

## 6. Purchasing

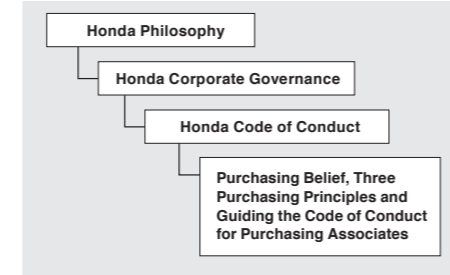
### 6-1 : Basic Approach to Purchasing

Honda's goal is to achieve a sustainable society across the supply chain. The Company implements initiatives with consideration for the environment, safety, human rights, compliance and social responsibility, among others, in partnership with its suppliers worldwide. Based on the Honda Philosophy, the Company established the Purchasing Belief and Three Purchasing Principles and engages in business that is fair and equitable with transparency.

#### Purchasing Belief and Three Purchasing Principles



#### Positioning of Purchasing Belief, Three Purchasing Principles and Guiding the Code of Conduct for Purchasing Associates

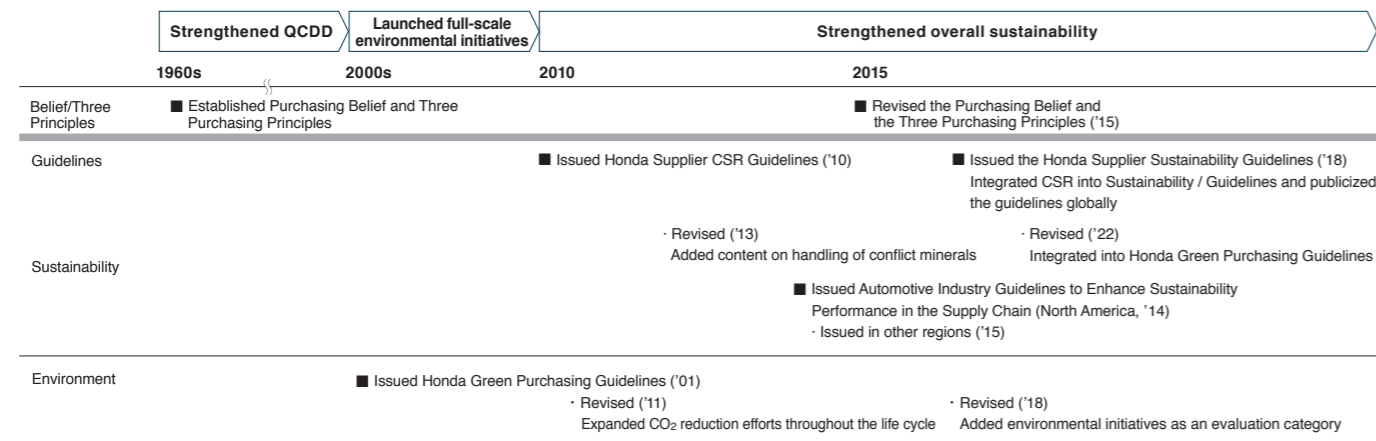


#### Engagement with Suppliers

In its global parts procurement activities, Honda has set forth its Sustainability Vision, which aims to promote sustainability initiatives together with its suppliers around the world and to realize a supply chain that can coexist and co-prosper with local communities. Furthermore, based on the vision, the Company has issued the Honda Supplier Sustainability Guidelines as a policy to share its approach to sustainability with its suppliers around the world and to promote it together. Through the Guidelines, Honda seeks to prevent compliance violations and other issues in advance, along with reducing its environmental impact. If a supplier fails to follow the Guidelines, Honda immediately receives a report from the supplier and works to prevent a recurrence by asking them to analyze the cause and draw up a corrective action plan. If the corrective action plan received from the supplier is determined to be inappropriate, Honda considers its future business relations with them, taking into account the social impact of the problem.

In addition, the Company is working to instill and promote the Guidelines throughout the entire supply chain by performing checks on the status of suppliers' related initiatives and utilizing sustainability-related check sheets for sub-tier suppliers. When selecting suppliers for components and raw materials based on these sustainability policies, Honda confirms their initiatives on Quality, Cost, Delivery, Development and Environment (QCDD), human rights, labor, safety, compliance, risk, protection of information and other aspects to determine the best and most sustainable supplier.

