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Honda Quarterly Profit Drops 50% as Trump Tariffs Take a Toll

August 6, 2025

— Categories: Finance



Honda Motor Co. saw its first-quarter operating profit cut in half, as the company felt the pressure from a stronger Japanese yen and tariffs imposed by the Trump administration on Japanese auto imports. Despite the hit, the automaker has raised its full-year forecast, signaling confidence in future trade shifts and a more favorable currency environment.

For the April to June period, Honda reported an operating profit of 244.2 billion yen, or about \$1.66 billion. This marks a sharp drop from last year and fell well below the 311.7 billion yen average estimate from analysts surveyed by the London Stock Exchange Group (LSEG). The

automaker pointed to the steep 27.5% tariff rate on Japanese car imports into the United States as a major reason for the shortfall. That figure combines the pre-existing 2.5% tariff with an additional 25% added in April under former President Donald Trump's trade policy.

The tariff knocked around 125 billion yen off Honda's quarterly earnings. Yet, the company is now forecasting less full-year damage from the levies than it previously expected. In May, Honda warned it could lose 650 billion yen in operating profit due to the trade penalties. That figure has now been revised down to 450 billion yen.

Thanks to this more favorable outlook, Honda raised its full-year operating profit forecast to 700 billion yen, up from the earlier estimate of 500 billion yen. The company also now expects the yen to average 140 against the U.S. dollar for the year, which is five yen weaker than its previous assumption. A weaker yen typically benefits Japanese exporters by boosting the value of overseas earnings.

The U.S. continues to be a central market for Honda. In just the first half of 2025, America accounted for 41% of the company's global sales, a significant rise from 37% in 2024 and just 26% in 2022.

Although the company manufactures the majority of its U.S.-bound vehicles in Canada and Mexico, it still exports several thousand cars each month directly from Japan. Honda expects some relief soon, as a new bilateral agreement between Japan and the United States would reduce the tariff on Japanese auto exports to 15%, beginning in September. That adjustment has already been factored into Honda's updated yearly forecast.

In addition, Honda said it expects to gain more from tax exemptions under the United States-Mexico-Canada Agreement (USMCA), which encourages regional production and trade cooperation. The company now believes it will benefit more from USMCA incentives than previously anticipated.

Beyond tariffs and currency shifts, Honda also recorded a one-off cost of around 113 billion yen related to its electric vehicle investments. Like other global automakers, Honda is racing to expand its EV offerings amid rising consumer demand and regulatory pressure.

Despite a rough first quarter, Honda's leadership appears confident in its strategic positioning. By leaning into regional manufacturing, navigating trade shifts, and forecasting

more favorable economic conditions, the company is making a calculated move toward long-term stability.