

## Vision

## 2030 Vision

**Serve people worldwide with the “joy of expanding their life’s potential”**

—Lead the advancement of mobility and enable people everywhere in the world to improve their daily lives—

## Direction of Initiatives

- Creating value for “mobility” and “daily lives”
- Accommodate the different characteristics of people and society
- Toward a clean and safe/secure society

## Formulation of 2030 Vision

Honda is facing numerous social issues that have been much discussed, including poverty and refugee problems, human rights issues, climate change, energy problems, improving occupational health and safety, and the aging of society. Within this context, for Honda, which undertakes a diverse range of businesses globally, understanding its opportunities and responsibilities in the value chain will also be essential for identifying priority issues in management. Honda formulated the 2030 Vision giving consideration to the changes already occurring in society and to the needs of stakeholders.

Honda’s 2030 Vision is expressed in this statement, “Serve people worldwide with the ‘joy of expanding their life’s potential’ —Lead the advancement of mobility and enable people everywhere in the world to improve their daily lives—.”

## Direction of Our Initiatives for Realizing the Vision

Honda has determined the three directions of initiatives for realizing the vision.

The first is “creating value for ‘mobility’ and ‘daily lives.’”

In the future, changes to the industrial structure are expected to be spurred by such developments as the introduction of automated driving, the Internet of Things (IoT) and artificial intelligence (AI) in all areas of our lives, as well as by advances in cloud technologies. At the same time, changes in people’s values, beginning with consumption trends, are also likely to progress rapidly.

Honda aims to “provide people the joy and freedom of mobility” and “provide people the joy of making their lives better.” The Company’s strength lies in having cultivated up to the present broad technological capabilities from aircraft to humanoid robots and the ability to both envision and realize these. To further take advantage of these strengths, Honda intends to expand its efforts into development of technology/products/services in the areas of robotics and energy, in addition to mobility.

The second direction is “accommodate the different characteristics of people and society.”

Honda aims to provide all persons, who are from diverse cultures and have different values, not only with what they want and need but that will also provide them with never-before-seen or imagined new value. A diverse society is formed by the gathering of diverse individuals. Honda intends to contribute to the over 7 billion people around the world who have various values regardless of their age, gender, differences in culture or presence or non-presence of disabilities.

The third direction is “toward a clean and safe/secure society.”

In environmental fields, Honda will accelerate initiatives for a zero-emission society by actively promoting the effective use of renewable energy, realizing Zero Emission Vehicles (ZEV) and promoting electrification in working to also achieve a zero-emission society.

In safety fields, Honda will provide safety and security to all persons involved in transport as we work to create a collision-free mobile society. The Company’s efforts will include promoting traffic safety education that we have actively implemented since our founding as well as improving vehicle safety through intelligent and connectivity technologies.

Honda aims for a presence that leads the way in realizing a “carbon-free society” and a “collision-free mobile society.”

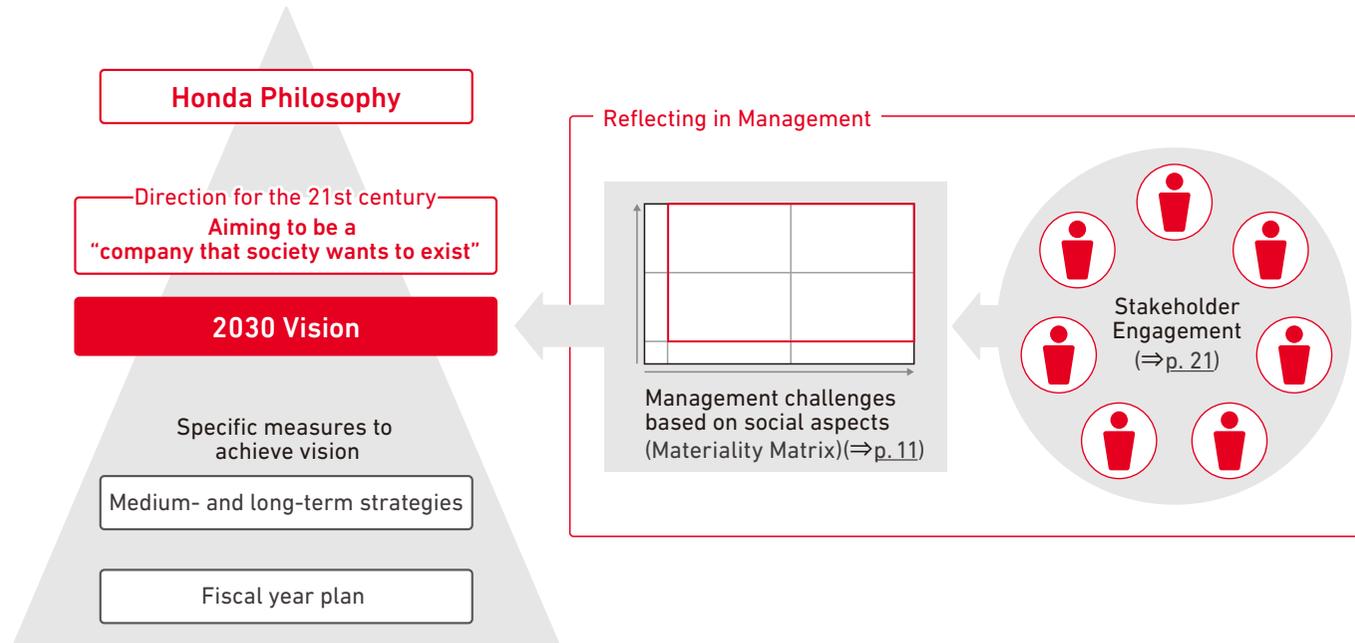
**Vision**

## Positioning of 2030 Vision

Honda places the Honda Philosophy as the starting point of all business activities. Additionally, by making the pursuit of corporate growth opportunities compatible with the realization of a sustainable society, Honda aims to be a “company that society wants to exist,” which is the Company’s ongoing effort for the 21st century. In order to meet this objective, Honda has established three guidelines, namely, “Creating the Joys,” “Expanding the Joys” and “Ensuring the Joys for the Next Generation.” These also serve as guidelines for the 2030 Vision.

Honda is devising medium- and long-term strategies that consider the roles it should fulfill and contributions it should make and that are matched to the characteristics of each region around the world, using as the Company’s guide its materiality matrix, which assesses issues based on both stakeholder and Honda’s corporate perspectives.

Society’s expectations of Honda also continue to evolve along with the times. As a responsible global company, the Company will continue listening to the diverse opinions of society and Honda’s stakeholders while making efforts to quickly resolve issues to earn the trust and meet the expectations of stakeholders (⇒ p. 11 “Materiality Matrix,” ⇒ p. 21 “Stakeholder Engagement”).



