura Director, Managing Executive Officer

Masao Kawaguchi Operating Executive, Head of Accounting and Finance Supervisory Unit

Q : Analyst A

1.

I would like to ask about your management strategy for the next fiscal year.

Specifically, what kind of radical business structural reforming are you considering during the next fiscal year, and what kinds of discussions are currently taking place internally?

In addition, to better understand the future direction of management with greater clarity, could you explain where you are steering the company and what direction you are aiming toward?

2.

Regarding one-time impacts, please explain the actual results for the past nine months and the scale of one-time expenses relative to the full year plan.

A : Kaihara

1.

We would like to share the details at an appropriate time in the next fiscal year. However, at present, the EV market is clearly experiencing a significant slowdown.

Until now, in pursuing carbon neutrality by 2050, it was necessary for us to strongly promote our EV strategy. That said, we are now at a phase where a recalibration of our course is required. While our ultimate goal remains unchanged, the pathway to achieving it is evolving into a different form from what we had previously envisioned.

Taking into account regional market conditions, we will carefully reassess the timing of EV introductions and revise previously planned initiatives to better align with current realities.

In North America, we do not expect EV penetration to expand significantly in the near term. Accordingly, we will concentrate our resources on ICE and HEV models to further strengthen competitiveness.

In China, although EV penetration is already high, we recognize that we are lagging behind local manufacturers in areas such as software and interior technologies. Going forward, leveraging local suppliers will be essential, and we intend to move away from a self-reliant approach and shift toward a strategy that is more deeply rooted in the Chinese market. As our cost competitiveness is also insufficient, we are currently steering management in that direction.

Furthermore, we believe that the know-how gained in China can be applied across other Asian markets. While competition from emerging manufacturers is intensifying in Asia, we aim to compete by leveraging our established brand strength.

A : Fujimura

2.

The cumulative one-time impacts for the nine months amount to approximately JPY330 billion. For the full fiscal year, we are forecasting approximately JPY360 billion.

Of this amount, EV-related one-time losses total approximately JPY270 billion for the first nine months, and we expect an additional approximately JPY20 billion in the fourth quarter. As a result, EV-related one-time expenses are expected to total approximately JPY290 billion for the full year.

In the third quarter, approximately JPY40 billion of EV-related one-time costs were recorded, mainly due to the revision of EV plans in China. The approximately JPY20 billion budgeted for the fourth quarter relates to compensation associated with GM-supplied EV models. While negotiations are ongoing and the amount has not yet been finalized, we recognize that this amount may prove insufficient depending on the outcome.

Of the total approximately JPY330 billion in one-time expenses for the first nine months, approximately JPY270 billion was recorded in the first half. The remaining approximately JPY60 billion consists of approximately JPY40 billion related to group restructuring expenses and approximately JPY20 billion related to litigation settlement costs at our financial subsidiaries in the U.S. and the U.K.

When organizing the full-year forecast of JPY550 billion, including impacts from semiconductor supply constraints and EV-related one-time costs, we recognize that total one-time factors amount to approximately JPY500 billion. Accordingly, we view the starting point for the next fiscal year at approximately JPY1.05 trillion. Of this amount, approximately JPY1 trillion is attributable to the motorcycle and financial services businesses, and approximately JPY50 billion to the automobile business, with the majority of the latter derived from ICE models.

Q : Analyst B

1.

Is it correct to understand that operating profit is expected to be negative in the fourth quarter? While we understand that costs are weighted toward the fourth quarter, is this outcome influenced by the decision not to revise the full-year plan of JPY550 billion?

You mentioned that EV-related expenses remain to be recognized—are there any other contributing factors?

2.

I would like to ask about your view on cash management. Although share buybacks have been executed, the impact on the share price has been limited. How do you view your capital strategy going forward?

A : Kaihara

1.

With regard to the fourth quarter, your understanding is correct—we are assuming an operating loss.

On the upside, while there is uncertainty in demand trends for motorcycles in Vietnam and India, we see some potential for upside. In the automobile business, if sales volumes continue to perform steadily, there is also room for upside. We are continuing our usual efforts to reduce fixed costs and see further potential in that area. In addition, foreign exchange movements are currently more favorable than expected and represent an upside factor.

On the downside, GM-related compensation may expand beyond our current assumptions. In North America, we may need to exclude certain GHG credits that were initially anticipated. Moreover, due to the stagnation in the EV market, residual values for EVs are under pressure, raising concerns about potential increases in residual value losses. Taking these factors together, we are assuming a loss in the fourth quarter.

A : Fujimura

1.

The reason for the fourth-quarter loss is structural, as SG&A and R&D expenses are typically concentrated in the fourth quarter.

2.

Regarding share buybacks, we have been implementing them as a response to PBR being below 1x, with a target of maintaining a cash position equivalent to one month of monthly sales. While this has not yet been achieved as of the end of the third quarter, we expect to reach this level by fiscal year-end.

