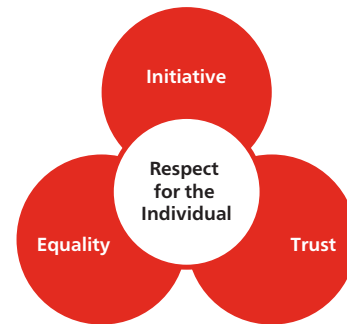


Honda Philosophy

Fundamental Beliefs

Respect for the Individual



- Initiative** : Initiative means not to be bound by preconceived ideas, but to think creatively and act on your own initiative and judgment, while understanding that you must take responsibility for the results of those actions.
- Equality** : Equality means to recognize and respect individual differences in one another and treat each other fairly. Our company is committed to this principle and to creating equal opportunities for each individual. An individual's race, sex, age, religion, national origin, educational background, and social or economic status have no bearing on the individual's opportunities.
- Trust** : The relationship among associates at Honda should be based on mutual trust. Trust is created by recognizing each other as individuals, helping out where others are deficient, accepting help where we are deficient, sharing our knowledge, and making a sincere effort to fulfill our responsibilities.

The Three Joys



- The Joy of Buying** : The joy of buying is achieved through providing products and services that exceed the needs and expectations of each customer.
- The Joy of Selling** : The joy of selling occurs when those who are engaged in selling and servicing Honda products develop relationships with a customer based on mutual trust. Through this relationship, Honda associates, dealers and distributors experience pride and joy in satisfying the customer and in representing Honda to the customer.
- The Joy of Creating** : The joy of creating occurs when Honda associates and suppliers involved in the design, development, engineering and manufacturing of Honda products recognize a sense of joy in our customers and dealers. The joy of creating occurs when quality products exceed expectations and we experience pride in a job well done.

Company Principle

Maintaining a global viewpoint, we are dedicated to supplying products of the highest quality yet at a reasonable price for worldwide customer satisfaction.

Management Policies

- Proceed always with ambition and youthfulness.
- Respect sound theory, develop fresh ideas and make the most effective use of time.

- Enjoy your work and encourage open communications.
- Strive constantly for a harmonious flow of work.
- Be ever mindful of the value of research and endeavor.

Sources of Value Creation by Numbers | Six Capitals

<p>Financial Capital A strong financial base that allows us to invest resources for transformation</p> <p>Net cash (excluding financial services) 3.8 tn YEN <small>(As of Mar. 31, 2024)</small></p> <p>Total capital 13.0 tn YEN <small>(As of Mar. 31, 2024)</small></p> <p>Interest-bearing debt (excluding financial services*1) 0.9 tn YEN <small>(As of Mar. 31, 2024)</small> <small>*1 Including 2.75 bn USD Green Bond issue</small></p>	<p>Human Capital Support for individual and organizational growth that leads to value creation</p> <p>Number of associates Consolidated 194,993 associates</p> <p>Non-consolidated 32,443 associates <small>(Number of associates as of the end of FY2024)</small></p>	<p>Manufacturing Capital Evolution of production system to achieve high product attractiveness</p> <p>Number of product assembly sites 75 sites <small>(As of Mar. 31, 2024)</small></p> <p>Capital investment*2 387.9 bn YEN <small>(As of Mar. 31, 2024)</small> <small>*2 Capital investment for the introduction of new models, expansion, rationalization, renewal of production facilities, and expansion of sales and R&D facilities, etc.</small></p>	<p>Intellectual Capital Enhancing the technological innovation capability to create compelling products and services</p> <p>R&D expenses R&D expenses in the fields of electrification and software Approx. 5 tn YEN <small>(FYE Mar. 31, 2022 to the Fiscal Year Ending March 31, 2031)</small></p> <p>Preparation for new growth Approx. 1 tn YEN <small>(FYE Mar. 31, 2022 to the Fiscal Year Ending March 31, 2031)</small></p> <p>R&D expenses 976.3 bn YEN <small>(FYE Mar. 31, 2024 results)</small></p> <p>Number of domestic and overseas patents*3 More than 39,000 patents <small>(As of Mar. 31, 2024)</small> <small>*3 number of registered patents both domestically and internationally (excluding pending applications)</small></p>	<p>Natural Capital Reduction of environmental impact for coexistence and co-prosperity with nature</p> <p>Energy input Direct 19,600 TJ</p> <p>Indirect 23,600 TJ <small>(FYE Mar. 31, 2024)</small></p> <p>Resource input Water withdrawal 31,700 km³ <small>(FYE Mar. 31, 2024)</small></p>	<p>Social and Relationship Capital Deepen and expand relationships of trust and cooperation with stakeholders</p> <p>Number of group companies 360 companies <small>(including 289 consolidated subsidiaries and 71 affiliates accounted for under the equity method) (As of March 31, 2024)</small></p> <p>Brand value*4 24,412 m USD <small>(2023)</small></p> <p>Best Global Brands 2023 Automotive*4 5th in the world <small>(2023)</small> <small>*4 According to Interbrand research</small></p>
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Global Sales Figures for FYE Mar. 31, 2024 (10 thousand units)

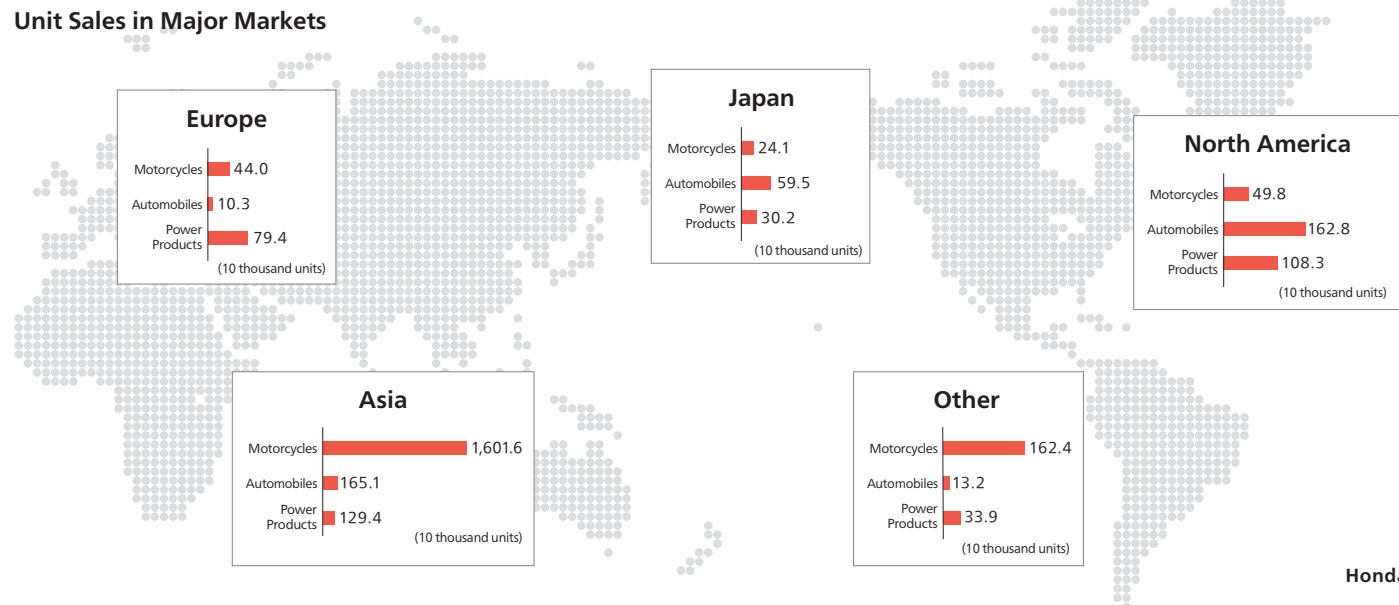
2,674.0

Motorcycles
1,881.9
+

Automobiles
410.9
+

Power Products
381.2

Unit Sales in Major Markets





The dreams of each and every one of us working together have always been the driving force of Honda.

We have different kinds of dreams, but by applying our original technologies, ideas and design we take on challenges continuously to realize mobility that enables our customers to enjoy life with more freedom, more convenience and more fun.

The future mobility Honda dreams of will create a joy and freedom of mobility that enables people to transcend the constraints of time and place, and augment their every possibility.

Such mobility will become the “power” for people who are trying to advance toward their own dreams.

Dreams that will move even more people, until there is an endless expanse of new dreams.

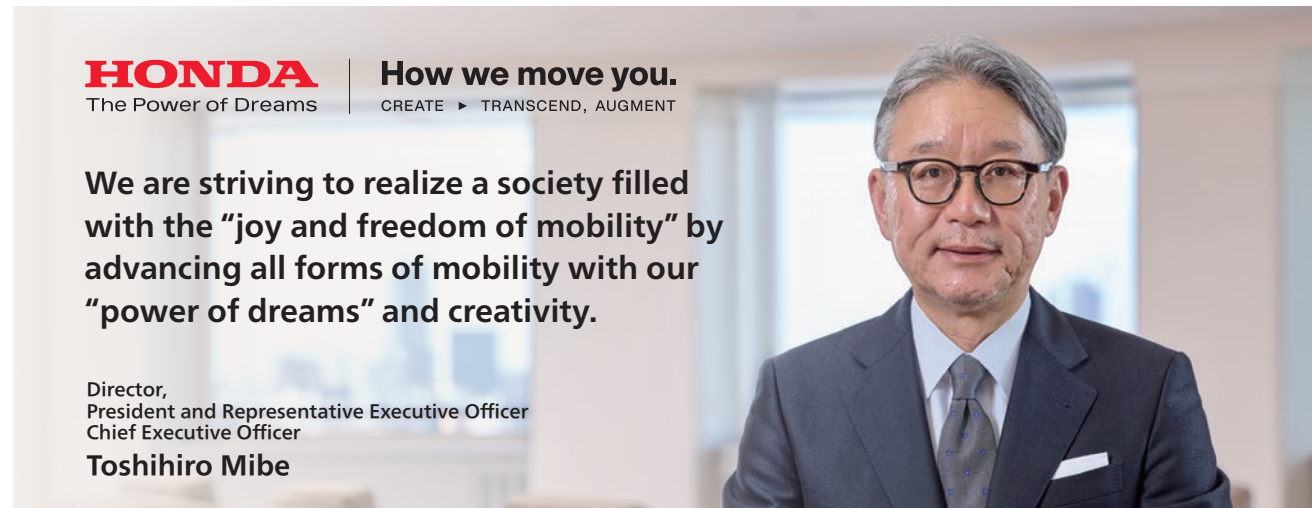
The Power of Dreams

Through the creation of mobility we dream of, Honda will become “The Power of Dreams” of more and more people. That is how we will move people and society forward.

HONDA
The Power of Dreams

How we move you.
CREATE ► TRANSCEND, AUGMENT

CEO Message



Believing in the limitless power of dreams, Honda continues to be the “power” that supports the realization of people’s dreams.

The starting point of Honda was the founder’s strong desire to help people with our own technology. Today, as a comprehensive mobility company, we offer a wide range of mobility products and services to customers around the world.

In 2023, we redefined the existing Honda Global Brand Slogan, “The Power of Dreams” to re-clarify the “value proposition” Honda aims to offer and the driving force behind our pursuit of dreams. In this process, we thoroughly discussed the essential value of all the mobility products and services we have offered thus far.

After extensive consideration, we concluded that mobility products and services are not merely tools for people to get to places, but have the wonderful value of enabling people to transcend various constraints such as time and space, and augment their abilities and possibilities. Including the sensation of cutting through the wind when we learned how to ride a bicycle for the first time in our childhood, the scenery and smells of new places we went to by car with family, and the view from the window of our first airplane ride, we have experienced a lot of joys through the value of mobility: enabling us to “transcend” constraints and “augment” possibilities.

The wish to “go to places farther, faster, and more freely” is a fundamental desire of all people, and the mobility products and services that fulfill this wish hold infinite possibilities.

All of us who work at Honda are passionate about further advancing mobility products and services that offer the universal and essential value that accommodates such fundamental desire and spread “the joy and freedom of mobility” throughout the world. Each and every one of us who work at Honda have our own dreams of “what we want to do and be,” and we believe that the “creation” that generates great value for our customers is realized when our strong passion and individuality collide and diverse knowledge and dreams interact with each other. Driven by dreams, we are continuing to take on challenges to realize mobility products and services which offer “more freedom, more convenience, and more fun.”

Through their value of enabling people to transcend constraints of time and space and to augment their abilities and possibilities, Honda mobility products and services derived from our dreams and creativity will “move” people physically and also “move” people’s hearts all around the world, becoming the power that enables people to take a step toward their dreams.