**Materiality Matrix**

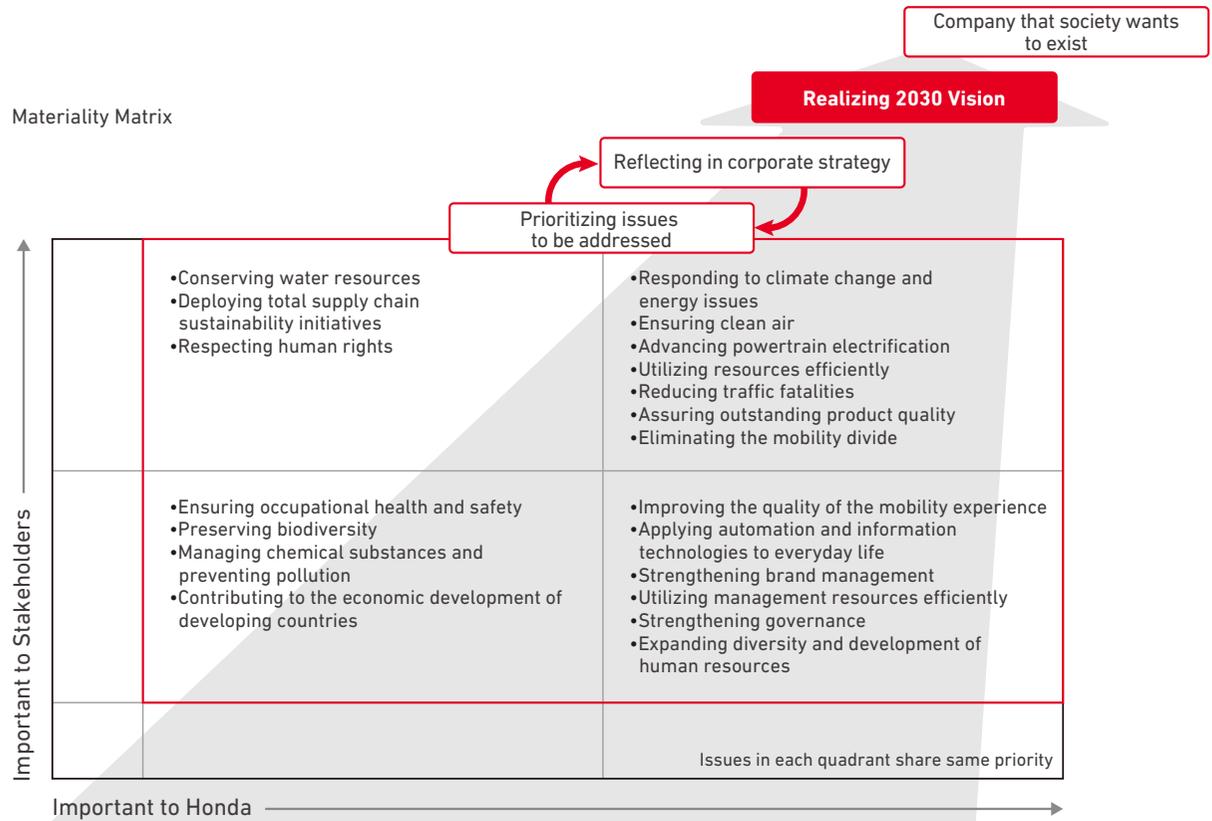
# Evaluation of Issues from the Stakeholders' Perspective (Materiality Matrix)

## Visualizing Issues and Reflecting in Corporate Strategy

At Honda, key issues that require addressing are organized from a corporate perspective and from the viewpoint of our stakeholders as a step toward achieving our long-term vision, which is based on the Honda Philosophy. The materiality matrix provides the essential framework for organizing these issues. By creating and employing this matrix, we confirmed the coverage of each issue and clarified where it is positioned.

The materiality matrix was prepared in two stages, in which issues were identified and then were categorized according to their materiality. Issues were identified through dialogue between members of respective operating divisions within the Company and from global and value chain perspectives in light of the status of technological innovation, SDGs\* and social issues pursuant to the Paris Agreement. Evaluation of the materiality of these issues in light of the views of stakeholders was conducted through dialogue with leading environmental, social and corporate governance (ESG) rating agencies and NGOs in Europe and the United States that focus on sustainability issues. The contents were also evaluated and assessed by management at the Company's Sustainability Strategy Committee meetings and other occasions.

This resulted in the successful visualization of critical issues to be addressed on a priority basis as a mobility company, including the realization of a carbon-free society and a collision-free society. Our efforts aim to contribute to the achievement of certain SDGs, notably Goal 13 "Take urgent action to combat climate change and its impacts" and Goal 7 "Ensure access to affordable, reliable, sustainable and modern energy for all" and Goal 3 "Ensure healthy lives and promote well-being for all at all ages." Critical issues specified based on the views of stakeholders will be reflected in corporate strategy and incorporated into respective business activities to achieve the vision.



\*This refers to Sustainable Development Goals, which are international objectives related to such areas as poverty, hunger, energy, climate change and a peaceful society adopted at the United Nations Sustainable Development Summit in 2015.

**Sustainability Management Structure**

# Structure for Deliberating Sustainability Initiatives

Around the world, the growth potential of companies is evaluated increasingly not by short-term performance but from a medium- to long-term perspective.

Honda has been striving to strengthen initiatives to resolve various issues that impact corporate value over the medium and long term, taking into account the views of stakeholders. In other words, we believe that improving sustainability as a company is one of the vital elements of corporate strategy.

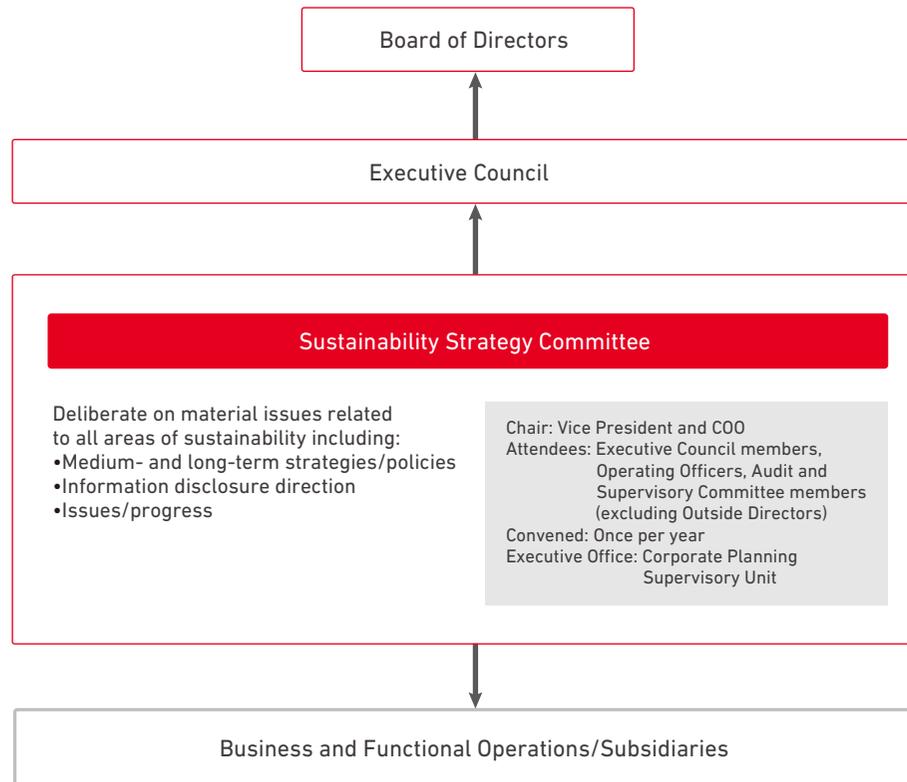
For this reason, we initiated the Sustainability Strategy Committee, chaired by the company Vice President and COO, as a platform to discuss and assess policy and initiatives related to sustainability activities.

Through this Committee, we compare the challenges in realizing the long-term vision of the company against the expectations and demands of key stakeholders identified through dialogue, and deliberate on material issues at the management level, including verifying progress of response and implementation.

From FY2018, it has been decided that sustainability issues will be discussed in one committee in a more integrated manner, including environmental and safety-related domains that were discussed in a different committee until the previous fiscal year.

Honda determines corporate strategy through the Executive Council and Board of Directors, taking into consideration the key challenges examined here, which are implemented as strategies and measures for business and functional operations and subsidiaries.

Sustainability Management Structure from FY2018



Corporate Governance

# Basic Approach

Honda strives to enhance corporate governance as one of the most important tasks for its management, based on the Company's basic principle, in order to strengthen the trust of our shareholders/investors, customers and society; encourage timely, decisive and risk-considered decision-making; seek sustainable growth and the enhancement of corporate value over the mid- to long-term; and become "a company that society wants to exist".