Over the past five years, we have executed approximately JPY1.8 trillion in share buybacks, steadily normalizing accumulated capital. We have also introduced DOE and reduced policy shareholdings. Our commitment to improving PBR toward 1x remains unchanged.

To improve the ROE that constitutes PBR, we must steadily advance improvements in both the numerator and denominator. While we do not deny the possibility of further capital adjustments, our priority is to enhance the certainty of returns through company-wide efforts.

Following question on 1.

Among the risks to the full-year plan, I would like to ask about the potential scale of fluctuation in EV-related one-time expenses. Should we assume fluctuations on the order of several tens of billions of yen, or could they reach the scale of several hundred billion yen? Please explain to the extent possible.

A : Fujimura

As negotiations with GM are currently ongoing, we would like to refrain from providing specific details at this stage. That said, GM is also in a position where it must compensate its suppliers, and we believe that these amounts will accumulate and ultimately be allocated between the two companies.

We do not expect the impact to reach the scale of several hundred billion yen. However, we do believe that the JPY20 billion currently assumed for the fourth quarter may prove insufficient.

The specific amount will be determined after carefully reviewing the figures to be presented by GM. While the remaining time in this fiscal year is limited, we will proceed with appropriate measures.

Q : Analyst C

1.

We understand that EV-related one-time expenses are expected to be largely addressed within the current fiscal year. However, in Europe and the U.S., other companies have implemented significant impairment charges, and at your company there have also been new developments, such as the acquisition of buildings related to the battery production joint venture with LG Energy Solution. Looking ahead to the next fiscal year, are there any additional factors that you believe should be considered?

2.

I would also like to ask about the sales environment in the U.S. Could you provide an update on the current incentive situation and overall demand trends?

A : Kaihara

1.

We will refrain from commenting on the actions of other companies. From our perspective, however, we will respond appropriately in accordance with accounting standards if impairments or asset disposals become necessary.

It is essential to carefully assess how EV sales, as originally planned, will actually perform in the market, and to make judgments while closely reviewing our lineup and sales plans.

At this point, there are no additional items that we can clearly disclose. That said, we do not deny the possibility that impairments may occur in the future.

2.

With regard to the U.S. market, following the expiration of the USD7,500 EV subsidy that had been in place through last year, we recognize that EV demand has lost momentum. Previously, EVs accounted for approximately 8–9% of the overall market, but we believe this could decline to around 5% going forward. In light of this situation, it is necessary for us to take appropriate measures.

As for ICE vehicles, incentives in the third quarter were relatively restrained at approximately USD1,600–1,700 on a cash basis, while still enabling us to generate solid sales.

At the same time, due to tariff impacts, it has been difficult to raise prices, and competitors are also required to take measures to maintain sales volumes. Incentives are currently trending upward, and in the fourth quarter, an increase of approximately USD100–200 may be required. In addition, competitors are launching new models in segments such as Accord and CR-V. We therefore intend to compete efficiently by carefully balancing volume and profitability, including appropriate incentive levels.

Q : Analyst D

1.

Regarding the acquisition of facilities related to the battery production joint venture with LG Energy Solution, we understand that LG Energy Solution is proceeding with a shift from EV battery production toward data center applications.

Given this transition, to what extent will your company be involved? Please explain, to the extent possible, the impact on investment as well as sales and profits.

2.

In the context of the radical review of management that you described, incorporating Astemo as a consolidated subsidiary could be seen as increasing the degree of in-house production. How do you position Astemo within this restructuring?

A : Kaihara

1.

While we originally proceeded on the assumption that EV demand would grow significantly, we now recognize that production capacity at the plant will clearly exceed demand under the current environment.

As a result, we are discussing the possibility of repurposing the facility for energy storage systems (ESS). We believe that investments already made can be absorbed through such repurposing.

In addition, we see potential for utilizing the facility for HEV batteries. If HEVs are produced locally as part of our mid-term strategy, this could represent a significant area of business contribution.

2.

Astemo is an extremely important partner for us, and in the SDV domain we have been developing technologies in close collaboration with Astemo from the outset.

Technologies related to future autonomous driving and connectivity are becoming increasingly critical, and in order to accelerate their development, we believe that a framework enabling integrated, end-to-end development with deeper involvement from our side is optimal.

Rather than increasing the burden of in-house production, we view the incorporation of Astemo as a means of enhancing efficiency and productivity in AI and software development in the SDV era.

Following question on 1.

If the facility is expected to serve both HEV and data center applications, there may be concerns about reduced efficiency. How do you view this point?

A : Kaihara

As you noted, there are various possible options, and at this stage we are proceeding with careful discussions, including from the standpoint of efficiency.

We will continue to examine which direction is the most rational and sustainable over the long term.

Q : Analyst E

1.

Regarding next-generation ADAS, as competitors continue to advance development, to what extent should we expect your company's competitiveness?