The power of dreams of such people who took steps forward will spread and create new connections, resulting in an expanse of dreams throughout society. Believing in the limitless power of dreams spanning around the world, Honda wants to be the “power” that supports its realization.

To Sustainably Offer the Joy and Freedom of Mobility

To continuously offer the “joy and freedom of mobility” to people around the world, we believe it is crucial to ensure that our mobility products and services do not have any negative impact on people and society.

At Honda, we believe it is a responsibility of mobility companies to address environmental and safety issues related to mobility. With such a belief, Honda has always been tackling those two major societal issues seriously and sincerely. For example, Honda not only developed the CVCC engine, the world’s first engine to comply with the standards set forth in the 1970 U.S. Clean Air Act (the Muskie Act), which was deemed “impossible to meet” at the time, but also disclosed CVCC technology to other automakers, making a significant contribution to reducing air pollution caused by motorization. Another example is the development of airbags. Even before global interest in automotive safety technology grew, Honda persistently pursued research on airbags and became the first automaker to introduce a driver-side SRS airbag system in an automobile manufactured in Japan. This significantly contributed to the subsequent widespread adoption of airbags.

Such corporate attitude of Honda has not changed in the slightest even today. Honda remains deeply committed to addressing the major societal issues concerning the environment and safety with sincerity and taking proactive steps toward their resolution to create a better future. By joining forces and moving forward hand in hand with those who resonate with Honda’s approach, we would like to tackle ambitious goals that cannot be achieved alone.

Completely eliminating the environmental impact of mobility products and services is an extremely challenging task; however, we are strengthening collaboration among relevant companies to evolve our comprehensive efforts to address environmental issues over the entire lifecycle of our products beyond the scope of our own corporate activities. Similarly, in the area of safety, we will continue to advance our multifaceted initiatives toward our goal to realize zero fatalities from traffic collisions involving Honda motorcycles and automobiles, where everyone can enjoy mobility freely with peace of mind.

CEO Message

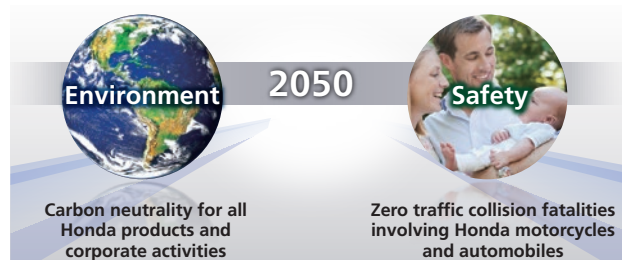
The Five Key Themes toward the Future Honda Envisions

In 2023, we clarified key areas of focus by systematically identifying societal issues from the perspective of sustainability and aligning them with the direction of Honda. Specifically, we have identified five themes in non-financial areas: “people” and “technology,” which are the driving force behind the growth of Honda; “brand,” which represents the sum of all our corporate activities; and “environment” and “safety,” which have been key management priorities of Honda.

The sources of the company’s growth are the “people” who continue to take on bold challenges with an intrinsic and strong will and the “technology” that is created from relentless research and tireless effort. We believe that the accumulation of individual corporate activities, including the offering of high-quality products and services created from our “people” and “technology,” shapes an attractive “brand” that is relatable to our stakeholders.

Furthermore, we view “environment” and “safety” as the most critical societal issues that Honda must address with the utmost sincerity, being a comprehensive mobility company. Under the theme of “realizing a society with zero environmental impact and zero fatalities from traffic collisions,” we are committed to developing and implementing effective measures with speed.

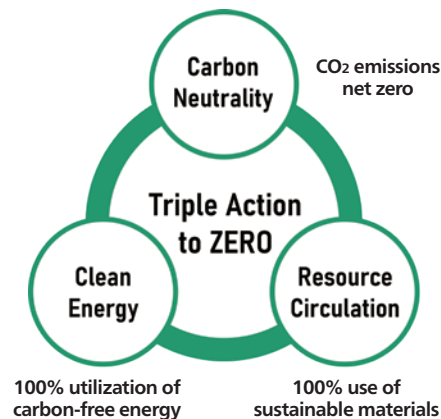
Rather than waiting for others to take initiative, Honda will take a step forward as a frontrunner, striving to achieve a sustainable society where everyone can continually enjoy the “joy and freedom of mobility.”



Achieving Carbon Neutrality throughout the Entire Product Lifecycle

Working toward the realization of a society with zero environmental impact, in 2021, we established the “Triple Action to ZERO” approach

and defined a specific direction of actions and target timelines for achieving our goals. Among the three actions, achieving “net zero CO₂ emissions” is especially important; therefore, Honda is striving to achieve carbon neutrality for all products and corporate activities by 2050. To this end, Honda is working globally with numerous partners on measures to reduce CO₂ from the entire product lifecycle – from material and component procurement to product design, development, production, logistics, sales, customer use, and to the end of vehicle life. While recognizing it is an extremely difficult goal to attain, Honda will continue taking on bold challenges to sustainably offer the “joy and freedom of mobility” to people all around the world.



To achieve our carbon neutrality goal, we need to significantly reduce “CO₂ emissions during product use,” which constitutes the majority of Honda overall CO₂ emissions. For small-size mobility products such as motorcycles and automobiles, battery electric vehicles (BEVs) will be the most effective long-term solution. Therefore, it is crucial to procure batteries, the core components of BEVs, through a value chain with minimal environmental impact.

As the first step, we decided to position our existing auto plants in Ohio as the Honda EV Hub. Including the retooling of our existing plants and the construction of a new joint venture battery facility in the vicinity with LG Energy Solution, we are making progress in building the foundation of our EV production in North America.

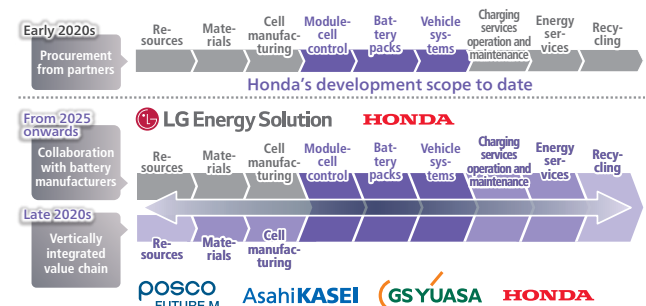
As the second step, in Canada, we will strive to build a comprehensive EV value chain that includes all aspects of EV production, from the procurement of raw materials mainly for batteries, to the production of finished EVs. We will leverage the EV production know-how to be amassed at the Ohio EV Hub, combined with the abundant resources and clean energy available in Canada.

We also announced separate collaborations with POSCO Future M Co., Ltd. and Asahi Kasei Corporation for production of cathode materials and separators, respectively, for automotive batteries in Canada. We will proceed with discussions toward the establishment of separate joint venture companies which will produce these components for batteries for BEVs Honda will produce mainly for the North American market. By leveraging the strengths of each of these collaborating partners combined with our strengths, such as material technologies and electrification technologies, we will significantly enhance the performance of key battery components, which will enable Honda to deliver high-performance BEVs that offer greater value to our customers.

By ensuring a stable supply system for EV batteries, we aim not only to enhance the cost competitiveness of our BEVs as a whole but also to maximize the value of batteries throughout their lifecycle, including secondary use and recycling. Through these efforts, we will strive to establish a foundation for highly profitable EV business and contribute to the realization of a carbon-neutral society.

To achieve a society with zero environmental impact, Honda will continue to work with partners to advance our efforts toward achieving carbon neutrality throughout the entire lifecycle of our products.

For more details about our efforts, please refer to ➡p. 44



CEO Message

Multifaceted Initiatives to Realize Carbon Neutrality

To achieve carbon neutrality for the entire society, Honda is not only electrifying our products but also taking on challenges through a multifaceted approach.

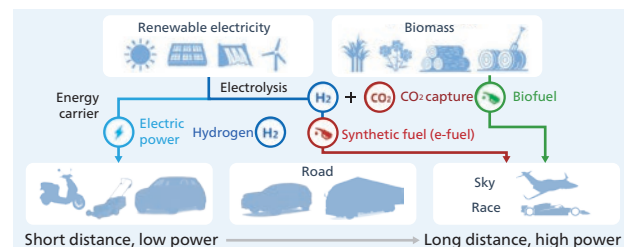
For example, as for power supply systems for medium- and large-sized vehicles and large infrastructure, which are difficult to electrify completely with batteries due to their high operation rates, we are striving to achieve carbon neutrality through the widespread adoption of hydrogen fuel cell systems.

As for aircraft, since full electrification of aircraft, which requires long-distance and high-speed travel, will take more time, we believe that sustainable aviation fuels (SAF) will be an effective solution for achieving carbon neutrality. To promote and expand the use of SAF, we are making progress in our foundational research and collaboration with industry organizations through three approaches: making rules, and creating and using SAF.

Furthermore, according to the IEA's "Net Zero by 2050" report, it is predicted that CO₂ emissions from the industry, transport, and buildings sectors will not reach zero by 2050. To achieve net-zero emissions, negative emissions technologies for capturing and removing carbon dioxide from the atmosphere are required. At Honda, we have already started research on Direct Air Capture (DAC) technology and are pursuing collaboration with partners to demonstrate and eventually commercialize our DAC technology in the future.

We are also taking various approaches to carbon neutrality such as developing energy management systems that support stable power supply and the expansion of the utilization of renewable energy through Vehicle-to-Home (V2H) and Vehicle-to-Grid (V2G) power output, as well as further utilization of the Honda Mobile Power Pack e: portable and swappable batteries.

For more details on these initiatives, please refer to ➡ p. 42, p. 61.

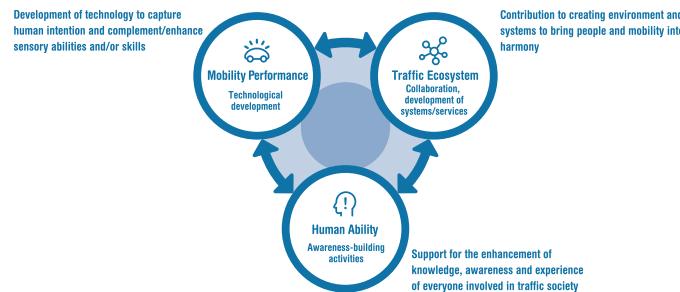


Striving to Realize a Society with Zero Fatalities from Traffic Collisions

Honda is striving for a society with zero fatalities from traffic collisions, where everyone can enjoy mobility more freely and based on their curiosity, while feeling complete peace of mind. We aim to realize zero fatalities from traffic collisions for the safety of not only those using automobiles and motorcycles but also everyone sharing the road.

The high number of traffic collision fatalities remains a serious issue worldwide. As the world's leading manufacturer of motorcycles, Honda is committed to taking proactive leadership in initiatives to enhance safety for everyone sharing the road. Our goal is to achieve "zero" fatalities from traffic collisions involving Honda motorcycles and automobiles worldwide by 2050.

To achieve this goal, we are advancing efforts in the following areas: "mobility performance (technology development)," "human capabilities (awareness and education activities)," and "traffic ecosystem (collaboration with others and development of systems and services)."



Mobility Performance (Technology Development)

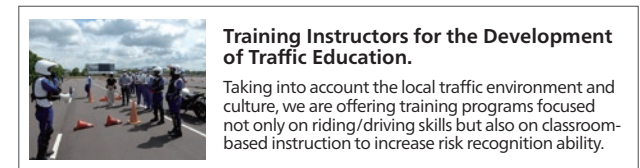
To further enhance the safety of mobility, we need integrated performance that complements or augments human capabilities, including technologies that protect the human body, minimize collision risks, and understand and communicate the intentions of people on the road to vehicles and other people.

For automobiles, in addition to the enhancement of collision safety performance and the expansion of Advanced Driver Assistance Systems (ADAS) applications, we are making progress in the development of next-generation technologies to eliminate traffic collisions caused by human error during driving. For motorcycles, we are expanding the

application of advanced braking systems such as "ABS" and "CBS," as well as high-visibility and highly recognizable lighting systems.

Human Ability (Awareness Activities)

The foundation of traffic safety is "people." Therefore, it is crucial to enhance not only driving skills and cognitive and judgment abilities but also the overall human ability including the mental aspect, such as having compassion toward others. Based on this belief, we are proactively offering training programs for current and future instructors and conducting workshops at our traffic education centers. Additionally, we are making progress in our efforts to contribute to the enhancement of traffic regulations and rules, including driver's license systems, in various countries to further promote safe driving practices.



Training Instructors for the Development of Traffic Education.

Taking into account the local traffic environment and culture, we are offering training programs focused not only on riding/driving skills but also on classroom-based instruction to increase risk recognition ability.