The resolution has been approved in a regular shareholders' meeting held on the 15th of June 2017 and the Company is adopting a "company with an Audit and Supervisory Committee" system with the aim of reinforcing the supervisory function of the Board of Directors and ensuring the prompt decision-making. Under the system, the Company operates the Audit and Supervisory Committee, which consists of directors, to delegate the authority to directors from the Board of Directors and accelerate the separation of the supervisory function and business execution function.

Honda is making efforts to appropriately disclose corporate information including the release and disclosure of quarterly financial results and management policies in a timely and accurate manner to bolster trust and appreciation from shareholders/

Overview of corporate governance (as of June 15, 2017)

Form of organization Company with Audit and Supervisory Committee

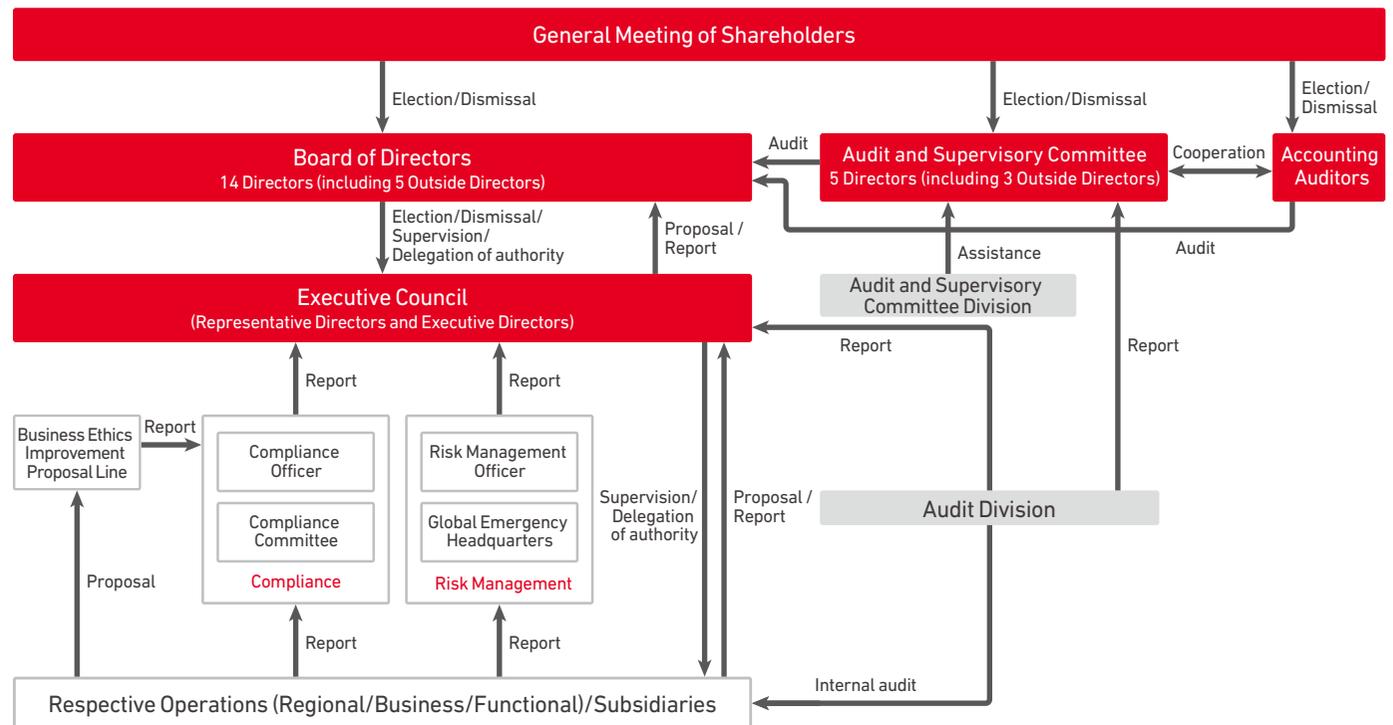
- Number of Directors (excluding Audit and Supervisory Committee Members)... 9
  - Number of Outside Directors ..... 2
  - Number of Specified Independent Directors ..... 2
  - Number of Female Directors ..... 1
- Term of Directors (excluding Audit and Supervisory Committee Members)... 1 year
- Number of Directors serving as Audit and Supervisory Committee Members ... 5
  - Number of Outside Directors ..... 3
  - Number of Specified Independent Auditors ..... 3
  - Number of Female Outside Directors ..... 1
- Terms of Directors serving as Audit and Supervisory Committee Members ... 2 years

investors and society. Going forward, we will continue to strive to ensure the transparency of our management.

Please refer to "Honda Corporate Governance Basic Policies"\* and Corporate Governance Report\* for Honda's basic policy, structure and composition of members related to corporate governance, policy on the appointment of directors, an outline of self-assessment findings made by the Board of Directors and philosophy on remuneration for Executive Officers.

\*<http://world.honda.com/investors/policy/governance.html>

Corporate Governance Structure (as of June 15, 2017)



## Corporate Governance

# Corporate Governance

## Executive Decision-Making Process

On June 15, 2017, in order to further strengthen the supervisory function of the Board of Directors and speed up decision-making, the Company has determined to make the transition to a company with an Audit and Supervisory Committee that enables increased segregation between the supervisory function and the business execution function and further delegation of the business execution authority to the Executive Directors in accordance with the provisions of the Company's Articles of Incorporation and resolutions approved by the Board. The new system enables quick decision-making and prompt business execution. Under the system, the separation of management supervision and business execution is promoted, shifting the focus of the board's function more to overseeing business execution.

The board has established criteria for deliberation and delegated some of its authority to the Executive Council, which in turn delegates some of its authority to the Regional Operating Boards.

The Executive Council conducts preliminary deliberation on items that will be decided by the Board of Directors, and, within the limits of authority delegated to it by the Board of Directors, deliberates on important management matters. Regional Operating Boards deliberate on important management matters within their respective regions, within the limits of authority delegated to them by the Executive Council.

## Board of Directors

The Board of Directors is comprised of nine inside directors and five outside directors.

Candidates for Director are exceptional people who are familiar with corporate management and the Company's business, and who have superior character and insight. Gender, nationality and other attributes are of no consequence. Candidates are

nominated by the Board of Directors.

In order to respond to the mandate of the shareholders to achieve sustainable growth and enhance the corporate value of the Company over the medium to long term, the duties of the Board of Directors include making decisions concerning key Company matters such as its basic management policies and monitoring of operations. In addition, the Board of Directors discusses and makes decisions concerning matters specified in the regulations of the Board of Directors, as well as matters set forth in the articles of incorporation and applicable laws. All other matters are delegated to the Representative Directors or the Executive Directors.

### Status of the meetings of the Board of Directors (FY2017)

● Number of meetings held (no. of times) .....	10
● Attendance rate of Directors (%) .....	100
Attendance rate of Outside Directors (%) .....	100
● Attendance rate of Corporate Auditors (%) .....	100
Attendance rate of Outside Corporate Auditors (%) .....	100

## Outside Directors

The Company appoints outside Directors who can supervise the Company's business management from an objective and broad perspective based on their abundant experience and considerable knowledge. In selecting Outside Directors, the Company seeks to identify persons who have a high degree of independence. The five outside directors currently in office satisfy Independence criteria for outside directors and their interests are not in conflict with those of the Company nor the shareholders. The five Outside Directors are specified as independent directors as prescribed in a provision of the Tokyo Stock Exchange (TSE); the names of those persons have been submitted to the TSE.

Please refer to "Honda Corporate Governance Basic Policies" for Honda's Independence Criteria for Outside Directors.

\*<http://world.honda.com/investors/policy/governance.html>

## Support Systems for Outside Directors

Honda provides necessary support to outside directors through

the Secretarial Division or the Audit and Supervisory Committee's Division in a timely manner.