2.

With respect to the Honda 0 series, how do you view the potential for one-time losses at this stage? While there may be issues such as the disposal of capitalized software or dedicated equipment, the launch of the 0 Series is still some time away and the number of models is expected to be limited. Does this suggest that losses may not become significant? Please explain to the extent possible.

A : Kaihara

1.

For next-generation ADAS, we are conducting joint development with Helm.ai and are advancing the technology based on advanced recognition capabilities utilizing proprietary learning models.

As an AI-based system compatible with NOA, it enables end-to-end autonomous driving by simply inputting a destination. While regulatory compliance in each country will be required, we believe the technology itself is fully feasible.

We expect to launch this system in the latter half of the 2020s and are confident in its competitiveness.

2.

Regarding the Honda 0 series, there are currently no one-time losses anticipated. Should any such issues arise in the future, we will continue to review and discuss them based on careful examination, including input from our accounting auditors.

Following question on 2.

You mentioned that EV market share in the U.S. is expected to remain around 5%. Based on this assumption, could you provide some additional color on when EV-related costs are expected to be fully settled?

A : Kaihara

Looking at the EV sales situation in the U.S., we believe it is fair to say that momentum has weakened quite rapidly.

Considering industry-wide trends, we are also considering the possibility that market share, which previously approached around 10%, may continue at roughly half that level.

Based on these market dynamics, the extent to which such trends will translate into future losses will be subject to further assessment.

A : Fujimura

The cost of EVs currently sold in North America, those supplied by GM, is expected to be settled within the fiscal year ending March 2026.

This discussion is limited to GM-related models, and the Honda 0 series is not being considered at this stage.

Q : Analyst F

1.

We highly appreciate your strong financial discipline, including cash management and share buybacks. However, valuation does not appear to have improved sufficiently as a result.

At the same time, it seems to us that there may be an issue on the denominator side of ROE, namely in equity capital. While you have explained that profitability has improved excluding EV-related costs, it may not be only EVs that are weighing on performance—particularly in Asia, aren't you gradually losing competitiveness as well?

The automobile business appears to face significant challenges. From your perspective, what do you see as the fundamental issues in the automobile business?

2.

We heard that you are revisiting EV introductions in North America, shifting in China from a self-reliance approach to a more open approach, and advancing next-generation ADAS through joint development with Helm.ai. That said, the concrete nature of the strategic shift still feels somewhat unclear.

Could you articulate your future direction again in clearer terms that resonate with the market?

A : Fujimura

1.

First, let me address the challenges in the automobile business. We had expected the shift from ICE to EV to accelerate around 2025, but the situation has in fact changed.

With respect to ICE, major models such as the Civic, CR-V, and Accord had lost freshness around 2021, and profitability remained at a low level at that time. Since then, these models have been renewed and the lineup has regained freshness, which has supported an

improvement in profitability. As a result, we believed we had established a certain level of visibility on ICE earnings power.

However, since 2024, the market environment has changed significantly. As you pointed out, sales volumes in Asia have declined from around 800,000 units previously to below 400,000 units currently, with share being taken primarily by emerging OEMs. Compared with peers that are able to compete on the back of strong cost competitiveness, we recognize that we still lack the same level of cost competitiveness. That said, our brand equity and the trust we have built with customers remain strengths. We need to leverage upcoming timing such as full model changes to regain momentum. In North America, the impact of tariffs has been extremely significant, and we believe that without tariffs, the shift could have progressed more in line with our original plans. Here as well, the importance of cost competitiveness is increasing.

In China, development speed has become so fast that models can be updated within roughly one year, and it is becoming difficult to keep up with technological evolution. While organizing and addressing these complex challenges, we will work to move to the next step while maintaining the current earnings structure in the ICE domain.

A : Kaihara

2.

Regarding the concreteness of the strategic shift, it is true that we have not been able to allocate sufficient resources to the Asian market. As we prioritized the company-wide EV shift, there were areas in the legacy domains that were not adequately maintained, and we have reached a point where products launched exactly as originally planned are not being accepted by the market.

As a radical reform measure, we are moving forward with halving the development lead time, and this has already begun. We believe that responding to change in an agile manner and bringing fresh products to market in a timely way is essential to sustaining competitiveness. Reforming development speed is therefore at the core of the transformation.

In addition, we recognize that we do not currently have a cost advantage versus competitors. We need to learn proactively from what is being done in China and incorporate it into our operations. In particular, in China and India, it is essential to rebuild how we work with local suppliers and how we structure local manufacturing in order to regain competitiveness in both speed and cost.

In the motorcycle business in China, we already work closely with local suppliers in manufacturing. In contrast, in the automobile business, elements of a self-reliance approach still remain. We intend to reassess this, and where necessary, shift away from insisting on doing everything ourselves, toward a mindset of making products that are easy to manufacture, including a fundamental change in mindset.