Traffic Ecosystem (Collaboration with Others and System/Service Development)

To achieve zero fatalities from traffic collisions, it is important not to automatically create technology-based safety without incorporating human intentions. Instead, we should use technology to bring out the inherent sense of mutual respect among everyone sharing the road and enable them to cooperate more easily based on their own intentions.

To this end, what we needed is technology that supports people on the road in sensing each other's intentions and emotions, and giving consideration to each other's situations. Therefore, we are developing "Safe and Sound Network Technology" to help everyone sharing the road anticipate collision risks and prepare for potential collisions. Through demonstration testing and the establishment of public-private collaboration platforms, we are striving to facilitate smooth real-world implementation of such technology.

By realizing a warm and supportive mobility society, where everyone works together, Honda strives to create a future where people are inspired to do more things based on their own initiative.

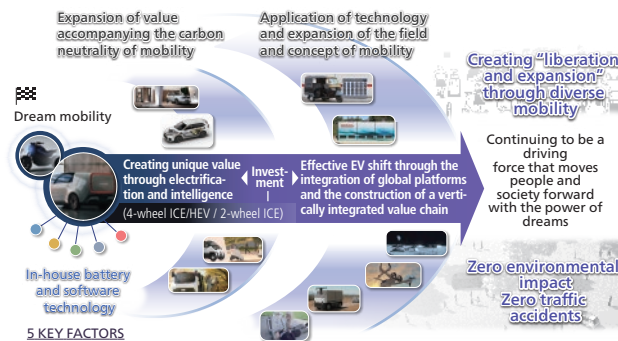
For more details on these initiatives, please refer to ➡ p. 64.

CEO Message

Advancing as a Comprehensive Mobility Company

To sustainably offer the joy and freedom of mobility, Honda will continue pursuing electrification and enhanced application of intelligence technology for our various businesses and products. In addition to ensuring the stable production and supply of batteries, essential for electrification, we are swiftly and flexibly addressing diverse challenges which go beyond the scope of our traditional business. Such challenges include securing critical minerals for our products, reducing costs, developing next-generation battery technologies and expanding customer convenience through IoT.

In addition to the advancement of our mobility products and services themselves, we are proactively enhancing our involvement in new businesses emerging with the electrification of mobility, such as businesses involving charging networks, battery reuse and energy management systems. We are also taking on challenges to create new value in new technology areas such as electric vertical take-off and landing aircraft (eVTOL) and rockets, which will significantly expand the conventional field of mobility.



As a comprehensive mobility company, we will continue pursuing the creation of exciting products and services without being constrained by existing boundaries. We will strive to achieve “zero environmental impact” and “zero fatalities from traffic collisions” with our dream-inspiring mobility solutions and diverse services created with the creativity of each and every one of us at Honda. At the same time, by offering the value proposition of

Honda – enabling people worldwide to transcend constraints and augment their possibilities – we will strive to become the “power” that moves people and society forward.

Expanding Partnerships to Realize the Value Proposition of Honda

As In order to realize the value proposition of Honda, we will have to overcome numerous, unprecedented and difficult challenges. Addressing these challenges necessitates not only our own efforts at Honda, but also collaboration with other companies and stakeholders to complement our capabilities in key areas such as batteries and software. To this end, we are expanding partnerships with companies that have strengths in these areas, in addition to strengthening our internal initiatives like talent development and recruitment.

Moreover, to accommodate the advancement of mobility products and services, we must urgently install new infrastructure to our society such as charging networks and technologies for the “Safe and Sound Network.” Honda will work together with partners who share the same passion and goals to realize a society filled with the “joy and freedom of mobility.”

Recently, Honda and Nissan Motor Co., Ltd. agreed on and started joint research in fundamental technologies in the area of platforms for next-generation software-defined vehicles (SDVs). This is the result of a series of discussions based on the memorandum of understanding (MOU) we signed on March 15 regarding a strategic partnership.

We have also signed a new MOU to deepen our partnership in areas such as the commonization of core EV components such as batteries and e-Axles*, mutual complementary vehicle supply, and energy services in Japan.

Furthermore, another MOU was signed among Honda, Nissan, and Mitsubishi Motors, formalizing Mitsubishi Motors’ participation in the framework which has been discussed between Honda and Nissan.

By combining each company’s strengths and achieving synergistic effects, we believe we can create a new value of automobiles. We will proceed with our discussions with an aim to

accelerate our development speed and lead the world in the fields of applications of intelligence and electrification technologies.

Battery area



Software area



Energy management / resource circulation area



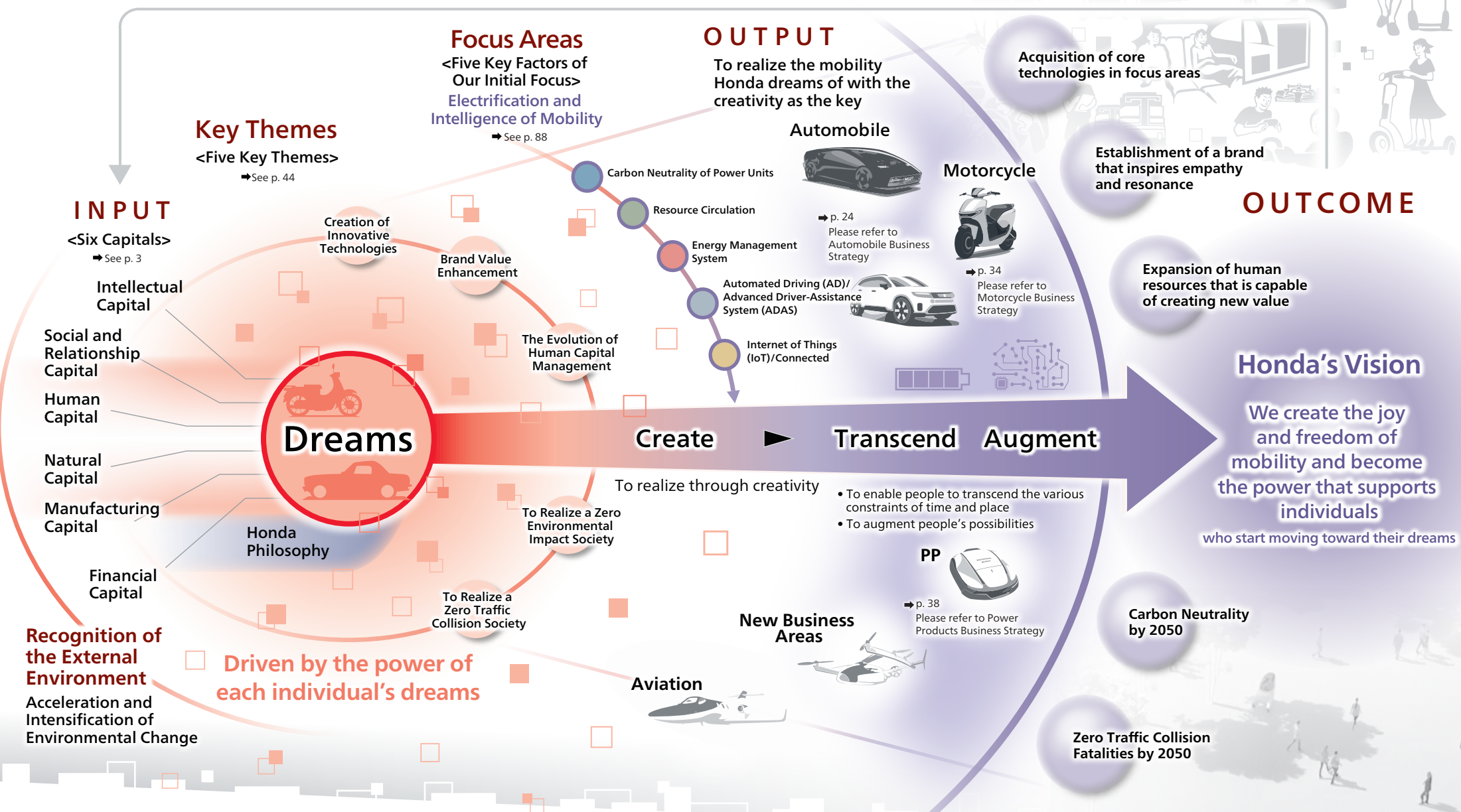
Diverse technological areas with a focus on electrification and application of intelligence technology



To realize our future vision, Honda will continue to boldly pursue new challenges. Please keep your expectations high for the dream-inspiring mobility products and services Honda will create for the joy and freedom of mobility.

* e-Axles: a system responsible for converting energy from electricity to mechanical power through a motor, inverter, and gearbox

Value Creation Process



Business Strategy



Toward Business Transformation Centered on Electrification Electrification Approach in Small Mobility

Achieving carbon neutrality by 2050 involves various approaches beyond battery electrification. For instance, in large mobility such as aircraft and ships, sustainable aviation fuels (SAF) and e-fuels are considered promising due to their ability to address range limitations. It is essential to adapt to diverse solutions based on the characteristics of different types of mobility. Honda is advancing fundamental research and exploring business opportunities through multifaceted approaches, including fuel cells, SAF, and direct air capture (DAC), to contribute to the achievement of carbon neutrality.

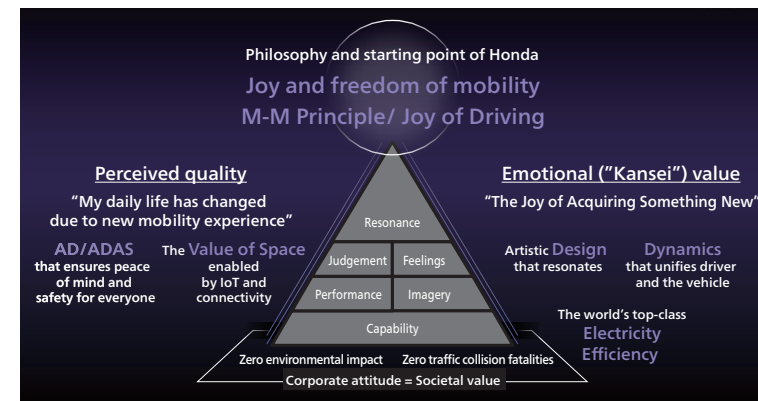
On the other hand, for small mobility sectors such as motorcycles and automobiles, which are at the core of Honda’s business, we believe that battery electric vehicles (EVs) will be the most effective long-term solution. While the environment surrounding electrification is rapidly changing, and there are indications of a slowdown in EV adoption, particularly in regions like North America and Europe, where it is said that “EV adoption has reached a plateau,” we are confident that the shift towards EVs will continue steadily from a long-term perspective.

In what can be described as the “EV transition phase,” we consider it natural that the pace of EV adoption will fluctuate. While it is crucial to establish a system that can flexibly respond to changes in the market environment, it is equally important not to become overly focused on these short-term fluctuations. Instead, we must firmly prepare for the period of widespread EV adoption expected in the late 2020s and beyond. This involves steadily building a strong EV brand and a robust business structure with a medium- to long-term perspective. Rather than merely reacting to market changes, we are committed to addressing societal challenges earnestly and boldly pursuing the creation of new value. Our goal is to pave the way for a future where everyone can experience the “joy and freedom of mobility.”

Electrification and Intelligence Strategy in Automobile Business The Essence of Car Manufacturing and the Value We Want to Offer with Next-Generation EVs

Honda has long cherished the principles of “M/M Principle*” and the “Joy of Driving” in its approach to car manufacturing. With next-generation EVs, we aim to elevate these principles to new heights while also adding new value derived from electrification and intelligent technologies. Our goal is to offer a new mobility experience by delivering EVs that uniquely embody Honda’s commitment to seamlessly integrating hardware and software at an advanced level, thus bringing the “joy and freedom of mobility” to life.

* M/M Principle: The “Man-Maximum, Machine-Minimum” concept, which means “maximizing space for people while minimizing space for mechanisms”



Electrification Shift in Anticipation of EV Adoption Era

During the current EV transition phase, we are actively leveraging alliances to gain new insights while strategically introducing EVs tailored to regional characteristics. This approach ensures a solid foundation for the future shift to EVs. As we look towards the full-scale EV adoption era in the late 2020s, we plan to launch our new global EV, the “Honda 0 Series”, starting in 2026, with North America as the initial market, followed by a global rollout.

By Fiscal Year Ending March 31, 2031, we aim to achieve a global sales ratio of over 30% for EVs and Fuel Cell Electric Vehicles (FCEVs). To realize this goal, we will enhance added value through Honda’s unique technological approach, which ensures high product competitiveness, and by evolving the value we provide across the entire value chain. On the cost side, we plan to reduce battery costs—currently accounting for about 40% of EV costs—by 20% through the establishment of a comprehensive EV value chain centered around core components like batteries. Additionally, we aim to reduce production costs at our vehicle assembly plants by 35%, thereby building a competitive business foundation.