Materials on the board of directors' agenda are distributed and explained in advance for the outside directors, and the information helpful for them to supervise the Company's business are continuously provided, including when they assume their respective positions.

## Business Execution Management (Organizational Management)

On the basis of our Fundamental Beliefs and from a long-term perspective, to support business expansion six Regional Operations functions have been established; they are responsible for management of the business in their respective regions. The Business Operations for motorcycles, automobiles and power products develop medium- to long-term plans for their respective products and coordinate efforts with the six Regional Operations functions to optimize and enable smooth global business operations. In addition, each of the Company's Functional Operations, including Business Management Operations, Personnel Affairs and Corporate Governance Operations, Brand Communications Operations, IT Operations, Production Operations, Purchasing Operations and Customer First Operations, is providing support and coordinating efforts to increase the effectiveness and efficiency of the Honda Group as a whole.

R&D activities are conducted mainly by independent subsidiaries. These activities are carried out with Honda R&D Co., Ltd. and its subsidiaries for products and Honda Engineering Co., Ltd. and its subsidiaries for production technologies in order to create distinctive and internationally competitive products through the application of advanced technology.

In order to facilitate quick and appropriate management decisions at the regional and working levels, Honda appoints Operating Officers who have been delegated the business execution authority from the Representative Director or the Executive Director to play the roles in their respective fields of Regional, Business and Functional Operations, R&D subsidiaries and other major organizational units.

**Corporate Governance**

**Audit Organization**

The Audit and Supervisory Committee comprises five members who are also directors of the Company (including three outside directors). In order to respond to the entrustment of the shareholders, the Audit and Supervisory Committee shall conduct audits of the directors and execute the duties of the committee prescribed by laws and regulations with the aim of ensuring sound and sustainable growth of the Company. Each Director serving as an Audit and Supervisory Committee member audits the execution of duties by directors in accordance with the auditing and supervisory criteria for the Audit and Supervisory Committee, auditing policies and division of duties, etc., as determined by the Audit and Supervisory Committee. The audit is carried out through participation in deliberations of the Board of Directors, attendance at meetings of the Executive Council and other important meetings, examination of status of management/company assets, and other activities.

To provide timely and accurate reports to the Audit and Supervisory Committee, Standards for Audit and Supervisory Committee Reports have been established. Based on these standards, reports are made periodically to the Audit and Supervisory Committee on the status of the business operations of the Company and its subsidiaries, the status of implementation and operation of internal control systems, and other matters. Also, reporting is required whenever there is an item that has a major impact on the Company. Candidates of Directors for Audit and Supervisory Committee Members are selected by a resolution of the Board of Directors with the approval of the Audit and Supervisory Committee.

In addition to the above, the Audit Division, which was organized to directly report to the President and CEO, conducts internal audits of each department of the Company. It also provides supervision and guidance to internal audit departments in major subsidiaries, as well as directly auditing subsidiaries when necessary.

Status of meetings of the Board of Corporate Auditors  
(fiscal year ended March, 2017) (before transfer to the company with the Audit and Supervisory committee)

- Number of meetings held (no. of times) ..... 10
- Attendance rate of Corporate Auditors (%) .....100
- Attendance rate of Outside Corporate Auditors (%) .....100

Status of Activities to Strengthen the Functions of the Audit and Supervisory Committee

The Company has formed the Audit and Supervisory Committee's Division

as a staff organization directly under the Audit and Supervisory Committee to provide support to the Committee.

In order to ensure the effectiveness of the audit, the Audit and Supervisory Committee appoints two full-time members for the Committee.

Mr. Masafumi Suzuki, a director who is also a member of the Audit and Supervisory Committee, has had sufficient operating experience in the finance and accounting departments of the Company and its subsidiaries, and Mr. Hideo Takaura, also a director and a member of the Audit and Supervisory Committee, has abundant experience and considerable knowledge as a certified public accountant. Both of them qualify as "persons with considerable knowledge of finance and accounting," as specified under Article 121-9 of the Implementation Regulations of Japan's Company Law. In addition, the Company's Audit and Supervisory Committee has recognized Messrs. Masafumi Suzuki and Hideo Takaura as "specialists in finance in the Audit and Supervisory Committee" as specified in the regulations of the U.S. Securities and Exchange Commission, based on Article 407 of U.S. Public Company Accounting Reform and Investor Protection Act of 2002 (Sarbanes-Oxley Act of 2002). All five members of the Audit and Supervisory Committee remain independent as specified by the regulations of the U.S. Securities and Exchange Commission.

**Training for Officers**

When a new officer takes a position, Honda provides him/her with a training program that focuses on corporate governance as the central theme, including outside training. The training program stresses the importance of receiving an explanation in the reports on operations written by associates on the impact in terms of not just financial performance but also environmental and social aspects.

From now on, we are planning to implement a more systematic training program including training for outside executives.

**Remuneration of Directors**

Remuneration of Directors (excluding those serving as Audit and Supervisory Committee Members) is paid from a maximum allocation for this purpose approved by the General Meeting of Shareholders, based on the remuneration criteria approved by the Board of Directors. Bonuses of the directors (excluding outside directors and the directors who are Audit and Supervisory Committee members) are paid within the maximum limit approved by the General Meeting of Shareholders and decided by the Board of Directors, based on the Company's performance during the applicable fiscal year, dividends paid to

shareholders, criteria for associates' bonuses and other considerations. Please refer to Article 12\* of the "Honda Corporate Governance Basic Policies" concerning the policy for determining remuneration for Directors.

\*<http://world.honda.com/investors/policy/governance.html>

Total amount of executive remuneration and bonuses, total amount by type and number of eligible Directors (Units: Number of persons: millions of yen)

Category	Directors (including Outside Directors)		Corporate Auditors (including Outside Corporate Auditors)		Total (including outside executives)	
	Persons	Amount	Persons	Amount	Persons	Amount
Executive remuneration	13 (2)	647 (23)	5 (3)	181 (47)	18 (5)	828 (71)
Executive bonuses	13 (2)	275 (8)	- (-)	- (-)	13 (2)	275 (8)
Total	-	923 (31)	-	181 (47)	-	1,104 (79)

This amount includes remuneration paid to four Directors and one Corporate Auditor who retired during the fiscal year ended March 2017.

Annual total remuneration and bonuses of highest paid individuals (Japan)

Annual total remuneration and bonuses of highest-paid individuals (millions of yen)	150
Ratio to median annual total remuneration for all associates (%)	1,896

Rate of increase in annual total remuneration and bonuses of highest-paid individuals (Japan)

Rate of increase in annual total remuneration and bonuses of highest-paid individuals (%)	132
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**Remuneration of Accounting Auditors**

The Company has had its financial statements audited in accordance with the Company Law of Japan, the Financial Instruments and Exchange Act of Japan, the Securities Exchange Act of 1934 (United States) and the Exchange Act of 1933 (United States) by KPMG AZSA LLC. Within KPMG AZSA LLC, a total of 83 staff members conducted external audits of the Company's financial statements. These accounting firm staff members are composed of 3 certified public accountants (Hiroshi Miura, Hiroyuki Yamada and Tomoo Nishigori), who are in overall charge of the Outside Audits, and 80 professional staff members (including 26 certified public accountants, 3 accountants with U.S. public accountant certification and 51 other staff members).

In deciding the amount of remuneration for services rendered by the Accounting Auditor, various factors are taken into consideration in discussions with the accounting firm, including the Company's size/ characteristics, the time schedule for the audit and other matters. In addition, to preserve the independence of the Accounting Auditor, remuneration to be paid is consented to by the Board of Directors, with the prior approval of the Board of Corporate Auditors.

**Compliance**

# Honda Code of Conduct

In order to earn the trust of customers and society and grow sustainably, companies must not only comply with laws and regulations but go beyond those legal structures by practicing ethical corporate conduct.

Recognizing this, in 2003 Honda formulated the Honda Conduct Guidelines for the Honda Group, which have been shared throughout the Group, including subsidiaries in Japan and overseas.

