

[Translation]
August 4, 2021

To: Shareholders of Honda Motor Co., Ltd.
From: Honda Motor Co., Ltd.
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Toshihiro Mibe
President and Representative Executive Officer

Notice Regarding Stock Compensation Scheme for Executive Officers Etc.

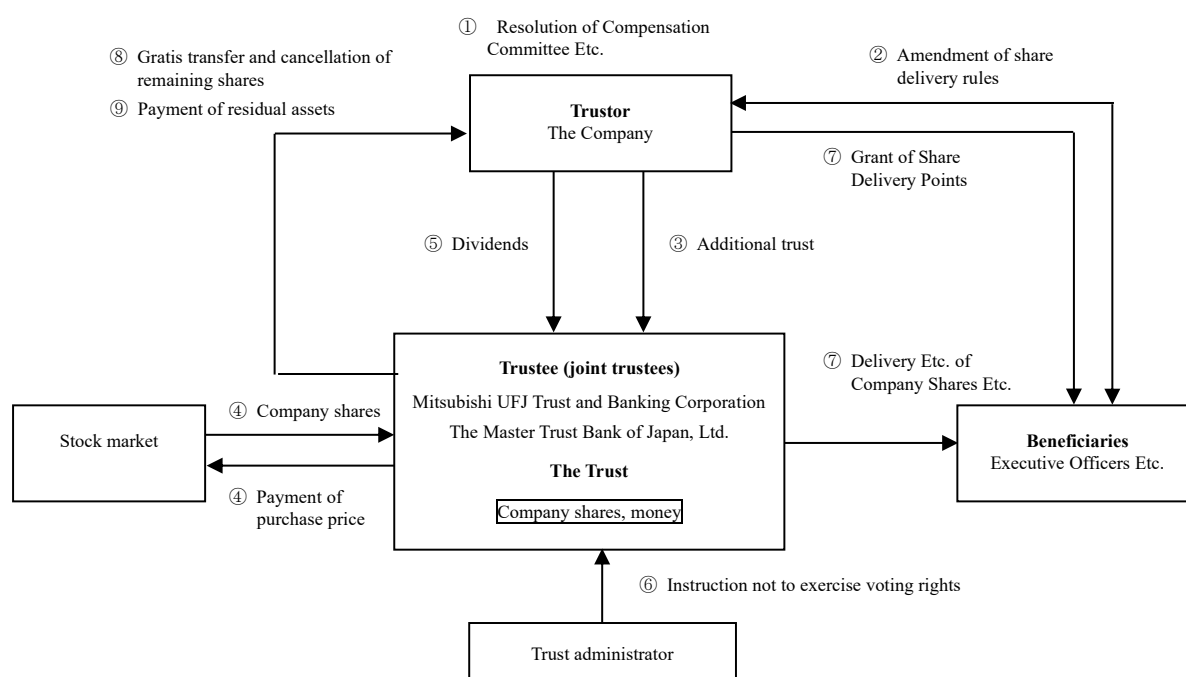
At its Compensation Committee meeting held on August 2, 2021 and Board of Directors meeting held today, Honda Motor Co., Ltd. (the “**Company**”) passed a resolution approving the content of the stock compensation scheme for Executive Officers, Operating Officers and a part of Operating Executives of the Company who are residents of Japan (collectively, “**Executive Officers Etc.**”) and the continuation of the stock compensation scheme which uses a trust (the “**Scheme**”), which was introduced in the fiscal year ended March 31, 2019.

Particulars

1. Continuation of the Scheme
 - (1) The Company made a decision to continue with the Scheme for Executive Officers Etc., which was introduced in the fiscal year ended March 31, 2019, for the purpose of further enhancing their attitude of contributing toward the sustained improvement of corporate value of the Company in the medium to long term as well as seeking for the sharing of common interests with shareholders.
 - (2) The Scheme adopts a system called the “BIP (Board Incentive Plan) trust” (a “**BIP Trust**”). To continue with the Scheme in the fiscal year ending March 31, 2022, and onward, the Company will make a partial amendment to the Scheme and extend the trust period of the BIP Trust which has already been set.
 - (3) A BIP Trust is a scheme where, in the same way as performance share and restricted stock schemes in the U.S., shares in the Company and money (“**Company Shares Etc.**”) are delivered and paid (“**Delivered Etc.**” or “**Delivery Etc.**”) to Executive Officers Etc. in accordance with their positions and the degree of achievement or growth in management indicators of the Company such as performance and corporate value.
 - (4) The continuation of the Scheme was approved by the Company’s Compensation Committee, which consists of a majority of Outside Directors and is chaired by an Outside Director, and Board of Directors. The Compensation Committee will fairly evaluate the appropriateness of the performance targets and the level of achievement of such targets, and will ensure the transparency and objectivity of the decision-making process and results related to the compensation scheme for the officers.
2. Partial amendment of the Scheme

