

HONDA

Q&A for Investors and Analysts

Date/Time : March 12, 2026, 17:30-18:15

Speakers :

Toshihiro Mibe, Director, President and Representative Executive Officer

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

Eiji Fujimura, Director, Managing Executive Officer

Q : Analyst A

I would like to ask about the losses associated with the reassessment of Honda's automobile electrification strategy.

According to the presentation, the scale of EV-related losses is expected to be up to 2.5 trillion yen. Could you explain the background and rationale behind this assessment?

In addition, while most of these losses are expected to be recorded in FYE March 31, 2026 and FYE March 31, 2027, please explain why they will not be fully resolved within FYE March 31, 2026, as well as the breakdown between cash outflows and non-cash items.

Finally, given that you plan to maintain an annual dividend of 70 yen per share, please share your thinking on the shareholder return policy.

A : Fujimura

Regarding the losses associated with the reassessment of our automobile electrification strategy, we have estimated the amount to be up to 2.5 trillion yen, considering all risks that are identifiable at this stage.

This reassessment reflects the fact that the business viability of three EV models has proven to be extremely challenging, which led us to make decisions at an early stage.

We are working closely with our suppliers, and toward early resolution, we are proceeding with careful discussions and addressing matters sincerely on a case-by-case basis.

For development assets and facilities that can be assessed internally, we have made estimates in-house. For items related to suppliers, however, detailed verification requires time, and therefore, at this stage, we have recorded them based on what we consider to be the best possible estimates.

While the overall amount is significant, it includes elements related to supplier responses and reflects our current understanding at this stage.

From a cash perspective, total cash outflows are expected to amount to approximately 1.7 trillion yen, with around 0.5 trillion yen in the current fiscal year and around 1.2 trillion yen in the following fiscal year.

With respect to shareholder returns, we expect to secure adjusted operating cash flow after R&D expenses of approximately 2.5 trillion yen on an annual basis, and we anticipate a similar level in the next fiscal year. Excluding losses associated with this reassessment, we believe our underlying earnings power will continue to generate sufficient cash.

Accordingly, while maintaining disciplined capital management, we intend to maintain our DOE, and at this point, we are not considering a dividend reduction for the current fiscal year. The final dividend decision will be made based on the results and outlook to be presented at the May earnings announcement, but our policy of maintaining stable shareholder returns remains unchanged.

Q : Analyst B

I would like to ask about your HEV strategy. Based on today's presentation, we understand that there may be initiatives for North America that were not included in your previous plans. While the details can be discussed at another opportunity, could you explain your HEV strategy for North America as well as other regions?

A : Mibe

At our business update last year, we already announced our policy of reassessing our EV plans and increasing our focus on HEVs. Historically, our HEV lineup has been centered

mainly on the mid-size segment, and we believe that this segment is also highly competitive in the North American market.

For mid-size models, we are currently strengthening product competitiveness through minor model changes that achieve lower costs and higher performance. At the same time, we are also advancing the development of large-size HEV models. Going forward, we plan to prepare and expand this lineup in a phased manner.

Although we have announced the cancellation of development for certain EV models, our production lines are configured for mixed production. This allows us to increase HEV production volume. While further details will be explained at the earnings announcement and business update in May, at this stage, we believe there is sufficient capacity to increase HEV production.

A : Kaihara

With respect to mid-size HEVs, we plan to increase the number of models and further enhance our lineup, considering market demand and product competitiveness.

Q : Analyst C

The presentation indicates that losses associated with the reassessment of the EV strategy could amount to up to 2.5 trillion yen. How should we think about this figure in relation to the Ye series in China and Sony Honda Mobility (AFEELA)?

In addition, could you elaborate on the expected scale of EV-related investments going forward and the potential impact on profitability in future periods?

A : Mibe

With regard to Sony Honda Mobility, discussions are currently ongoing between Sony and Honda regarding the future direction of the business and potential strategic transformations.

At this point, there are no specific decisions that have been finalized. However, once details are determined, we intend to provide an update at an appropriate time.

A : Fujimura

As we have explained previously, when excluding one-time factors, our operating profit starts from a base of approximately 1 trillion yen. These one-time factors include around 290 billion yen related to EVs, approximately 150 billion yen related to semiconductor supply issues, and roughly 60 billion yen related to group reorganization and other items, amounting to about 500 billion yen in total. We generate approximately 1 trillion yen from our motorcycle and financial services businesses. The ICE business contributes around 450 billion yen, while the EV business continues to record a loss of approximately 400 billion yen, a structure that has not significantly changed from our previous assumptions.

If we incorporate the impact of up to 2.5 trillion yen as indicated this time, overall performance will temporarily fall into a loss position. However, through fixed cost reductions, growth in the motorcycle and financial services businesses, and despite being in a model transition period, we aim to absorb these losses and return to profitability.

With respect to EV development costs, the fact that we are assuming approximately 400 billion yen of losses in the EV business indicates that we will move forward with significant restraint on new investments. That said, our long-term strategic direction remains unchanged. Accordingly, we will continue necessary preparation, including initiatives such as the launch of Honda 0 α .

Q : Analyst D

Regarding the investment in L-H Battery, the joint venture with LG Energy Solution (LGES), there has been discussion about potentially reallocating this investment toward HEVs. Has this plan been reassessed?

In addition, should we understand that the plan to establish a comprehensive value chain in Canada has been cancelled?

A : Mibe

With respect to our joint venture with LGES, there has been no change in our fundamental approach, and the JV will continue to be operated under the same management policy as before. We position this investment as a long-term commitment to securing battery supply. At present, we are proceeding with the acquisition of facilities and preparing for their potential use in energy storage systems. At the same time, we are also advancing discussions on the possible utilization of these assets for HEV batteries. From the perspective of tariff measures, we continue to believe that local production remains a meaningful initiative. While closely monitoring the timing of EV adoption and broader market trends, we will consider optimal utilization options, including for HEV batteries.