In light of the rising importance of compliance for Honda as it expands business operations globally, which includes responding to the enactment of laws such as competition laws in each region of the world, the Honda Conduct Guidelines were revised on April 1, 2016, outlining the behaviors to be practiced by people working at Honda around the world. The guidelines were renamed the Honda Code of Conduct\* at the same time.

The Company works to impress the Honda Code of Conduct on each and every associate through actions such as the distribution of leaflets, posting of information on its intranet and through training. Each of Honda's departments and subsidiaries regularly checks the status of activities to ensure awareness of the Code, and, through the Compliance Committee, reports to the Executive Council and the Board of Directors.

\*<http://world.honda.com/codeofconduct/>

# Compliance Committee

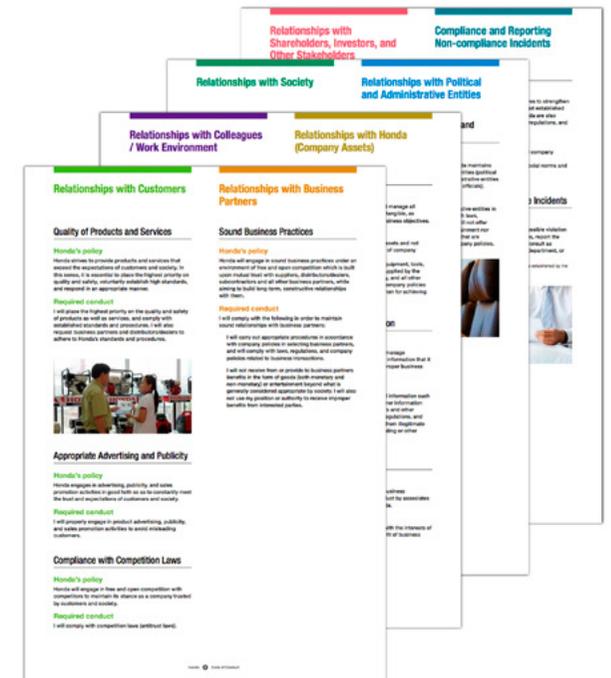
To strengthen compliance within the Honda Group, Honda has established a Compliance Committee, headed by a Compliance Officer designated by the Board of Directors, and composed of officers appointed by the Compliance Officer and the Executive Council. The Committee sets compliance policies and makes decisions on any follow-up policies regarding important

compliance matters, issues guidance on improvement to relevant departments and performs oversight to ensure the appropriate management of the Business Ethics Improvement Proposal Line. For matters of compliance that are of particular importance, the Committee formulates policy, proposes this to the Executive Council and issues reports to the Corporate Auditors.

The Compliance Committee met three times in FY2017 to report on the establishment and operating status of an internal control system and status of activities to raise awareness of the Honda Code of Conduct, among other things. There were no major violations of laws or regulations in FY2017.



Honda Code of Conduct



## Compliance

## Business Ethics Improvement Proposal Line

In 2003, Honda established the Business Ethics Improvement Proposal Line as a mechanism for addressing issues involving corporate ethics in cases of actions that violate laws or internal rules. This allows the Company to accept suggestions and provide consultation, from a fair and neutral standpoint, for associates who face barriers in improving or resolving issues in the workplace for reasons such as difficulties in consulting with superiors.

In addition to cases of clear violation of laws or internal rules, this hotline provides consultation and responds to inquiries about the details of internal rules when questionable actions have occurred, and also engages in fact checking related to such cases. Suggestions are accepted by email, letter, telephone or fax from all subsidiaries in Japan and overseas, as well as from the parent company. Anonymous suggestions are also accepted for the protection of submitters.

In October 2013 Honda also added a point of contact within an external law office to facilitate the submission of suggestions. In addition, local points of contact for suggestions have been added in all Regional Operations and some subsidiaries have set up their own points of contact.

In FY2017, 487 suggestions and consultations were handled by the Business Ethics Improvement Proposal Line (including points of contact outside the Company). Among these, 191 concerned the parent company and 272 concerned subsidiaries. Following investigations, disciplinary action was taken in two cases involving subsidiaries, and one of these two cases resulted in punitive dismissal. No suggestions involved violations of the Honda Policy on the Prevention of Bribery.

In order to raise internal awareness of the points of contact, Honda provides notice on our intranet, distributes information cards the size of business cards to all associates, including fixed term employees and temporary workers, and displays information posters in each workplace. These tools also make it clear that the associates submitting suggestions will be protected at the same time. In addition, Honda observes how well these points of contact are recognized through associate surveys conducted once every

three years for all associates. For departments found in these surveys to have low recognition of the points of contact, The Company makes additional efforts to increase their awareness.

## Initiatives to Prevent Bribery

The Honda Code of Conduct requires compliance with laws and regulations and prohibits the bribing of politicians and civil servants. The Honda Code of Conduct, revised in 2016, states that “as an independent corporate entity, Honda maintains appropriate relationships with political entities (political organizations and politicians) and administrative entities (governmental agencies and government officials)” and “will interact with political and administrative entities in an appropriate manner in compliance with laws, regulations and company policies and will not offer politicians or government officials entertainment or gifts (both monetary and non-monetary) that are prohibited by laws, regulations and company policies.”

In 2014, Honda also established the Honda Policy on the Prevention of Bribery, which stipulates basic policy, and the Honda Guideline for the Prevention of Bribery, which stipulates compliance items and prohibited items, with a focus on prevention of bribery.

In addition to raising awareness by integrating bribery prevention-related knowledge into Honda’s level-specific training programs, it is also incorporating e-learning-based training for its associates in management positions in departments that face a higher risk of bribery. With regard to its subsidiaries, Honda has launched training programs, matched to conditions in each company, aimed at raising awareness.

## Initiatives for the Prevention of Anti-Competitive Behavior

As a company engaged in business globally, Honda takes great care in its daily business activities to comply with competition laws in the countries where it operates.

The Honda Code of Conduct states that “Honda will engage in free and open competition with competitors to maintain its stance as a company trusted by customers and society” and that each employee “will comply with competition laws (antitrust laws)” to ensure compliance with competition laws.

As a part of its measures to strengthen compliance, Honda

incorporates programs on the topic of anti-competitive behavior in level-specific training at the time of personnel promotions, and in pre-assignment training for persons stationed overseas. Honda also publishes awareness-raising content concerning anti-competitive behavior on the Company’s intranet for its associates.

## Rules on Conflict Minerals

The final rule for disclosure on conflict minerals adopted by the U.S. Securities and Exchange Commission (SEC) mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) requires corporations to confirm that the purchase and use of conflict minerals from the Democratic Republic of the Congo and adjoining countries are contributing neither to the funding of armed groups nor to the abuse of human rights in that region.

Honda’s policy is to aim to be free from conflict minerals which contribute to the funding of armed groups or human rights infringement. To achieve this goal and to help resolve the global problem of conflict minerals, the Company is actively engaged with domestic and international industry organizations and its suppliers.

As a member of the Automotive Industry Action Group (AIAG), Honda North America Inc., Honda’s U.S. subsidiary, participates in the smelter audit program promoted by the Conflict-Free Sourcing Initiative (CFSI). In FY2017, the company visited smelters in Vietnam to encourage compliance with standards set by the CFSI. Honda will continue to take action globally through collaboration with industry organizations.

With its suppliers, Honda shares the Honda Supplier CSR Guidelines that summarize what is expected of them with regard to CSR activities, including how to deal with conflict minerals, and is encouraging procurement in line with the guidelines.

Since 2013, Honda has surveyed its suppliers worldwide concerning the use of conflict minerals. This fiscal year, Honda received responses from more than 6,000 suppliers. In addition to reporting survey results to the SEC, the Company also makes them publicly available on its website\*.