By accelerating the independence of our EV business through attractive products and a lean business structure, we aim to achieve an Return on Sales (ROS) of over 5% for the EV business alone by Fiscal Year Ending March 31, 2031.

Business Strategy

EV Product Lineup Strategy

(1) Early 2020s (Transition Period): Flexibly Introduce EVs Tailored to Regional Characteristics

As mentioned earlier, during the early 2020s, a transitional period for EVs, we will introduce appealing EVs that reflect Honda's unique strengths, tailored to regional characteristics. This approach will allow us to steadily prepare for the widespread adoption of EVs in the future.

Specifically, in North America, we will launch the "Prologue," a model co-developed with GM, starting in 2024. In China, where EV adoption is progressing rapidly, we introduced the "烨 (Ye)" series as the next EV lineup following the e:N series. In this fast-evolving market, we will continue to pursue innovation and accelerate the expansion of our EV lineup. In the small EV segment, we will launch the small commercial EV "N-VAN e:" in Japan this fall, followed by a small passenger EV in 2025 and a compact EV emphasizing driving enjoyment in 2026. These models will be introduced sequentially in regions where there is demand for compact EVs.

(2) Late 2020s (Widespread Adoption Phase): Global Rollout of the Honda 0 Series

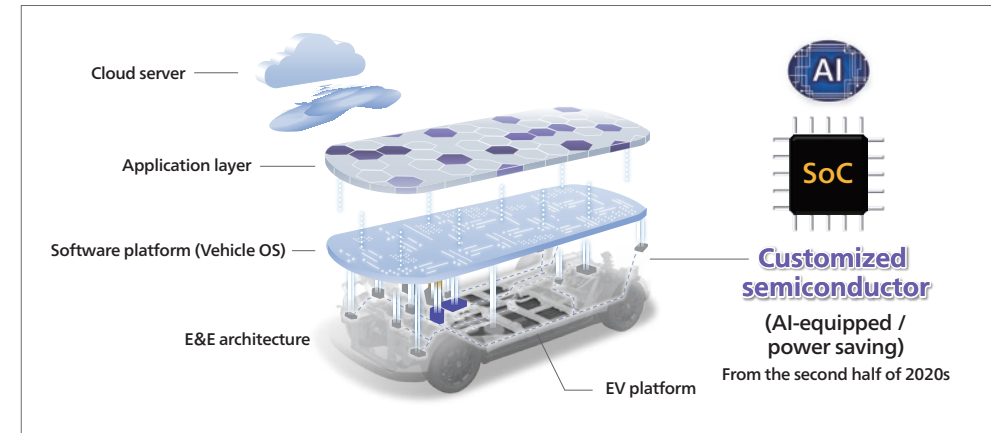
As we approach the full-scale EV adoption phase in the late 2020s, we will globally launch the all-new EV "Honda 0 Series" starting in 2026. This series will be created with a new development approach, "Thin, Light, and Wise." We plan to introduce various models, including the flagship "SALOON," which was unveiled at CES 2024, held in Las Vegas, Nevada, USA in January 2024.

Achieving a New Mobility Experience through Intelligence

From the "Wise" perspective, one of the key development approaches of the "Honda 0 Series," we will equip the vehicles with Honda's proprietary vehicle OS. Coupled with advancements in connected technology, this will deliver a highly optimized digital user experience tailored to each customer. We are independently developing the foundational electrical and electronic (E&E)* architecture, the software platform on top of it, and the applications that run on the system. Furthermore, we will enhance the product value by customizing the onboard system on chip (SoC) semiconductors with AI integration and low power consumption. This unique approach will enable us to offer a new mobility experience through the automation and intelligence of mobility.

* E&E (Electrical and Electronic): design and structure of systems that connect devices such as ECUs and sensors installed in vehicles

To offer a digital UX optimized for each individual customer, Honda will equip its EVs with original vehicle OS and independently developed underlying architecture.



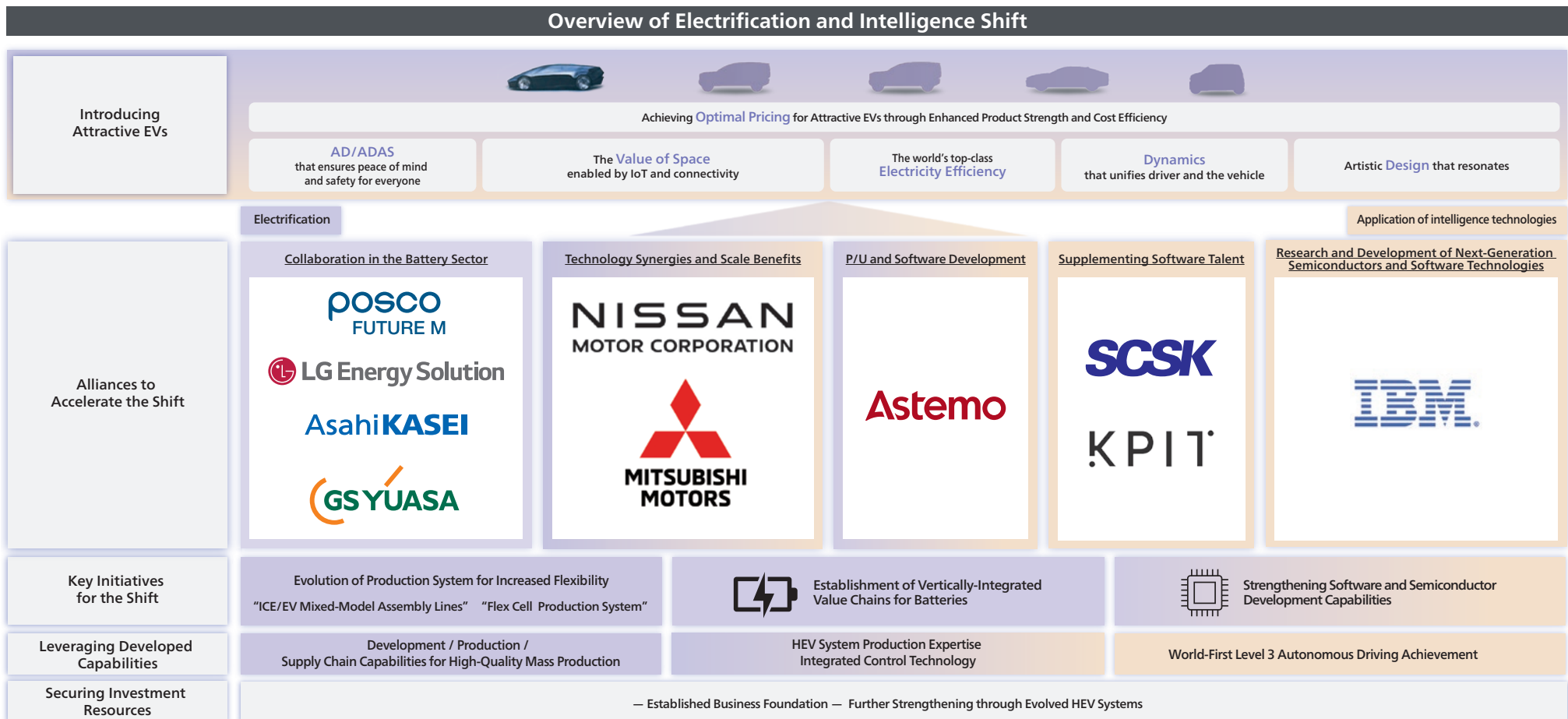
In the models to be introduced in the late 2020s, we aim to achieve a level of evolution where the car embodies intelligence by using a "central architecture" that consolidates all the brain functions in a core ECU. This approach will enable seamless integration of the vehicle's entire functionality, allowing us to respond to each customer's preferences and needs with high precision and provide new and unprecedented experiences.

To realize these goals, we need advanced software development capabilities based on the concept of "software-defined mobility," where software defines the value of hardware and services. Additionally, accelerating intelligence through AI technology requires advanced semiconductor design capabilities that balance high processing power with excellent energy efficiency. Therefore, Honda is actively pursuing not only the utilization and reskilling of internal human resources but also the expansion of partnerships to complement our capabilities. We are building a partnership with SCSK for software development and have signed a memorandum of understanding (MoU) with IBM for long-term joint research and development of next-generation semiconductor and software technologies. Through these comprehensive efforts, we aim to provide new and exciting experiences to our customers through the advancement of intelligent mobility.

Building a Flexible Response System to External Environmental Changes

During the transition period from ICE/HEV (Internal Combustion Engine/Hybrid) to EV, we will secure resources for electrification through further evolution of HEV models and build a production system capable of flexible responses to accelerating or decelerating EV demand and other environmental changes. For HEV models, significant cost reduction and weight reduction will be achieved through the proprietary 2-motor HEV system “e:HEV” and updates to the vehicle platform. By continuing to deliver these globally, we aim to strengthen the overall ICE business, including HEV, and steadily secure revenue.

Meanwhile, in terms of production technology, we will prepare for demand fluctuations by balancing existing ICE/EV mixed assembly lines with dedicated EV factories. Additionally, we will introduce a unique “Flex Cell Production System” combining modularization of battery components and cell production methods, allowing for flexible adjustments of production models and volumes in response to changes in EV demand and surrounding conditions.



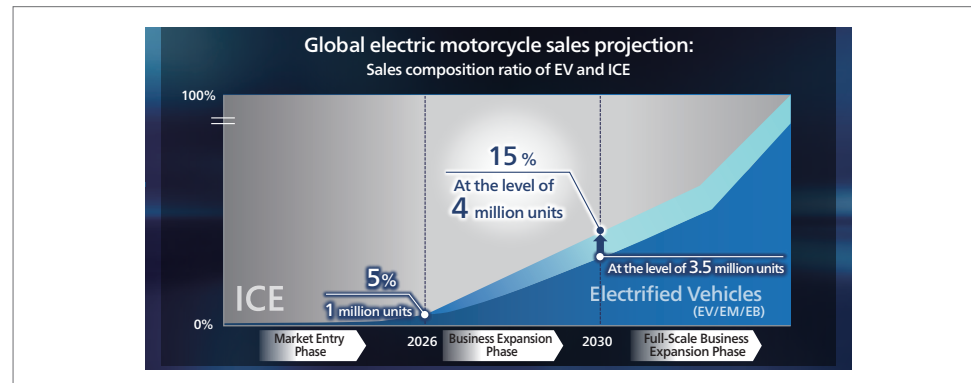
Business Strategy

Electrification Strategy in the Motorcycle and Power Products Business

Motorcycle Business

In the motorcycle business, we aim to achieve carbon neutrality across all products by the 2040s. To reach this target, we are positioning 2024 as the starting year for the global expansion of electric motorcycles. We will intensify our entry into the electric motorcycle market, focusing on India and ASEAN countries, and work to expand our product lineup globally. In addition, in the world's largest motorcycle market, India, we have established a new research and development center in Bengaluru, known as the "Silicon Valley of India," in 2024. We are committed to creating attractive electric products to accelerate electrification and leveraging our strategic location to collaborate with innovative companies, aiming to create new services and businesses.

For global electric motorcycle sales in 2030, we have set a target of 4 million units. To achieve this sales volume, we plan to introduce approximately 30 global electric models to the market. At the same time, to reduce the cost of finished vehicles, we will optimize specifications, procurement, and production, as well as the modularization of parts. Our goal is to cut costs by around 50% compared to current levels by 2030. We will invest approximately 500 billion yen in the electric business by Fiscal Year Ending March 31, 2031, aiming for a ROS of 5% for the electric motorcycle business alone, and over 10% in the 2030s.



Power Products Business

The power products business aims to address social issues such as labor shortages by providing unique value from Honda, including automation technologies for machinery in addition to electrification. Our goal is to contribute to improving both the "quality of work" and the "quality of life" for people.

We will position the power unit and garden sectors as the main domains for electrification and strengthen our efforts to enhance product capabilities, leading the industry in electrification. Additionally, by leveraging Honda's strength in diverse mobility and sharing core components necessary for electrification with our motorcycle business, we will reduce costs and enhance development and cost competitiveness through inter-business synergies.

Jennifer Thomas

Senior Vice President
Corporate Affairs
American Honda Motor Co., Inc.
Joined American Honda Motor Co., Inc. after working in automotive policy in the United States for over 20 years. She oversees government and industry relations, corporate and product communications in North America, CSR, and I&D. Also serving as an Operating Executive at Honda Motor Co., Ltd from April 2024.
Favorite motto
"Change is inevitable. Growth is optional."
Honda-ism which she has empathy
"Success is 99% failure."



Bringing Honda's Value and Power to Change Society to People around the World

Five years ago, I started my career at American Honda Motor Co., Inc. as Vice President of Government and Industry Relations. Currently, I serve as Senior Vice President of Corporate Affairs, handling public relations, brand communications, and government relations.