#### Changes in purchasing operations



### 6-2 : Global Management of Purchasing

#### Promotion Structure

Honda conducts business in six regions worldwide and has respectively established purchasing functions. In line with Honda's corporate philosophy of "building products close to the customer," each region is encouraged to source locally. The rate of local procurement in the United States, Honda's primary production base, reaches 80% for major global models. A department in Japan supervises the overall, global purchasing function, provides coordination

across regions and businesses, and formulates sustainability policies and goals. In 2016, the Company established a department dedicated to reinforcing and accelerating sustainability initiatives. In addition, to discuss and examine the direction Honda should take globally over the medium to long term, Honda holds periodic meetings with the management teams of respective companies operating in each region and facilitates collaboration with them. The Environmental Purchasing Meeting was held from 2011 onwards and sought to strengthen initiatives aiming for a low-carbon society across the entire global supply chain. This meeting was composed of working-level staff from each region. It discussed and coordinated policies and methods of reducing CO<sub>2</sub> together with suppliers in each region worldwide. In FY2017, Honda added human rights and compliance initiatives and transformed the meeting into the Sustainability Purchasing Meeting.

#### Reducing the Environmental Impact Together with Suppliers

In the Honda Global Environmental Purchasing Vision, we have adopted the concept of coexisting in shared prosperity with local communities by reducing environmental impact together with Honda's suppliers worldwide in our component procurement operations. Based on this vision, we have also formulated the Environmental Purchasing Grand Design, which shows the steps toward our priority of attaining a low-carbon society. When launching new transactions, we share the guidelines and the grand design with all suppliers in each region, and with their consent, jointly work to realize a low-carbon supply chain.

#### Initiatives to Achieve Carbon Neutrality

Honda strives to realize carbon neutrality (net zero CO<sub>2</sub> emissions) for all products and corporate activities Honda is involved in by 2050. In Japan, in October 2021, Honda asked its suppliers to consider initiatives to reduce total CO<sub>2</sub> emissions, and in December 2022, shared its perspectives on measures to consider specific measures toward achieving carbon neutrality by 2050. Through close communication with each supplier, Honda aims to work together to realize carbon-neutral status.

#### Management of CO<sub>2</sub> Data

To increase the effectiveness of its efforts to reduce the environmental impacts in its supply chain, Honda established a system for the integrated management of data on CO<sub>2</sub> emissions reduction by suppliers in FY2012, which commenced full-scale operation in FY2015. Since FY2018, Honda has been taking part in CDP's supply chain program (an international initiative by institutional investors asking companies for their disclosure of information on climate change policies). Honda is using these tools to share goals and progress status towards total reduction and to implement the PDCA cycle with suppliers worldwide. As of 2022, approximately 1,700 companies, equating to more than 80% of purchasing value on a global level, are using these tools. Going forward, the Company will comprehensively analyze data to assist in activities to reduce CO<sub>2</sub> emissions at suppliers, including their efforts to achieve total emissions control targets.

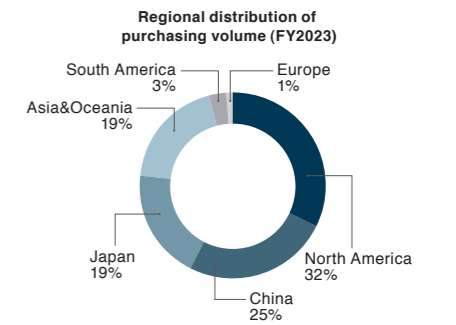
#### Initiatives to Reduce the Environmental Impact in the Supply Chain

Honda promotes initiatives together with suppliers to reduce the environmental impact, that is, reduce CO<sub>2</sub> emissions and ensure the efficient use of resources in each region. In Japan, Honda sets specific numerical CO<sub>2</sub>, water and waste targets for its Honda Group suppliers and promotes reduction initiatives in partnership with each of them. With regard to water and waste, having started undertaking measures for target management in FY2019, Honda set specific targets for FY2023 (below FY2020 results per unit of production) to collect accurate data. As part of this initiative, Honda has provided tools to these suppliers to analyze their respective progress and past performance and has been checking their activities to reduce the environmental impact as well as evaluate their stance in this area. By communicating and sharing information with Honda Group suppliers via the Internet, Honda actively collaborates with them to promote efforts to achieve the targets.

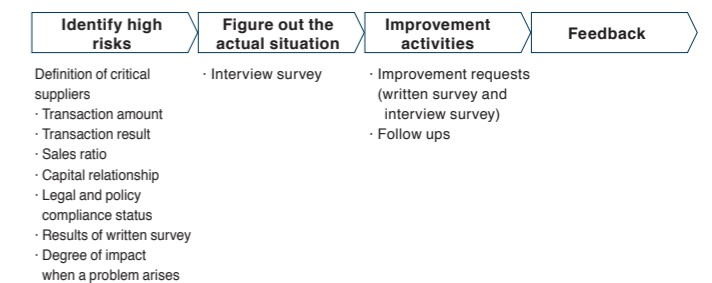
#### Sustainability Initiatives Inspection for Suppliers