In the event that the survey reveals any minerals of concern, regardless of source country, Honda works together with its suppliers to take appropriate measures. The Company is also working to improve the accuracy of its survey, requesting further investigation when survey responses are insufficient.

\*<http://world.honda.com/investors/library.html>

## Risk Management

# Establishing an Effective Risk Management Structure

Honda formulated the Honda Global Risk Management Policy in June 2015, with its applicability extended to Group subsidiaries, with the aim of driving the company's sustainable growth and stabilizing management by anticipating risk and responding swiftly. The regulations are based on the Honda Philosophy.

In order to address business-related risk, as well as risks related to disasters that have the potential to impact operations on a global scale, the Honda Global Risk Management Policy details roles for each organizational rank. At the same time, each organization is responsible for setting up an appropriate structure and promoting its own independent risk management activities. In addition, the Company has taken measures to support implementation throughout Honda, including Group companies, centered around a Risk Management Officer appointed by the Board of Directors. As well as evaluating potential risk in terms of impact and frequency, a Global Emergency Headquarters was established to provide a response to incidents proportionate to the anticipated magnitude of impact.

## Risk Analysis

After experiencing the Great East Japan Earthquake and major flooding in Thailand, Honda has since October 2013 begun identifying priority risks from the bottom up for each of its Regional and Business Operations. The purpose is to identify potential risks and implement the necessary countermeasures, thereby turning the risks into opportunities for growth.

As for specific procedures, for the 91 risk items identified by the Honda Group, such as economic crisis, economic recession and exchange rate and interest rate fluctuations, Honda performs risk assessment by calculating the potential magnitude of impact and the frequency of occurrence using common evaluation criteria. Based on the results of the assessment, the Executive Officer of each of the

Regional and Business Operations chooses the risks most relevant to its regional or business operations in the next fiscal year. In addition, information regarding risk management measures is shared among members of management every year with monitoring of progress.

In FY2017, along with identifying priority risks from the bottom up, the Company started identifying risks that require company-wide response (company-wide priority risks) by using a materiality matrix and from a long-term perspective based on our visions and strategies. From FY2018 onward, Honda will complete the top-down process of identifying company-wide priority risks and implement required response systems.

## Emergency Response

A series of large earthquakes that hit Kumamoto and other parts of Kyushu in April 2016 caused substantial damage to Honda's Kumamoto Factory and dealers.

In response to the emergency, Honda set up a Global Emergency Headquarters and made all out efforts for recovery of not just the Kumamoto Factory but also suppliers and regional communities. Our motorcycle production, which initially sustained significant damage, returned to an almost normal level of operations on August 22, 2016.

After the dissolution of the Global Emergency Headquarters, Honda conducted verification of the operational effectiveness of the headquarters and responded to issues identified during the emergency. The results of this effort have been reflected in the Global Emergency Headquarters Manual, which consequently underwent a major revision.

Also with regard to disaster drills, which had focused on ensuring the safety of human life and procedures to account for its associates, in addition to these Honda started training from a business continuity planning (BCP) viewpoint on procedures to share information for the purpose of identifying the impact on business at an earlier stage.

## Information Management

To ensure the protection of the personal information of our customers, associates and others, the proper handling of company

information, and in response to the increase in the handling of high-level, confidential information globally such as 3D data, Honda formulated the Global Confidentiality Policy (GCP) in FY2015 and created a committee to promote regional information management with the Director in charge of information management as its chairman. This enables measures such as regulations to be established and monitoring of the status of confidential information management promoting information management on a global scale. At a meeting of the Global Confidentiality Committee held in FY2017, Honda confirmed that the establishment of an information management system has been completed in each region and approved the confidentiality action policies and initiatives for the next three years starting from FY2018. Activities have been already initiated under these policies and initiatives.

In addition to the already implemented Global Privacy Policy (GPP) and the Electronic Conferencing Policy, Global Document Management Regulations were approved at a Global Confidentiality Committee meeting held in December 2016 and the formulation of all GCP-related regulations has been completed.

In Japan, we promote initiatives to strengthen information management throughout the year, led by the Japan Confidentiality Committee.

## Protection of Personal Information

In each department subject to Honda's personal information management policy, the Company appoints persons to handle information, supervise information, and manage information and requires all of them to receive training on the protection of personal information.

Also, personal information is stored with rigorous security, including in access-restricted electronic vaults or cabinets with locks. The Company takes "inventory" of personal information at least once each year and any unnecessary personal information is deleted.

In Japan, Honda formulated a new Specific Personal Information Management Policy in November 2015 in response to the enactment of the Japanese "My Number Act." Honda has also made an appropriate response to the Amended Act on the Protection of Personal Information, which took full effect in May 2017.

In FY2017, no complaints were filed with Honda globally concerning any leak of personal information.

## Research and Development

# Honing Our Technologies and Promoting R&D with a Free and Open Spirit

Since its establishment, Honda has undertaken research on humans and focused on “being useful to people through technologies.” Outside Japan, Honda is called Honda Motor while in Japan, our birthplace, our corporate name is Honda Giken Kogyo. The word “giken” stands for “technology research” and encapsulates our desire to hone our technologies and contribute to enriching and raising the quality of people’s lives.

In 1960, Honda spun off the research and development division as a separate entity with the founding of Honda R&D Co., Ltd. By doing so, an independent R&D structure that further invigorates creativity through an open environment was established, enabling Honda to create original technologies and products, and contributes to the further development of the Company.

Honda R&D operates highly efficient development structured into the motorcycle, automobile and power products businesses—as separate R&D centers—in accordance with the products and market characteristics of each business. Honda R&D promotes wide-ranging in-house development that encompasses products as well as technologies for raw materials and elements. This has enabled Honda to gain a deep understanding of these technologies and allowed for the creation of proprietary technologies and products using unique concepts. The research centers share and research results with one another for effective usage. Moreover, Honda R&D undertakes R&D globally and works to develop products matched to local markets and gathers information on leading-edge technologies and markets in each region.

Honda established the Fundamental Technology Research Center in 1986. The center has carried out a diversity of forward-looking research in such areas as fuel cells, robotics, and aircraft and aircraft engines. The center is promoting development in these fields toward practical use and some products have already been commercialized.

Aircraft research and development made a transition from the Fundamental Technology Research Center to a volume production development organization. These efforts bore fruit at the end of 2015 with the certification of the HondaJet. This aircraft realizes high performance and comfort using the non-conventional concept of mounting the engines above the wings.

Honda’s unrestrained creative powers that are not bound to the status quo are continuously utilized in the research and development of all Honda products.

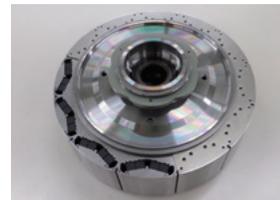
### T O P I C S

#### Reducing Resource and Supply Chain Risk Using a Magnet Completely Free of Heavy Rare Earth Elements

Honda and Daido Steel Co., Ltd. became the world’s first companies to achieve practical application of a neodymium magnet containing no heavy rare earth and that can be used in the driving motor of a hybrid vehicle. This neodymium magnet was applied to the all-new Freed minivan. Neodymium magnets, which have the highest magnetic force among all magnets in the world, are being used for the drive motors of electric vehicles. Heavy rare earth is added to the neodymium magnets as a conventional method for securing high heat resistance. However, major deposits of heavy rare earth elements are unevenly distributed around the world and are also categorized as rare metals. For these reasons, reducing the usage of heavy rare earth elements is a major issue. The use of this technology will make it possible to avoid resource-related risk, reduce costs and diversify procurement channels.