Regarding Canada, the project is currently frozen for two years, but discussions with relevant stakeholders, including the Canadian government, are ongoing. Considering our recent strategic reassessment, we intend to determine the future direction while also considering developments such as the USMCA. It should be noted that the partial cancellation of EV-related projects announced this time does not have an immediate impact on the overall vertically integrated strategic project in Canada.

Q : Analyst E

Could you share your thinking on the compensation costs related to GM, including any updates at this stage? Previously, we understood the remaining amount to be approximately 20 billion yen. Is there a possibility that this could ultimately be settled at a more reasonable level?

A : Fujimura

As this matter involves individual counterparties, we are unable to disclose specific amounts. Overall, we would like you to consider these costs as being included within the

framework of up to 2.5 trillion yen associated with the reassessment of our automobile electrification strategy.

Q : Analyst F

Regarding the impact of up to 2.5 trillion yen associated with the reassessment of the EV strategy, could you clarify what should be considered the starting point for this figure? In addition, there is concern that net income in the next fiscal year may come under pressure. Will this have any implications for your approach to DOE?

A : Fujimura

This reassessment is positioned as a revision to our earnings outlook, and the starting point is the level of performance that we announced at the time of our third-quarter results.

For the next fiscal year, we aim to maintain operating profit at least at a breakeven level, and we also seek to achieve positive net income. Even if net income were to turn negative, we would make decisions based on the situation at that time. However, at this stage, we have no intention of changing our shareholder return policy, including our approach to DOE.

As explained earlier, even after factoring in the losses associated with this reassessment, we expect to secure adjusted operating cash flow after R&D expenses. After executing share repurchases of approximately 1.1 trillion yen, we had initially assumed that cash levels at the end of the current fiscal year would be roughly equivalent to one month of sales. In practice, however, we expect cash levels to remain above that initial target for some time. Accordingly, we intend to maintain DOE in both the current and the next fiscal year. In the following fiscal year, cash outflows of approximately 1.2 trillion yen are expected to subside, and we also anticipate new earnings contributions from new models.

When we introduced DOE, our intention was not to rigidly adhere to a numerical benchmark such as 3%, but rather to ensure continuous and stable shareholder returns,

including maintaining the dividend amount itself. That fundamental approach remains unchanged.

Q : Analyst G

I view it very positively that Honda has implemented impairment losses and write-offs of this magnitude as part of the reassessment of its EV strategy. At the same time, what matters more is the outlook after these losses have been absorbed. Could you share your views on the business outlook from FYE March 31, 2028 onward?

Specifically:

1. To what extent do you expect profitability to improve as HEVs transition to next-generation models?
2. Is in-house development of NoA an effective approach?
3. How do you plan to strengthen cost competitiveness in Asia, including India?

In addition, it has been market consensus that EV losses would remain around 400 billion yen. How has this assumption changed because of the current reassessment?

A : Mibe

This decision should not be interpreted as abandoning EVs. Rather, it reflects our recognition that we need to fundamentally transform the structure of our automobile business.

Some of the investments made in EVs have already been incurred, and this was therefore a very difficult decision for us. At the same time, we see this as an opportunity to redefine how our automobile business should evolve toward the next phase of growth.

With respect to the ICE business, our focus will be on next-generation HEVs. For mid-size HEVs, we expect meaningful cost reductions, and we believe these models will remain highly competitive. We view them as a strong offering in the North American market.

Looking ahead, our automobile business needs to compete more directly with Chinese manufacturers on a global basis. Continuing with the existing approach will make it difficult to compete effectively, and therefore structural reform of our business model is essential. We are currently working internally to develop a new strategy, which we plan to present in May.

Regarding NoA, we continue to closely monitor development progress, and in the Chinese market, we plan to adopt NoA systems supplied by Momenta. We will evaluate performance and cost competitiveness by continuously benchmarking against Chinese competitors and determine whether in-house development is justified. Our view is that we should not pursue in-house development unless it clearly delivers sufficient capability.

India is positioned as a key focus area going forward; however, we do not believe that our past initiatives have been fully successful. We need to rebuild the business on an entirely different footing from previous efforts, and we also plan to provide further details on this topic in May.

In addition, across ICE, HEV, and future next-generation EVs, we believe that overall development costs need to be reduced to nearly half of prior levels. We will explain the full scope of these initiatives in greater detail at our May briefing.

A : Fujimura

At this stage, we cannot present specific numerical targets for FYE March 31, 2028. However, based on our assessment that EV business viability is not currently assured, we have decided to suspend certain plans, particularly in North America.

For areas positioned as next-generation initiatives, we believe it is necessary to continue a certain level of preparation. At the same time, we must carefully assess when EV demand will re-emerge.

In determining how much EV-related investment loss we can reasonably tolerate, our approach is to first generate stable earnings from the ICE business, and then back-calculate how much can be allocated to EV investments within that capacity.

For future model development, we will need to assess profitability under stricter assumptions than before, for example, assuming the absence of IRA subsidies. Having made the difficult decision to record substantial impairments this time, we believe it is essential to apply a much more rigorous standard when granting development approval going forward. While consensus within the Company has not yet been fully achieved, we intend to proceed with development only where commercial viability can be clearly demonstrated.

With respect to Asia and Japan, we continue to operate in environments where a portion of development costs can be effectively leveraged. Taking regional characteristics into account, we will make overall decisions based on what is optimal from a total business perspective.