What surprised me the most when I joined Honda was Honda's significant presence in the United States. Honda's localization strategy generated employment and tax revenue, greatly benefiting the U.S. and regional economies, which built trust and brand strength beyond my expectations. My current mission is to carry forward the trust and brand that Honda has built over the years and to gain understanding of Honda's vision and strategy from all stakeholders, including the U.S. government, to further strengthen the Honda brand.

Honda aims to achieve carbon neutrality by 2050, with electrification as a key pillar. However, in the United States, there are mixed opinions about electrification and its potential impact on auto jobs. This is especially true when there is a lack of information about electrification. Therefore, we are actively and timely sharing information about our electrification strategy and efforts to reskill our existing workforce with government officials and associates to promote understanding. We still have work to do, but through sincere dialogue, I feel that the momentum to overcome this challenge as one team is growing.

Another example of Honda's leadership that left a strong personal impression on me was during the COVID-19 pandemic. Honda faced the unprecedented situation of halting its production lines. Despite this, Honda wanted to utilize its resources and technology to somehow help people, and we began considering the production of ventilators. With the cooperation of the U.S. government, we found a small medical equipment supplier that manufactured parts for ventilators but could not meet the unprecedented demand. Within just a few weeks, we partnered with this supplier and began manufacturing these vital components at one of our facilities in Ohio. I am still proud of the leadership and contribution to society we demonstrated during such a critical time.

The common thread in these two examples is Honda's unwavering commitment to "doing the right thing for the environment and our customers." Moving forward, I hope to play a role in the period of the "second founding" of Honda and help build Honda's future.

Functional Strategy



We will form a robust yet flexible business foundation that supports transformation through the power of “Human Resources” and “digital”.

Director
Executive Vice President and Representative
Executive Officer
Noriya Kaihara

The Evolution of “Human Capital Management” and “Digital” to Accelerate Transformation

In this phase of business transformation, which can be described as the “period of the ‘second founding’ of Honda,” we believe it is essential to further evolve our initiatives in “human resources,” which form the backbone of the Company, and “digital” areas, which support business operations. By doing so, we aim to build a strong and flexible business foundation and accelerate the transformation process.

To advance our core business transformations in “electrification” and “intelligence,” we will globally visualize and secure the human capital required. We will focus on rapidly fulfilling the need for talent in key areas such as software, batteries, and digital technologies. Additionally, based on the direction indicated by our Global Brand Slogan, we will create an environment where each individual working at Honda can fully leverage their abilities toward realizing their “dreams.”

In the rapidly evolving digital domain, we will steadily advance the development of advanced digital platforms to support our extensive business operations as a comprehensive mobility company. By leveraging exceptional digital technologies across various products and services, we aim to create new value that delivers a range of surprises and excitement.

Human Capital Strategy Supporting Evolution as a “Comprehensive Mobility Company”

As the transformation driven by “electrification” and “intelligence” accelerates, it is essential for Honda’s people and organization to evolve in alignment with this business transformation. It is crucial to develop a

talent portfolio that aligns with Honda’s future vision and the corresponding management and business strategies. We will also strengthen our efforts to ensure we have the right talent in place at the optimal time.

From this perspective, Honda has identified two major directions for human capital management that need to be addressed in both the short to medium term and the medium to long term. The first is the “ensuring both quantity and quality of human resource in focus areas,” and the second is the “activating associates’ intrinsic motivations and fostering the collaboration of diverse individuals” We will define the desired state for each materiality, set quantitative goals linked to these objectives as management indicators, and implement effective measures swiftly through regular monitoring by the management team.

In Honda’s human capital management, we aim to further enhance corporate value by implementing multifaceted initiatives from various perspectives (→ p.72 The Evolution of Human Capital Management). Based on our shared values of the Honda Philosophy, we will continue to challenge ourselves to be a company where passionate individuals come together, and diverse people can shine, driven by their “dreams.”

Ensuring Both Quantity and Quality of Human Resource in Focus Areas Global Management of Human Capital to Establish Competitive Advantage

To enhance competitiveness in new focus areas such as software, batteries, and digital technologies, it is essential to gather diverse expertise from both existing and new domains globally and integrate it at a high level to drive new value creation. To adapt flexibly to future changes in the business environment, we will work on visualizing human capital from both “quantity” and “quality” perspectives across the global organization and building a foundation to align business and talent portfolios.

In focus areas, we will invest unprecedented levels of resources and expand specialized training programs, including collaboration with academia and government, to develop highly skilled professionals. We will also continue to focus on nurturing and securing talent that can thrive globally.

Activating Associates’ Intrinsic Motivations and Fostering the collaboration of Diverse Individuals Strengthening and Reforming an Organizational Culture to Drive Transformation

To accelerate various initiatives for business transformation, it is essential to create an environment where every associate at Honda can fully realize their potential. We are refining all elements that make up our corporate culture to ensure that each individual finds meaning in their work, is passionate about it, has clear personal goals and dreams, and is fully committed to achieving them. Additionally, we are assessing whether the support provided for these challenges is adequate.

Honda has embraced ambitious goals with each individual’s “power of dreams” and “speed,” achieving even greater dreams through the interaction of diverse knowledge and aspirations. We are committed to creating a corporate culture that embodies “The Power of Dreams,” where every associate can fully realize their potential, and we are dedicated to this effort with all our strength.

Functional Strategy

Evolution of Digital Platforms Supporting Business Operations

Recognizing Challenges in the Digital Domain

In advancing the electrification and intelligence of products and services, it is essential to evolve operations across all areas of product development, production, and sales, and to create new value. We recognize that it is urgent to renew core IT systems that support business operations and to establish a digital platform that maximizes the value of data.

We have set forth our DX vision as "Enhancing business transformation speed and operational efficiency through the reform of business processes using digital technology to establish a competitive advantage," and we are advancing various initiatives to achieve this.

Overall Strategy for Developing Digital Platforms

In the business model centered around electric products, we define the values we aim to achieve as "customer value," "product value," and "societal value." By maximizing and optimizing the use of business systems and data, we strive to create sustainable business value.

To achieve these three values, Honda's direction for evolving digital systems is as follows:

Customer Value

Digital services have become widespread in society and are transforming the purchasing experience across many industries. In the mobility sector, this experience is also evolving. To provide new value that meets various customer needs, we will refresh and introduce new systems that span the entire customer journey with digital services.

By extensively and seamlessly connecting the digital technologies that create in-vehicle experiences with those that enhance out-of-vehicle experiences through applications and digital infrastructure, we can more effectively utilize data and provide services tailored to each customer's usage scenarios. Additionally, we will expand the foundation for updating vehicle software based on usage data, starting with a launch in North America in 2025, to continuously improve the functionality and quality of our services.

Product Value

The design, development, mass production, and sales processes for traditional gasoline engine vehicles and HEVs (Hybrid) differ significantly from those for EVs, which have distinct concepts and business models. Therefore, a comprehensive overhaul of the business systems across these areas, including addressing obsolescence, is necessary. By optimizing and connecting the processes in each area of EV business operations, we aim to enhance our competitive edge and strengthen our internal capabilities.

The core systems for EV business operations will not only support manufacturing operations but will also aggregate and visualize cross-functional operational data in real-time. This will enable timely, data-driven management decisions and planning, and will be developed as a new, globally unified digital platform.

This digital platform is based on the concept of "Fit to Standard," aiming to achieve consistent and

highly efficient business operations by connecting business processes, IT systems, and data end-to-end. We are progressively updating the core systems in line with the EV lineup plan.

Social Value

We will update and implement new corporate environmental systems to address the European Battery Regulation and other initiatives, focusing on the collection and analysis of environmental impact data from products and corporate activities, and effectively utilizing this data across various businesses, regions, and functions.

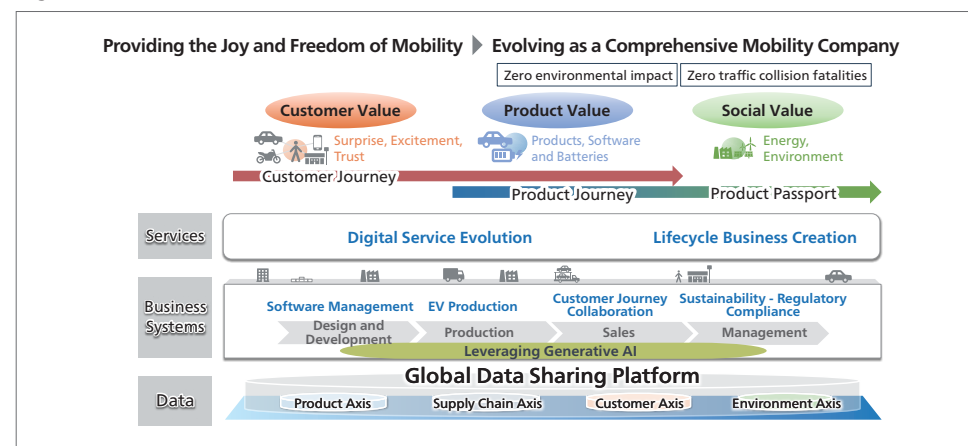
Especially for environmental data related to mobility company, which must be collected and utilized in collaboration with various stakeholders across regions and countries, we will build an organization-wide system. This includes improving and updating internal systems, establishing company-wide aggregation standards, and connecting with industry-standard data platforms, all while aiming to achieve "Triple Action to ZERO."

As a specific example of our initiatives, we are advancing systemization and prototype verification for the collection and repurposing of batteries installed in EVs. Additionally, we are planning to visualize CO₂ emissions across global automobile production, starting with the Yorii Plant, with the aim of expanding this initiative to next-generation and existing factories.

Through these efforts, we are standardizing data from business systems based on business and regional processes and bundling it for various service and business applications. This will support the development of various business models by advancing the construction of a service and data platform.

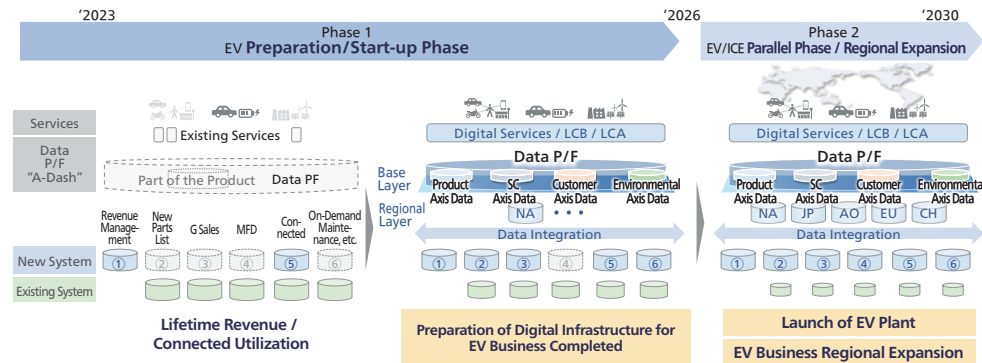
The digital transformation of business operations is essential for Honda's second founding. To advance this, we are forming and promoting a digital infrastructure task force directly connected to management, while appropriately securing the necessary resources for the medium- to long-term.

Digital Infrastructure Overview



Functional Strategy

Digital Infrastructure Utilization Schedule



Establishment of an Environment for Efficient Business Operations Utilizing Digital Tools

In addition to building digital platforms to support business operations, we are also working on establishing environments that enhance efficiency in day-to-day tasks by utilizing digital tools such as generative AI and office software.

Evolution in Practical Areas – Leveraging Generative AI

To enhance operational efficiency and create new value, we actively use generative AI, exemplified by chat-based applications.

Building and Operating Generative AI Platform for the Accumulation and Utilization of In-House Expertise

The documents accumulated within the Company over time contain a wealth of important information, but efficiently utilizing this information has been challenging, especially with the loss of know-how due to personnel changes and retirements. To address this issue, we have built a company-wide generative AI platform aimed at accumulating and utilizing valuable information as know-how. The foundation of this platform was completed in March 2024, and we are progressively accumulating know-how starting from the areas of product design and development.

Utilizing Generative AI Tools for Administrative Tasks

Email, online meeting systems, and various office tools used for document creation and daily tasks have become indispensable in our everyday operations. To utilize these tools more efficiently than ever, we have introduced "Microsoft 365 Copilot" a generative AI tool that leverages AI assistants to boost productivity. This environment has been set up for approximately 20,000 associates. By making the use of generative AI a standard practice in daily operations, we aim to achieve significant operational efficiency and create new value.

Extensive Utilization of Generative AI in Business Activities

We believe that generative AI is a tool that can be utilized not only in daily operations but also more broadly and deeply across all business activities. For example, in the early conceptual stages of innovation, we use image generation AI, and in the phases focused on improving product quality, we collect a wide range of data, including design, production, and user information, from both internal and external sources. We are actively advancing initiatives to integrate generative AI into various aspects of our business activities.