Magnet completely free of heavy rare earth elements



Rotor for i-DCD drive motor

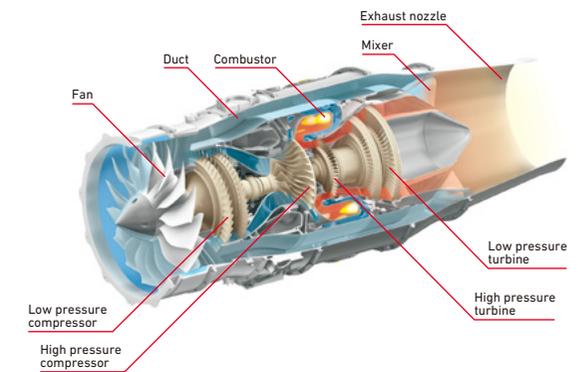
### T O P I C S

#### Leading the Way in Environmental Performance of Small Jet Engines

Honda started research on aircraft engines in 1986. These engines were mounted on the HondaJet, which was under development as a business jet, and full-scale flight testing was performed in 2003.

Jointly developed with GE, the HF120 turbofan engine obtained Type Certification in 2013 and boasts the highest thrust-to-weight ratio in its class as well as high endurance reliability. The fan, which requires a particularly high level of technology, meets the difficult challenge of attaining the highest degree of balance among ruggedness, performance and lightness giving consideration to safety as a top priority. The engine realizes low fuel consumption through the intake of larger amounts of air as well as efficient compression and combustion to obtain large thrust. At the same time, the engine assures sufficient strength for withstanding the intake of foreign objects during flight to raise safety.

In this way, the HF120 achieves top-of-class environmental performance and leads the industry.



Perspective diagram of the HF120 turbofan engine

## Innovation Management

# Promoting R&D under an Open Structure That Advances “Mobility” and “Living”

The world of mobility, beginning with automobiles, has been evolving dramatically over the past several years. Honda regards this major wave of change as an opportunity to transform itself. To the present, Honda has created original technologies and products based on unique ideas through in-house development of technologies. On the other hand, this approach took time, which also included the development of human resources. In this age of massive and rapid change, Honda will leverage its own strengths while strategically incorporating external technologies and business ideas with the aim of achieving further growth. Specific examples include an alliance with Singapore-based Grab Inc. for motorcycle sharing services and an alliance with General Motors for the development and production of fuel cells. In the future as well, we will strive for alliances that can further expand and complement Honda’s strengths.

In January 2017, Honda exhibited products for the first time in 10 years at the Consumer Electronics Show (CES) 2017, the world’s largest trade fair in the consumer electronics industry held in the United States. At this event, Honda announced its open collaboration with companies that possess a variety of technologies and know-how extending beyond the boundaries of fields such as artificial intelligence (AI), big data and robotics, as well as the fusion of Honda and external technologies and ideas to create new value.

Honda R&D Innovations, Inc. (referred to as “HISV”), based in Silicon Valley in the United States, is the organization that handled the main exhibits at CES 2017. This involved HISV announcing the results of joint research being promoted openly with startups and IT companies at a research hub established by Honda in 2000 in Silicon Valley.

Honda also established a research hub, Honda Innovation Lab Tokyo, with the aim of promoting open interchanges in Japan in addition to those in the United States. Silicon Valley and Tokyo are places where cutting-edge technology and cultural exchanges flourish because they have optimal environments for spurring innovation.

Meanwhile, in February 2017 Honda announced its plans to establish R&D Center X, a new research and development operation for the purpose of creating new value that works cooperatively with people, targeting 2030 and onward. The Company believes that the evolution of digital technology will bring Honda potentials for value creation and it will take on the challenge of spurring innovation in a wide range of fields based on the concept of “AI × Data × Honda’s strengths.”

However, Honda considers that linkages with business are crucial for creating new things and spurring innovation. It has, therefore, significantly strengthened its operation in charge of business development at the corporate headquarters. The Company has established a structure for ensuring more collaboration than ever before with research centers and that can more quickly create products and services that offer new value.



Exhibit at CES 2017

## T O P I C S

### Collaboration in Motorcycle Sharing in Southeast Asia

In December 2016, Honda began considering business collaboration with Grab Inc., which engages in motorcycle and automobile sharing services in Southeast Asia. Amid the ongoing shift in usage formats from “ownership” to “shared use” of products, both companies will strive to realize a business for motorcycle sharing in Southeast Asia. Additionally, the companies will work on the mitigation of traffic congestion in urban areas, promote environmental and safety initiatives and provide further “security, safety and convenience.”

## T O P I C S

### Honda Riding Assist Wins Three Awards

The Honda Riding Assist motorcycle, a concept model of Honda’s self-balancing motorcycle, won three awards at CES 2017. These include the Best of CES 2017, “Best Innovation” and “Best Automotive Technology” awards sponsored by Engadget\*1, the official partner of the Best of CES Awards. The Honda Riding Assist also won Best of CES “Editors’ Choice Awards” sponsored by the U.S. magazine *Popular Mechanics*\*2.

\*1 Engadget is a multi-language technology blog that exhaustively covers topics related to electrical appliances and gadgets.

\*2 *Popular Mechanics* is a technology magazine that has been covering a broad range of topics such as automobiles, houses, outdoor activities, science and technologies since 1902.



Honda Riding Assist

**Stakeholder Engagement**

## Basic Approach

To be a “company that society wants to exist,” Honda must appropriately and accurately convey to society the value that it seeks to offer. Together with this, Honda must put into practice a communication cycle in which it engages in dialogue with diverse stakeholders to grasp and understand the demands and expectations placed on the Company, translate these into concrete measures and implement them, and finally listen to stakeholders’ evaluations of its activities.

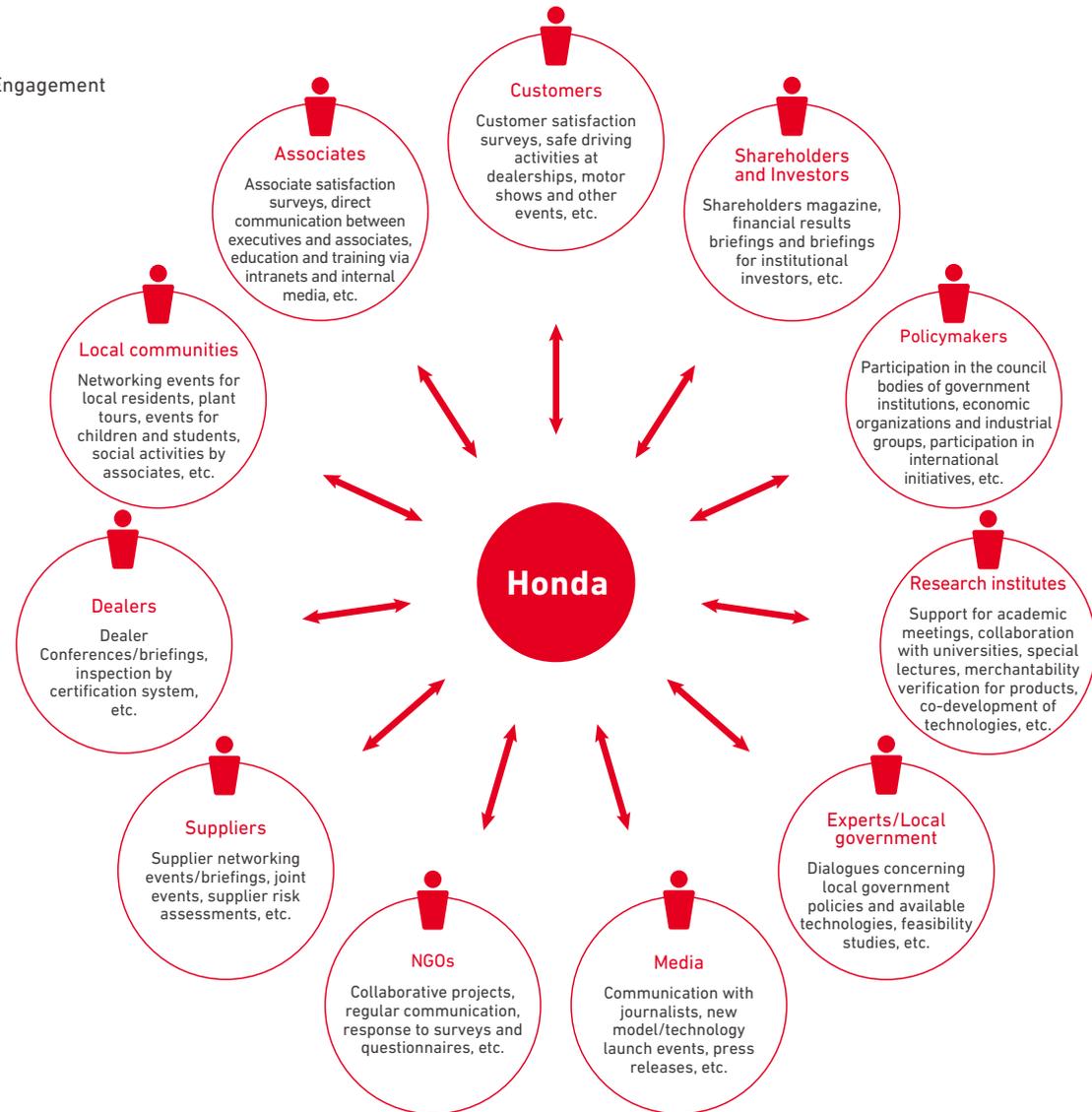
Especially in recent years, the growing scale and globalization of companies, along with the rapid proliferation of IT, have heightened the impact of companies on society, and vice-versa. As this process continues to accelerate, Honda considers that stakeholder dialogue is a beneficial tool that leads to a proper understanding of stakeholders regarding the Company’s initiatives while also giving the Company an understanding of changes and risks in the social environment.