Honda has distributed a checklist to suppliers requesting independent inspection in order to confirm the status of initiatives relative to the guidelines. Honda introduced a sustainability initiatives inspection in Japan in 2016 for suppliers with large business volumes and significant influence on the Company, in line with rising expectations worldwide to fulfill corporate social responsibility that also includes the supply chain. The inspection is now carried out globally. Following the flow diagram indicated on the right, in Japan, Honda performs this inspection periodically on suppliers who account for more than 80% of purchasing value. Based on the inspection results, the Company identifies high-risk suppliers that are prone to problems and may have a significant impact on Honda if a problem does occur. Recent examples of improvement include the management of working hours and the formulation of an internal rule to prohibit suppliers from retaining the ID documents of non-Japanese workers.

Going forward, Honda will work with overseas purchasing sites to promote the sustainability initiatives inspection globally while enhancing education for the associates responsible for the investigation to cultivate the required skills. There were no instances of issues bearing significant risk in FY2023.



#### Flow of sustainability initiatives inspection



**6-3 : Purchasing Chronology**

<p>1953</p> <ul style="list-style-type: none"> <li>• Concentrated purchasing functions in various locations to head office (Yaesu, Tokyo).</li> <li>• Established Saitama Factory Procurement Section.</li> <li>• Established Hamamatsu Factory Procurement Section.</li> </ul> <p>1954</p> <ul style="list-style-type: none"> <li>• Moved procurement functions from head office to the Shirako Factory.</li> <li>• Established quarterly plan for cost reduction.</li> </ul> <p>1955</p> <ul style="list-style-type: none"> <li>• Changed incoming inspections from all items to samples.</li> <li>• Declared no inspection policy to major customers at the Yamato Factory.</li> <li>• Commenced cost reduction campaign.</li> </ul> <p>1956</p> <ul style="list-style-type: none"> <li>• Commenced organizational technical guidance to suppliers (Hamamatsu Materials)</li> <li>• Established materials department at head office (factories concentrated on mass production).</li> <li>• Implemented bulk purchasing of major materials.</li> </ul> <p>1957</p> <ul style="list-style-type: none"> <li>• Completed framework of material cost management system.</li> <li>• Adopted diagram system to reduce inventory.</li> </ul> <p>1959</p> <ul style="list-style-type: none"> <li>• Cost targets set at international levels in anticipation of exports.</li> <li>• Established a policy of “Cost is determined by selling price.”</li> <li>• Categorized business partners as “specialized manufacturers” and “exclusive manufacturers.”</li> <li>• Supported restoration of business partners in the wake of the Ise Bay typhoon disaster.</li> </ul> <p>1960</p> <ul style="list-style-type: none"> <li>• Adopted line-side inventory system at Suzuka Factory.</li> <li>• Saitama and Hamamatsu material sections became part of the Head Office Material Division.</li> <li>• Established Suzuka Branch Office (later to become the Direct Materials Section) of the Material Department at the Head Office.</li> <li>• Material Department of the Head Office relocated to the Saitama Factory.</li> </ul> <p>1961</p> <ul style="list-style-type: none"> <li>• Cost Reduction Promotion Office established at Hamamatsu Factory.</li> </ul> <p>1963</p> <ul style="list-style-type: none"> <li>• Established automobile procurement system.</li> </ul> <p>1970</p> <ul style="list-style-type: none"> <li>• Consolidated motorcycle and automobile material sections of the Suzuka Plant into the Material Office.</li> </ul> <p>1973</p> <ul style="list-style-type: none"> <li>• Clarified roles of Head Office Procurement (legislative) and Manufacturing Procurement (administrative).</li> <li>• Changed procurement organization of the Manufacturing Division from model-based to industry-based.</li> <li>• Established office director system.</li> <li>• Provided technical support to EG.</li> <li>• Reinforced centralized purchasing of raw materials.</li> </ul> <p>1977</p> <ul style="list-style-type: none"> <li>• Held regular supplier round-table meeting in February.</li> <li>• Began presenting awards of appreciation for excellence (quality, delivery, material cost)</li> </ul> <p>1981</p> <ul style="list-style-type: none"> <li>• Commenced direct packaging of motorcycle KD parts.</li> </ul> <p>1982</p> <ul style="list-style-type: none"> <li>• Integrated Cost Planning Department and Parts Planning Department.</li> <li>• Commenced direct packaging of automobile KD parts.