We are advancing the development of our internal digital environment through two major approaches: the evolution of digital platforms that support business operations and the creation of an environment that streamlines work through digital tools. As the digital world continues to evolve daily, we will continue to accelerate these initiatives moving forward.

Developing Talent to Leverage the Strengths of Digital Technology

To keep pace with the rapidly evolving digital technologies, it is essential not only to actively recognize, nurture, and support the expertise of highly skilled experts within the Company but also to ensure that every individual at Honda, including the management team, acquires a certain level of digital skills. We are advancing initiatives to enhance digital literacy among all associates, enabling them to effectively utilize digital tools and both internal and external data.

1. Company-Wide Software Training

In the software domain, which is one of the key areas for business transformation, we have established five learning areas—Business Architect, Data Scientist, Cybersecurity, Software Engineer, and Designer—ensuring that all Honda employees, regardless of business unit or job function, can acquire fundamental knowledge. We have developed an e-Learning program based on these areas and rolled it out across the Company, accompanied by messages from the management team. We selected the mandatory participants from all associates, and approximately 30,000 people took the program.

2. Training Department Leaders for Efficiency in Daily Operations (Top Guns)

Efficiency measures using digital tools and data are no longer the sole responsibility of the IT and digital divisions. It is now essential for all associates to master the use of digital tools and data, and to broadly implement IT and digital strategies. This approach is necessary to drive the evolution of everyday work across the organization.

With this mindset, we have selected "Top Guns" in each department to lead efficiency initiatives that leverage IT and digital tools. These individuals receive training to independently implement these strategies. As of now, we have completed the development of Top Guns in approximately 400 departments, primarily in management areas. The execution of efficiency initiatives by these Top Guns in their respective departments has resulted in a reduction of approximately 2.42 million labor hours as of FYE Mar. 31, 2024.

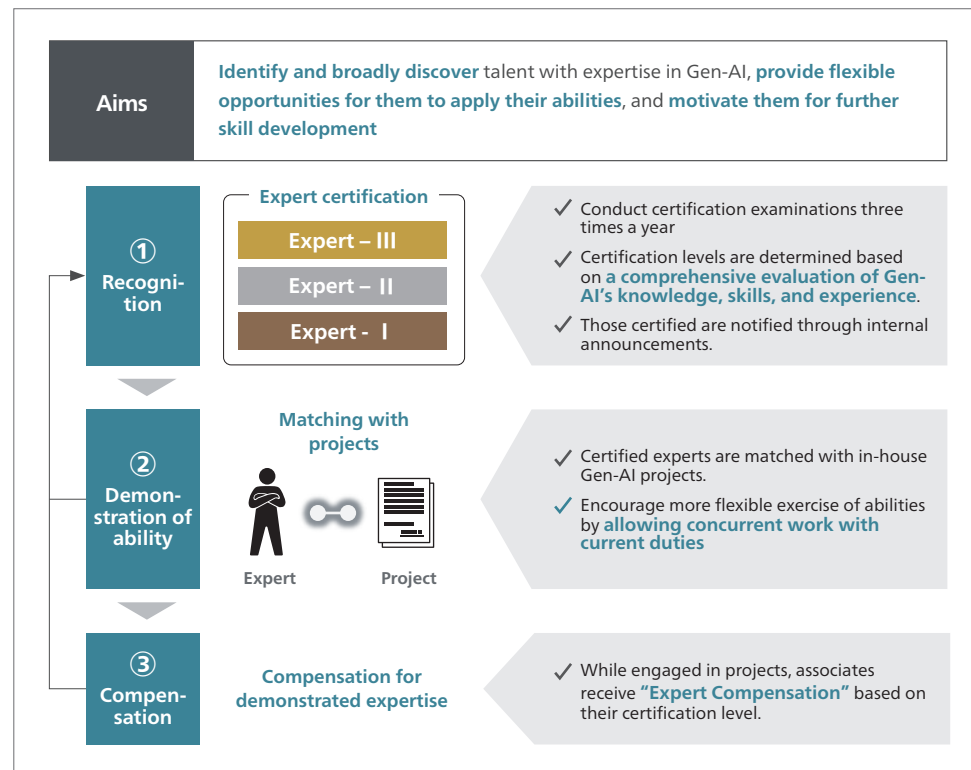
Functional Strategy

3. Recognizing and Utilizing Experts with Advanced AI Technology (Gen-AI Experts)

Honda has been early to recognize the potential of generative AI, which is attracting global attention, and has been advancing efforts to leverage this technology. By appropriately utilizing generative AI, we believe that we can not only dramatically enhance operational efficiency but also create new value.

Based on this approach, we introduced the “Gen-AI Expert Program” in June 2024 to identify associates with rare and valuable expertise in generative AI and to promote the application of their expertise. This program is designed to enable associates with high levels of specialization, particularly in generative AI, to participate flexibly in cross-organizational projects. This initiative aims to accelerate company-wide efforts to leverage AI.

Aims and Overview of the Gen-AI Expert Program



4. Managing In-House DX Community and Hosting Events Involving All Associates

We are developing an online community centered around associates who promote digital utilization, such as Top Guns and Gen-AI experts, can exchange information and enhance their skills through events and interactions. Notably, the internal community “Borders,” which focuses on programming and generative AI, has grown to approximately 2,000 members. This community actively shares the latest digital-related information, engages in discussions, and supports study sessions on the use of AI tools, fostering vibrant knowledge exchange.

Additionally, we hold an annual internal online event called the “Honda DX Expo,” which provides opportunities for associates to engage with digital tools and data utilization. The event includes sharing of practical examples, hands-on sessions and study groups for various tools, and lectures by external experts. In its third year in the Fiscal Year Ending March 31, 2025, the expo attracts over 10,000 participants and significantly contributes to fostering a culture that strongly promotes digital transformation across the Company.

From the Dream-Chasing “Borders” Community to Company-Wide Generative AI Activities

Honda is home to many talented associates. Even when I was involved in engine development, I tackled challenging issues alongside my colleagues every day. Since I had a passion for new things, I was fortunate to participate in projects that required collaboration across various departments, such as sales, development, production, and purchasing. I became convinced that “if we integrate individual skills, we can become the best in the world.” Driven by this belief, I established the bottom-up learning community “Borders.” To attract vibrant members, I deliberately expanded the community through word-of-mouth only. Through this free-flowing network of information, the community has extended the joy of learning throughout Honda.

The advent of generative AI marked a significant turning point for Borders, offering a new field for “learning.” The study session we held attracted far more attendees than we had anticipated. Additionally, when the management asked us to plan the use of generative AI within Honda, I was thrilled to see the value of such informal Communities recognized. At the same time, I realized that daring to challenge with a dream can further expand one’s world. Currently, I am entrusted with leading a team of AI talent from across the company and working on systems to further recognize and develop experts. I am deeply involved in these efforts while closely collaborating with the members of Borders.

I believe in building a strong Honda through both “vertical” organizational structures and “horizontal” communities, and I will continue to run with all my strength towards this goal.



Founder and Leader, Borders
Digital Unit
Manager,

Advanced AI Strategy Planning Department
Yuki Sano

Financial Strategy



We aim to realize enhanced corporate value by implementing flexible resource allocation based on the cash generation capabilities built through strengthening our business structure.

Director, Managing Executive Officer
Chief Financial Officer
Chief Officer,
Corporate Administration Operations
Eiji Fujimura

Progress in Efforts to Enhance Corporate Value

To enhance corporate value, we recognize the need to utilize both financial and non-financial capital to achieve sustainable cash flow growth and improve capital efficiency. To realize this, it is crucial to focus on: (1) strategic resource allocation aligned with the business transformation phase, (2) strengthening management with an awareness of capital costs and responding to environmental changes, and (3) improving management quality and transparency through proactive dialogue. I will explain the progress of these initiatives in the short-term and the financial strategy for the medium to long-term.

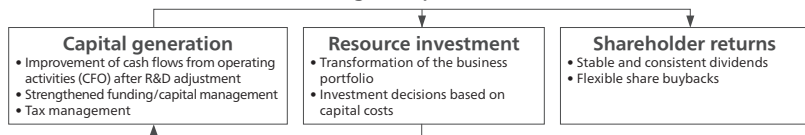
Enhance Corporate Value

Sustainable growth of cash flows and improved capital efficiency through the utilization of financial and non-financial capital

(1) Strategic resource allocation according to the phase of business transformation

Accelerating transformation through goal setting for each phase of business transformation and implementing flexible strategic resource allocation

Resource allocation according to the phase of business transformation



(3) Dialogue

Enhancing quality and transparency of management through active dialogue

(2) Strengthening management with an awareness of capital costs and responsiveness to environmental changes

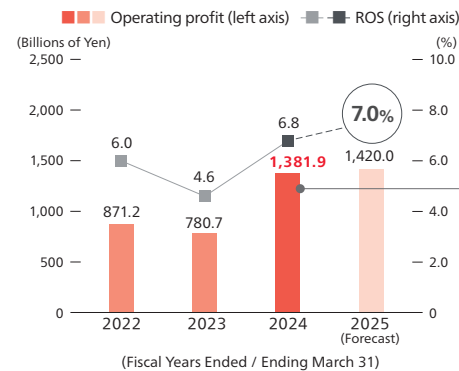
- Strengthening management by considering capital costs—investment decisions based on capital costs / reduction of policy-held shares
- Management decisions taking into account the diversification of uncertainties and risks—financial resilience in a period of transformation

Short-Term Progress

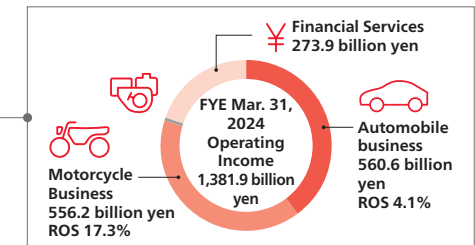
For FYE Mar. 31, 2024, we achieved record profits and created 3 trillion yen in Cash Flows from operating activities (CFO) after R&D adjustment

For FYE Mar. 31, 2024, Honda achieved record high profits with operating income of 1,381.9 billion yen and net income of 1,107.1 billion yen. This performance reflects a significant increase, with operating income up 601.2 billion yen and net income up 455.7 billion yen from FYE Mar. 31, 2023. The increase in sales volume, driven by robust demand for hybrid (HEV) models in North America and motorcycles in India and Brazil, contributed to this growth. The cash flows from operating activities (CFO) after R&D adjustment, representing funds for future investments, reached 3 trillion yen, marking an increase of approximately 1 trillion yen from FYE Mar. 31, 2023. This demonstrates that Honda has successfully secured balanced profits across various business operations and established a foundation for future growth.

Performance Trend

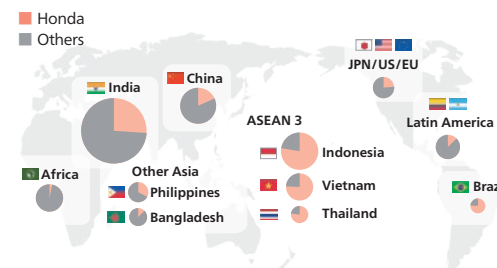


Business Portfolio



Motorcycle Business Operations

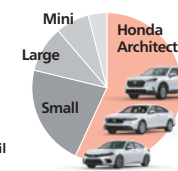
Honda market share (FYE Mar. 31, 2024)



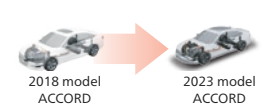
Build a well-balanced cash generation capability on a global basis

Automobile Business Operations

Platform consolidation*



Hybrid system evolution



- Increased power density
- System cost reduction of 25%

Improvement of profitability and product appeal

* Unit volume by platform

Financial Strategy

Forecast for the Fiscal Year Ending March 31, 2025: Achieving a Company-Wide ROS Target of 7% One Year ahead of Schedule

For the Fiscal Year Ending March 31, 2025, Honda plans to achieve an operating income of 1,420.0 billion yen, aiming to meet the revenue target of 7% ROS one year ahead of schedule. Consequently, investments in capital expenditures and R&D expenses to fund future growth will be significantly increased compared to FYE Mar. 31, 2023 to accelerate transformation efforts. Regarding shareholder returns, Honda will raise the dividend for FYE Mar. 31, 2024 to 68 yen, the same level as FYE Mar. 31, 2023, and has resolved to undertake the largest-ever share repurchase of 300 billion yen. Honda will leverage its unique cash generation capabilities from its diverse businesses and mobility portfolio to execute strategic resource allocation.