Based on this understanding, the various divisions at Honda conduct dialogues globally, through a variety of opportunities, with the stakeholders engaged in Honda’s business: those stakeholders shown in the diagram on the right that either are impacted by Honda’s business activities or whose activities that impact Honda’s business activities.

As an example, through dialogue with shareholders, in addition to conventional investor relations (IR) activities, Honda conducts shareholder relations (SR) activities, which mainly introduce ESG initiatives; exchanges opinions with institutional investors as our shareholders; and introduces Honda’s strategies and initiatives by way of shareholder events and shareholder magazines.

In addition, opinions gained from leading ESG rating agencies and NGOs are reflected in the Materiality Matrix (⇒ p.11), which is utilized in identifying issues Honda ought to be addressing.

Stakeholder Engagement



## Stakeholder Engagement

### Cooperation with External Organizations

To carry out our responsibility as a global mobility-related manufacturer, Honda engages in dialogues with government, economic and industry organizations and also cooperates with external bodies. In Japan, Honda personnel serve as vice chairman, committee head and committee member within the Japan Automobile Manufacturers Association, president of the Society of Automotive Engineers of Japan, as well as vice president of the Tokyo Chamber of Commerce and Industry.

In addition, Honda personnel serve as technical committee chairs and other representatives in the international motorcycle and automobile industry bodies such as The International Motorcycle Manufacturers Association (IMMA) and Organisation Internationale des Constructeurs d'Automobiles (OICA). Furthermore, Honda cooperates with initiatives related to sustainability through membership in the World Economic Forum (WEF) and the World Business Council for Sustainable Development (WBCSD).

At Honda, we delegate authority to regional operations within a certain scope when executing business in respective regions in order to enhance local autonomy and enable speedy decision-making. Political contributions are made following required internal procedures based on the laws and regulations of respective countries.

### External Evaluations

#### Honda Selected to the Dow Jones Sustainability Asia/Pacific Index

Honda was selected for the second consecutive year as a member of the Dow Jones Sustainability Asia/Pacific Index after being ranked in the top two for the Automobiles sector for the Asia Pacific region in the Dow Jones Sustainability Indices (DJSI), one of the key benchmarks for socially responsible investing.

The DJSI are investment indices developed and offered cooperatively by U.S.-based S&P Dow Jones Indices and Switzerland-based RobecoSAM, which evaluate the sustainability of the world's leading companies from three perspectives in terms of economic, environmental and social criteria and select companies that demonstrate overall excellence for inclusion in the indices.



#### Selected for the Second Straight Year with a Bronze Class Rating in the RobecoSAM Sustainability Index

Honda was selected for the second year running with a Bronze Class rating in the Automobiles sector of the Sustainability Award 2017 issued by Switzerland-based RobecoSAM. RobecoSAM evaluates sustainability of approximately 2,500 companies worldwide in terms of economic, environmental and social criteria. Companies deemed to be particularly outstanding in each sector are rated in categories of Gold Class, Silver Class and Bronze Class each year.



#### Securing an A- on the CDP Japan 500 Climate Change Report 2016

In November 2016, CDP released the results of a survey on climate change initiatives and reduction of GHG emissions for 5,000 major companies worldwide.

Honda received an A- rating, a score at the leadership level, in recognition of activities deemed to be best practices in environmental management in the CDP Japan 500 Climate Change Report 2016, one of those categories.

CDP is an international NPO that provides a global system for measuring, disclosing, managing and sharing important environmental information from companies and cities. Company initiatives in environmental challenges are evaluated in the four stages of information disclosure, awareness, management and leadership.

**Stakeholder Engagement**

T O P I C S

**Honda Established the Honda Marine Science Foundation in California**

Honda established the Honda Marine Science Foundation, a new initiative to address marine ecosystem restoration and the impact of humans and climate change on oceans and intertidal areas. The foundation will support science-based programs that improve and preserve coastal areas for future generations. This foundation board is comprised of Honda representatives and experts from the marine sciences field, including the National Oceanic and Atmospheric Administration (NOAA), Santa Monica-based Heal the Bay, UCSB Bren School of Environmental Science & Management and the Aquarium of the Pacific in Long Beach, California. The first initiative is the Southern California Native Oyster Restoration Project and the goals include pioneering research to educate the public about the benefits of restoring native oysters for shoreline stabilization.

Honda determined the foundation would foster meaningful cross-sector collaboration to help restore marine ecosystems.



Honda Marine Science Foundation logo



Ceremony for the establishment of the foundation



Students participating in a project

**NSX Auctioned in Support of Charitable Causes**

The 2017 NSX, a super sports car resurrected after about 10 years, was the first all-new Acura vehicle to be auctioned for the benefit of charitable organizations – the Pediatric Brain Tumor Foundation and Camp Southern Ground, which supports children who have trouble fitting in and those with neurobehavioral illnesses – at the world-famous Barrett Jackson Auction in Scottsdale, Arizona. Honda/Acura dealer and race team owner Rick Hendrick walked away with the NSX VIN #001 for a record \$1.2M USD. Additionally, a second NSX was also auctioned off for charity in February 2017 for the Grammy Foundation’s MusiCares charity. MusiCares provides healthcare to musicians who do not receive adequate services from the government or healthcare system.



Auction venue



A record bid was achieved in front of the children.

**Smart City Challenge and Northwest US33 Corridor Projects in Ohio**

In June 2016, the City of Columbus, Ohio won the U.S. Department of Transportation Smart City Challenge from among 78 cities nationwide. The eco-conscious social pilot project aims to promote smarter cities that can enable all residents to move easily and to access opportunity.

These activities are in alignment with Honda’s dream of a collision-free mobile society. With a strong manufacturing and R&D presence in central Ohio, Honda will help the city move into this new era of advanced technology and help chart the course to the future of mobility. Honda also has pledged to make available a number of plug-in hybrid and electric vehicles for the city.

In addition, the Northwest U.S. 33 Smart Mobility Corridor project will provide Honda with an ideal place to test and analyze “vehicle-to-everything” (V2X) communications network technologies that connect cars with people and road communication systems in a real-world setting.