</li> </ul> <p>1983</p> <ul style="list-style-type: none"> <li>• Separated cost planning offices for motorcycles, automobiles, and power products parts.</li> </ul>	<p>1985</p> <ul style="list-style-type: none"> <li>• Automobile Cost Planning Office moved from Wako to Tochigi.</li> </ul> <p>1987</p> <ul style="list-style-type: none"> <li>• Announced “5-Part Strategy” simultaneously in Japan and the U.S. Announced policy to expand local procurement.</li> </ul> <p>1988</p> <ul style="list-style-type: none"> <li>• Launched the first step of TARGET and IMPACT.</li> </ul> <p>1991</p> <ul style="list-style-type: none"> <li>• Relocated parts team of head office’s purchasing department to Tochigi.</li> </ul> <p>1993</p> <ul style="list-style-type: none"> <li>• Held affiliate company round-table meeting.</li> <li>• Began Parts Department suppliers roundtable meetings.</li> </ul> <p>1997</p> <ul style="list-style-type: none"> <li>• Held the first four-region procurement quality conference.</li> </ul> <p>1998</p> <ul style="list-style-type: none"> <li>• Held the 50th Supplier Appreciation Gathering at Twin Ring Motegi.</li> </ul> <p>2000</p> <ul style="list-style-type: none"> <li>• Global Plaza completed in Tochigi R&amp;D (later the Monozukuri Center) as a base for the Purchasing Department.</li> </ul> <p>2001</p> <ul style="list-style-type: none"> <li>• Issued Honda Green Purchasing Guidelines.</li> <li>• Centralized quality planning and QCD functions for development origin.</li> <li>• Participated in ML deliberations of the QD Department to improve supplier quality</li> <li>• Implemented worldwide cost strategy for new motorcycles, automobiles, and power products.</li> </ul> <p>2002</p> <ul style="list-style-type: none"> <li>• Commenced a new level of outstanding quality initiatives.</li> </ul> <p>2004</p> <ul style="list-style-type: none"> <li>• Revolutionized costs for large FUN motorcycle models.</li> <li>• Reformed production structure in Japan for large motorcycles, for high-diversity, low-volume production.</li> <li>• Developed FI for COM in collaboration with motorcycle FI (fuel injection) related suppliers to reduce costs.</li> </ul> <p>2005</p> <ul style="list-style-type: none"> <li>• Began studies of disaster risk management.</li> </ul> <p>2006</p> <ul style="list-style-type: none"> <li>• Utilized competitiveness of parts produced in China and other Asian countries.</li> </ul> <p>2007</p> <ul style="list-style-type: none"> <li>• Expanded a new level of outstanding quality initiatives for automobiles overseas.</li> <li>• Initiated project to reduce total costs related to domestic production of motorcycles and power products.</li> </ul> <p>2008</p> <ul style="list-style-type: none"> <li>• Improved model competitiveness of production bases for completed motorcycles Reorganized and strengthened global purchasing.</li> </ul> <p>2010</p> <ul style="list-style-type: none"> <li>• Published Honda Supplier CSR Guideline.</li> </ul> <p>2011</p> <ul style="list-style-type: none"> <li>• Established Purchasing Department at Kumamoto Factory.</li> <li>• Disruptions in parts supply and response to the Great East Japan Earthquake and flooding in Thailand.</li> </ul> <p>2012</p> <ul style="list-style-type: none"> <li>• Established Automobile R&amp;D Center Suzuka Branch (HGT-S) in the Suzuka Factory to strengthen competitiveness of the mini-vehicle business, and launched collaborative system with development, production, and purchasing on same floor.</li> <li>• Reinforced cooperative framework for motorcycle development, engineering/production, and purchasing/buying (DEB) at Kumamoto Factory.</li> </ul> <p>2015</p> <ul style="list-style-type: none"> <li>• Revised Purchasing Philosophy and Three Purchasing Principles.</li> </ul> <p>2016</p> <ul style="list-style-type: none"> <li>• Reformed structure of motorcycle business, and revamped procurement structure.</li> </ul> <p>2017</p> <ul style="list-style-type: none"> <li>• Commenced batch planning consideration.</li> </ul> <p>2018</p> <ul style="list-style-type: none"> <li>• Published Honda Supplier Sustainability Guideline.</li> </ul>	<p>2019</p> <ul style="list-style-type: none"> <li>• Motorcycle Monozukuri Center established by integrating Motorcycle Operations and Motorcycle R&amp;D Center.</li> </ul> <p>2020</p> <ul style="list-style-type: none"> <li>• Merged Production Operations, Purchasing Operations, Honda R&amp;D’s automobile mass-production development, and Honda Engineering’s automobile functions into Automobile Operations.</li> </ul> <p>2022</p> <ul style="list-style-type: none"> <li>• Merged automobile purchasing and supply chain management into Supply Chain Purchasing Department.</li> </ul>
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