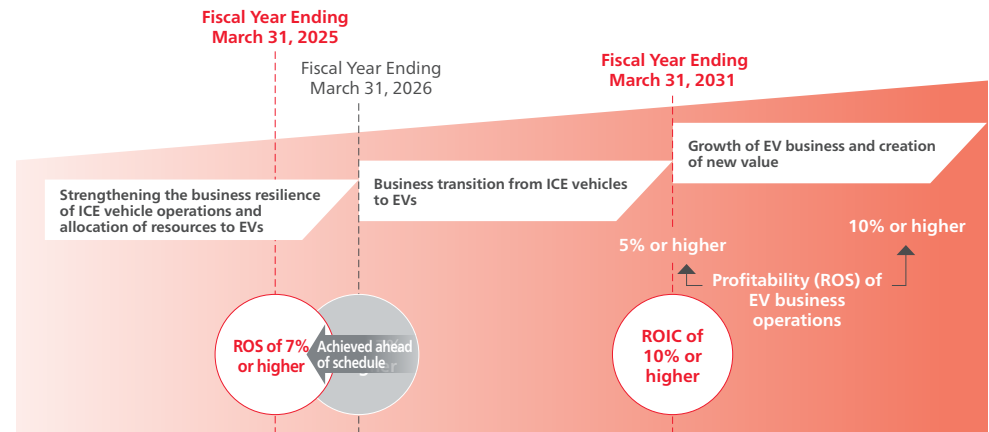
On the other hand, regarding the stock market's evaluation of Honda for FYE Mar. 31, 2024, although the stock price has increased by approximately 60% over the past year, showing a certain level of recovery, it remains below a PBR of 1. Management takes this stock market evaluation seriously. We attribute the factors behind Honda's PBR remaining below 1 to "a decline in capital efficiency due to the accumulation of capital over time," "the profitability of the Automobile business," and "the inability to dispel concerns about the uncertain future of electrification." While demonstrating improvements with results in the short-term, we aim for the early achievement of a PBR above 1 by further strengthening our efforts toward the three key missions explained earlier, both in the medium and long-term.

Medium and Long-Term Initiatives Financial Targets

Honda has segmented its management plan into phases of transformation, setting specific financial targets for each. For the Fiscal Year Ending March 31, 2026, the goal is to strengthen the business structure towards transformation, aiming for an ROS of 7% or higher. By the Fiscal Year Ending March 31, 2031, in anticipation of the business transition from ICE products to EVs, the company has set targets of achieving a company-wide ROIC*1 of 10% or higher and a EV ROS of 5% or higher. The company-wide ROIC specifically consists of the ROIC from business domains related to the manufacturing and sale of motorcycles, automobiles, and power products, as well as the ROE from the financial services business, with a target of 10% or higher for each.

*1 ROIC: (Profit for the year attributable to owners of the parent + Interest expenses [excluding financial businesses]) / Deployed capital*2
 *2 Deployed capital: Equity attributable to owners of the parent + Interest-bearing liabilities (excluding those from the financial business sector). Deployed capital is calculated using the average of the beginning and end of the period.

Goals for Each Phase of Business Transformation

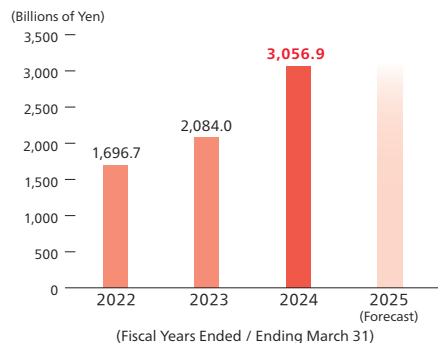


Topic: Cash Flows from Operating Activities (CFO) after R&D Adjustment

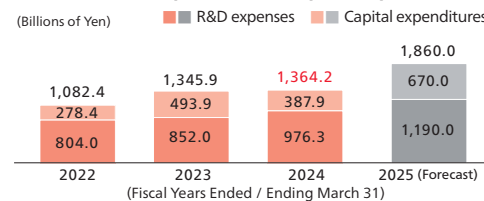
While managing the balance between resource allocation for future growth and shareholder returns, we recognize the importance of generating sustainable cash flow even during periods of business transformation. To this end, we have begun disclosing the "Cash flows from operating activities (CFO) after R&D adjustment,"*1 which serves as an indicator of this objective.

*1 Cash flows from operating activities (CFO) after R&D adjustment: CFO excluding R&D expenses (CFO of non-financial services businesses + R&D expenditures - amount transferred to development assets)

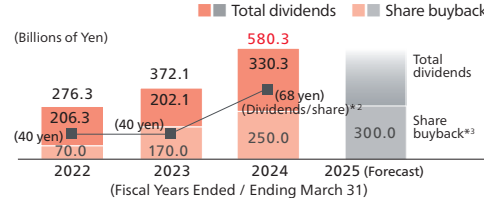
Trends in Cash Flows from Operating Activities (CFO) after R&D Adjustment



Trends in R&D Expenses and Capital Expenditures



Trends in Shareholder Returns



*2 The Company conducted a 3-for-1 stock split of shares of common stock, effective October 1, 2023. Past dividends have been recalculated on a post-split basis.

*3 Based on the announced maximum acquisition amount for each fiscal year.

Topic | KPI for Financial Services Business: ROE

As its business structure is based on financial assets and funding, financial services operations utilizes Return on Equity (ROE), which takes into account financial leverage, as a measure of capital efficiency.



Financial Strategy

Capital Allocation for Future Growth

I will explain the capital allocation for future growth (excluding the financial services business) in phases aligned with our business transformation. This will be discussed over two five-year periods: from FYE Mar. 31, 2022 to the Fiscal Year Ending March 31, 2026, and from the Fiscal Year Ending March 31, 2027 to the Fiscal Year Ending March 31, 2031.

Cash Generation

FYE Mar. 31, 2022 to the Fiscal Year Ending March 31, 2026

Over the period up to the Fiscal Year Ending March 31, 2026, we anticipate generating 12 trillion yen in cash flows from operating activities (CFO) after R&D adjustment, as previously mentioned, our annual cash generation capability has improved to a scale of 3 trillion yen. I believe we are generally on track to achieve our cash generation targets by the Fiscal Year Ending March 31, 2026. Going forward, I will continue to focus on capital efficiency and revise our resource allocation plans to drive further improvements.

The Fiscal Year Ending March 31, 2027 to the Fiscal Year Ending March 31, 2031

In the five years from the Fiscal Year Ending March 31, 2027, Honda aims to generate more cash than in the previous five years, driven by continuous earnings from Internal Combustion Engine (ICE) areas and growth in EV. For the ICE area, the expansion of the motorcycle business and further improvement of automobile Hybrid Electric Vehicle (HEV) models will be key drivers. HEV models will see enhancements in competitiveness and profitability through platform updates and further performance improvements of HEV systems. Regarding EVs, Honda will increase cash generation by reducing costs through the establishment of comprehensive value chain centered on core components like batteries, and by lowering production costs through the development of highly-efficient production systems at dedicated EV factories.

While strengthening initiatives across these business areas, we will also maintain a flexible approach in response to changes in the business environment. This will enable us to steadily secure the necessary resources for future growth, even during the transition period from ICE to EV.

Investments for Future Growth

To realize our electrification strategy, a key measure to achieving carbon neutrality by 2050, Honda deems it essential to strategically allocate resources at the appropriate timing. Over the ten years leading up to the Fiscal Year Ending March 31, 2031, Honda plans to invest 10 trillion yen in electrification and software areas.

Over the five years up to the Fiscal Year Ending March 31, 2026, Honda plans to invest 3.5 trillion yen out of the total 10 trillion yen. This investment will increase the proportion of R&D expenditures and accelerate preparations for competitive next-generation EVs.

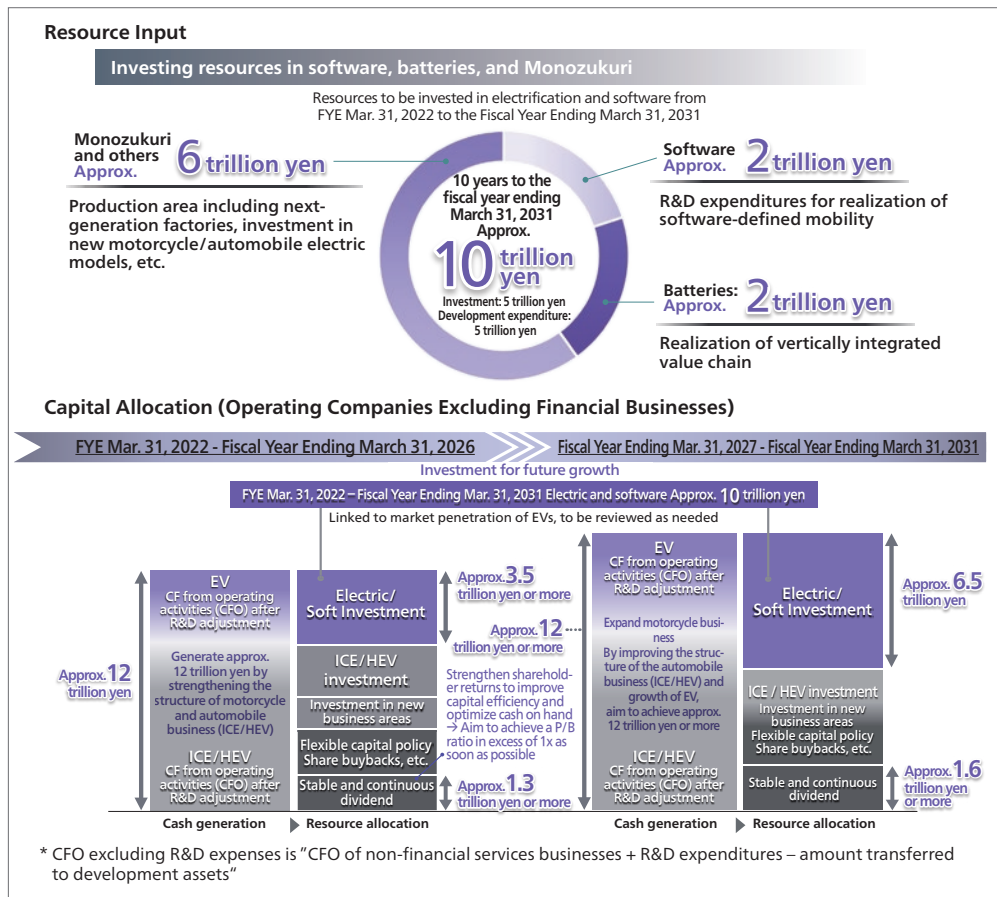
In the five years from the Fiscal Year Ending March 31, 2027 onwards, Honda will expand its investment in electrification and software areas to 6.5 trillion yen. Currently, R&D expenditures are high due to parallel development of ICE and EV, however, these expenditures are expected to gradually decrease as the shift to EV progresses. Meanwhile, Honda will increase investments and funding to build a vertically integrated value chain, including EV-exclusive factories. Decisions on resource allocation will be made by assessing the pace/degree of EV market penetration and by determining appropriate investment timing while maintaining flexibility, as explained earlier.

Shareholder Returns

Returning benefits to shareholders is positioned as one of the most important management priorities.

Honda plans to distribute over 1.3 trillion yen in dividends from FYE Mar. 31, 2022 to the Fiscal Year Ending March 31, 2026 and over 1.6 trillion yen from the Fiscal Year Ending March 31, 2027 to the Fiscal Year Ending March 31, 2031. This demonstrates management’s commitment to maintaining at least the current dividend levels while investing in transformation and ensuring stable and continuous returns.

Regarding share repurchases, including the 300.0 billion yen announced on May 10, 2024, Honda has resolved to repurchase a total of 790.0 billion yen in shares since FYE Mar. 31, 2022. Moving forward, share repurchases will be conducted as needed to improve capital efficiency and implement flexible capital policies.



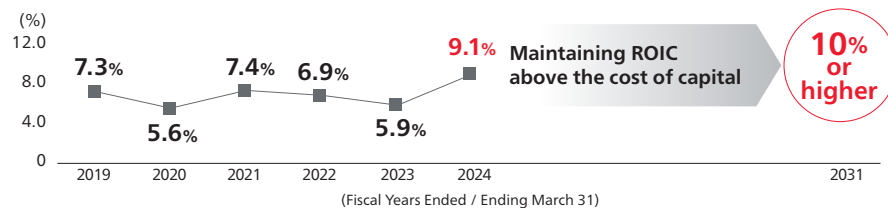
Financial Strategy

Heightening Management Consciousness of Capital Costs and Financial Resilience during Periods of Transformation

To enhance corporate value by flexibly and appropriately responding to environmental changes, we aim to infuse management with a heightened sensitivity of capital costs, maintain multiple options based on timeframes, and manage risks through flexible resource allocation.

