

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

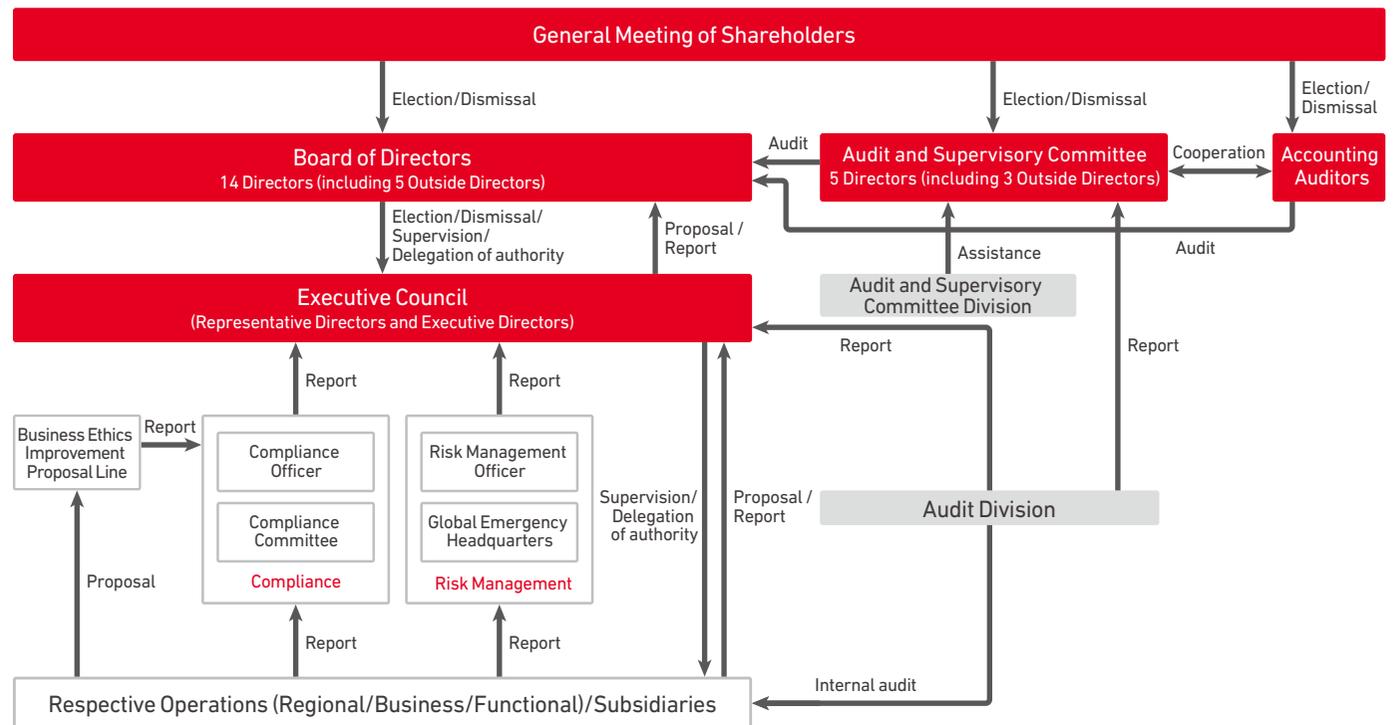
- Number of Directors (excluding Audit and Supervisory Committee Members)... 9
 - Number of Outside Directors 2
 - Number of Specified Independent Directors 2
 - Number of Female Directors 1
- Term of Directors (excluding Audit and Supervisory Committee Members)... 1 year
- Number of Directors serving 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)



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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.

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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.