For FYE March 31, 2024, the Return on Invested Capital (ROIC) improved to 9.1%, an increase of 3.2% from FYE March 31, 2023, due to efforts in enhancing business constitution and strengthening shareholder returns. During the upcoming transformation period, investments for the future will proceed, but investment decisions will be made based on capital costs using Net Present Value (NPV). As a crucial management goal, we aim to maintain a company-wide ROIC that exceeds the cost of capital.

Company-wide ROIC Trends



Reduction of Policy Shareholdings

Honda is committed to reducing policy-held shares promptly from the perspective of enhancing corporate governance. In July 2024, in a first-of-its-kind move for a Japanese company, Honda executed a plan to simultaneously eliminate all company shares held under such policies by insurers and banks through a public offering, aimed at broadening and diversifying the shareholder base to further enhance discipline in corporate management. Going forward, Honda will continue to lead the way in moving away from the mutual holding of policy-held shares, collaborating with a wide range of investors who can support our business activities in the medium to long-term, to build a strong brand and business foundation, and achieve further enhancement of corporate value.

Financial Resilience during Transformation

During the full-scale transition to EVs, it is necessary to implement large-scale resource investment aimed at transformation. While the long-term perspective remains unchanged with the steady progression of the EV shift—having already announced investments for building a vertically integrated EV value chain in Canada—the business environment continues to be highly uncertain due to economic trends, changes in environmental regulations, and technological innovations. In order to address the unique challenges Honda will face, we believe it is crucial to minimize financial losses through flexible responses to risks.

Honda's technological prowess has spawned multiple businesses and various products and built a business constitution capable of making flexible and speedy choices even under uncertain business conditions. By accurately assessing changes in the business environment, such as in scenarios where EV demand slows, Honda will enhance cash generation through HEV models, control investment timing in the electrification sector and leverage scale benefits through alliances. By maintaining multiple options and implementing flexible resource allocation, Honda aims to effectively manage risks.

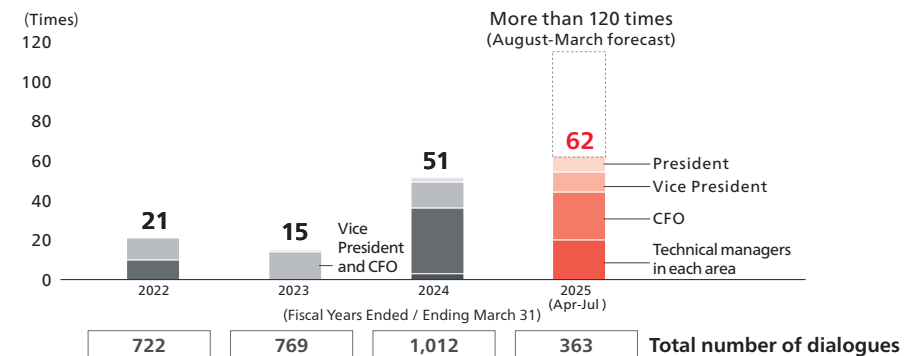
Proactive Dialogue with Stakeholders

To ensure that our management direction is correctly understood and appreciated by stakeholders, including shareholders and investors, our management team will proactively pursue and engage in increased dialogue through events and individual interviews.

During FYE March 31, 2024, we conducted seven IR tours across Japan, U.S., Europe, and Asia, holding over 1,000 individual meetings. In addition to increased participation from our President, Vice President, and CFO, from FYE March 31, 2024, our technical managers team also joined the dialogues to more clearly communicate what differentiates Honda in the electrification era. Through these dialogues, our management and technical leaders directly conveyed our growth strategy. Coupled with an enhanced understanding of what the capital markets expect from Honda, we aim to leverage this insight in our management and business strategies. By doing so, we strive to achieve a PBR of more than 1 at an early stage and continuously enhance our corporate value, ensuring that Honda remains a company that stakeholders continue to value and expect great things from.

Track Record of Dialogue with Securities Analysts and Institutional Investors (President, Vice President, CFO, and Technical Managers in Each Area)

(Not including stock offering roadshows) ■ President ■ Vice President ■ CFO ■ Technical managers in each area



(Other events)

Dialogues	FYE Mar. 31, 2022 (Apr-Mar)	FYE Mar. 31, 2023 (Apr-Mar)	FYE Mar. 31, 2024 (Apr-Mar)	Fiscal Year Ending March 31, 2025 (Apr-Jul)
Financial results briefing for securities analysts and institutional investors	4	4	4	1
IR tours (Japan, U.S., Europe, Asia)	(Online)	2	7	3
Conferences hosted by securities firms	7	6	14	6
Regional and office visits	4	5	10	3
Briefings for individual investors (Japanese only)	-	1	4	1
ESG dialogue	25	64	40	30
(Reference) Stock offering roadshow*	-	-	-	101

* IR dialogue with domestic and foreign institutional investors related to stock offering

Priority Issues and Materiality

Toward the Realization of Our “Desired State” and “Providing Value”

Identifying Priority Issues and Materiality / Setting Company-Wide Indicators and Goals Associated with Them

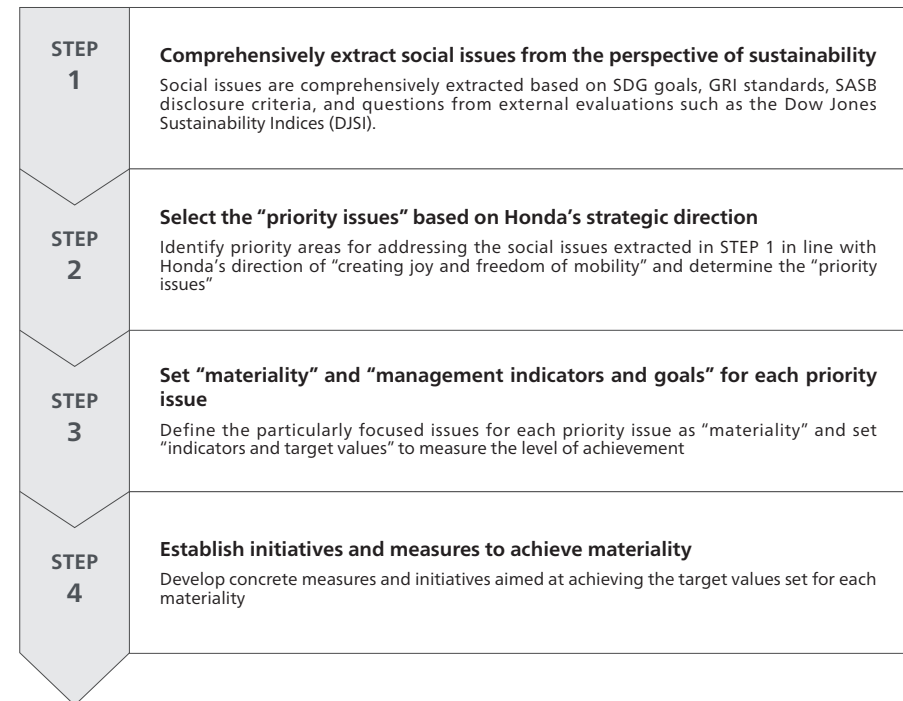
To sustainably provide the “joy and freedom of mobility” that we aspire to, it is essential to clearly define the issues and goals that the entire Company should focus on. Each person working at Honda must use these as a guiding principle to move forward in the same direction with full effort. From this perspective, we will organize the “Priority Issues” and “materiality” that we will particularly focus on in the future, based on our clearly defined “desired state” and “value proposition” through the redefinition of our Global Brand Slogan, as well as the rapid changes in the environment surrounding Honda. This will enhance the effectiveness and speed of our initiatives.

The “Priority Issues” are selected by comprehensively extracting social issues from the perspective of sustainability and prioritizing them against Honda’s direction. Specifically, in addition to “environment” and “safety,” which have traditionally been important themes in management, we will select five non-financial areas: “people” and “technology,” which are the driving forces behind Honda’s growth, and “brand,” which can be considered the sum of all corporate activities. By linking these with our financial strategy, we aim to create social and economic value. Furthermore, by defining the materiality we should address in each issues, we clarify the areas to focus on toward our “desired state.”

To achieve these materialities, we need to establish strategies and allocate resources from a medium-to-long-term perspective, without being overly swayed by the rapidly changing and uncertain environment. From this viewpoint, we will replace the medium-term goals that we have set every three years with achievement targets over five- and ten-year spans, clearly defining the milestones to be achieved in each phase of the Fiscal Year Ending March 31, 2026 and the Fiscal Year Ending March 31, 2031 as KGI and KPI. By regularly monitoring the progress of these management indicators and goals linked to the “priority issues” and “materiality” on an annual basis, we will strengthen our management governance. Additionally, we will regularly review these priority issues and materialities in light of changes in the external environment and business conditions.

Honda will continue to swiftly implement effective measures toward achieving materiality, realizing our “desired state” and “value proposition.”

Materiality Identification Process



Priority Issues and Materiality

	Important Themes	Materiality	Management Indicators (KGI*1)	Target		Approach and Direction of Efforts		
				Fiscal Year Ending March 31, 2026	Fiscal Year Ending March 31, 2031			
Financial Indicator	Economic Value Enhancement	<ul style="list-style-type: none"> Improvement of capital efficiency Sustainable growth of cash flows 	ROIC	Consolidated	-	10% or higher	We have established ROIC target for the Fiscal Year Ending March 31, 2031, complementing the previously disclosed ROS target for the Fiscal Year Ending March 31, 2026. By fortifying our business structure, we intend to boost cash generation capabilities. Our objective is to uphold an optimal equilibrium between strategic resource allocation for transformation and shareholder returns, with the aim of achieving sustainable growth and enhanced capital efficiency.	→p. 18 Financial Strategy
			ROS		7% or higher	-		
Non-Financial Indicator	Brand Value Enhancement	<ul style="list-style-type: none"> Enhancement of consistent brand management 	Brand value*2 (Interbrand research)	Consolidated	(Unpublished)		By embodying Honda's brand value through high-quality products and services, and through consistent brand management in all corporate activities, we aim to enhance brand value.	→p. 92 Brand Value Enhancement Enhancement of Brand Management
	Realization of Zero Environmental Impact Society	<ul style="list-style-type: none"> Challenging climate change issues Challenging energy-related issues Efficient utilization of resources Biodiversity conservation 	Reduction rate of CO ₂ emissions from corporate activities	Consolidated	-	46%	To continue to be a company that global society wants to exist, we will thoroughly engage in the conservation of the Earth's environment. To achieve a zero environmental impact society, we have established three pillars: "Carbon Neutrality," "Clean Energy," and "Resource Circulation." Through initiatives such as product electrification, we aim to achieve "Carbon Neutrality by 2050" throughout the entire product lifecycle.	→p. 44 To Realize a Zero Environmental Impact Society Environmental Strategy
			Total CO ₂ emissions from products	Consolidated /Business	(Unpublished)			
			Waste reduction rate	Consolidated (compared to BAU*3)	-	14.5%		
			Water intake reduction rate		-	14.5%		
Realization of Zero Traffic Collision Society	<ul style="list-style-type: none"> Development of technology to capture and complement human intention Safety education and awareness activities Building a transportation ecosystem 	Traffic fatalities involving automobiles in Japan and the United States	Consolidated	(Unpublished)		With the philosophy of pursuing the safety of all people in a mobility society, we aim to achieve zero traffic collision fatalities involving Honda's motorcycles and automobiles worldwide by 2050 through the evolution of advanced safety technology and expanded safety education.	→p. 64 To Realize a Zero Traffic Collision Society Safety Strategy	
Evolution of Human Capital Management	<ul style="list-style-type: none"> Activating associates' intrinsic motivations and fostering the collaboration of diverse individuals Ensuring both quantity and quality of human resource in focus areas 	Associate engagement score	Consolidated	50% or higher	60% or higher (Percentage of positive responses)	Under the belief that the integration of diverse individuals who take on challenges driven by their "dreams" leads to the creation of the value Honda aims to provide, we promote various initiatives. Additionally, we strive to ensure that human rights are not violated in any of our corporate activities.	→p. 72 The Evolution of Human Capital Management Human Capital Strategy	
Creation of Innovative Technologies	<ul style="list-style-type: none"> Establishing competitive advantage in focus areas 	Ability to create intellectual property	Consolidated	(Unpublished)		We define five key factors to focus on at present for the evolution of mobility and promote technological development.	→p. 88 Creation of Innovative Technologies	

*1 KGI: Supervisory indicators managed by the Board of Directors. For KPI, which are the executive indicators managed in Executive Council, please refer to each strategy page.

*2 Brand value: The monetary value of a brand as published by Interbrand

*3 BAU: Business As Usual based on production plans