Persons eligible for the Scheme have been specified as “Directors, Operating Officers and a part of Operating Executives of the Company who conduct business execution and who are residents of Japan.” For the continuation of the Scheme, the Company will make amendment to the persons eligible for the Scheme as “Executive Officers Etc.” This amendment is due to the Company’s transition to a company with three committees. Except for this amendment related to the persons eligible for the Scheme, the content of the Scheme will remain the same.

3. Structure of BIP Trust



- ① At its Compensation Committee meeting and Board of Directors meeting, the Company passed a resolution to continue with the Scheme.
- ② For the continuation of the Scheme, the Company will make a partial amendment to share delivery rules.
- ③ Based on the resolution specified in ①, the Company will extend the trust period of a trust whose beneficiaries are Executive Officers Etc. who satisfy the beneficiary requirements (the “Trust”) and entrust trustees with additional money.
- ④ In accordance with the instructions of the trust administrator, the Trust will acquire Company shares from the stock market using the additional money entrusted as specified in ③ and the money remaining in the Trust as the source of funds.
- ⑤ Dividends on Company shares held by the Trust shall be paid in the same manner as for other Company shares.
- ⑥ For the duration of the trust period, voting rights may not be exercised in respect of the Company shares held by the Trust.
- ⑦ During the trust period, the beneficiaries (i) shall, in accordance with the share delivery rules of the Company, be granted a certain number of points and, in principle three years after such granting of points, receive delivery of Company shares corresponding to a

certain percentage of the number of points, and (ii) shall, in accordance with the provisions of the trust agreement, receive money in an amount equivalent to the conversion proceeds obtained by converting within the Trust the Company shares corresponding to the number of remaining points.

Also, any dividends paid in respect of the Company shares held by the Trust shall be paid to the beneficiaries in proportion to the number of Company shares (including shares that will be subject to conversion) that were Delivered Etc. by the Trust.

- ⑧ If the Trust will continue to be used for the Scheme or for a stock compensation scheme similar to the Scheme, any remaining shares at the time of expiration of the trust period will be Delivered Etc. to Executive Officers Etc. by amending the trust agreement and entrusting additional amounts to the Trust. If the Trust will be terminated due to expiration of the trust period, as a measure of returning value to shareholders, the Trust will transfer such remaining shares to the Company for no consideration and the Company will cancel such shares by a resolution of the Board of Directors.
- ⑨ If the Trust will continue to be used after the expiration of the trust period, any remaining amounts of dividends pertaining to the Company shares held by the Trust at the time of such expiration shall be utilized as funds for acquiring Company shares, and if the Trust will be terminated due to expiration of the trust period, any portion of such remaining amounts of dividends that exceeds the trust expenses reserve (meaning the reserve for the trust fees and trust expenses, etc., which is the amount obtained after deducting the share acquisition funds from the trust money; the same applies hereinafter) is planned to be donated to organizations in which the Company and Executive Officers Etc. do not have any interests.

Note: In cases such as where, during the trust period, the possibility arises that the number of Company shares held by the Trust will be less than the number of Company shares corresponding to the number of Share Delivery Points (as defined in 4.(4) below; the same applies hereinafter) prescribed in respect of Executive Officers Etc. during the trust period, or the possibility arises that the money in the trust assets will be insufficient to pay the trust fees and trust expenses, the Company may additionally entrust money to the Trust.

4. Details of the Scheme (after the continuation)

(1) Outline of the Scheme

With the continued Scheme, the Company Shares Etc. will be Delivered Etc. to Executive Officers Etc. in accordance with their positions and the degree of achievement or growth in management indicators of the Company such as performance and corporate value for the three-fiscal year period from the fiscal year ending March 31, 2022, through the fiscal year ending March 31, 2024.

(2) Persons eligible for the Scheme (beneficiary requirements)

Executive Officers Etc. may receive Delivery Etc. from the Trust of the Company Shares Etc. corresponding to the number of Share Delivery Points, on condition that they satisfy the beneficiary requirements mentioned below.

The beneficiary requirements are as follows.

- (i) The person is an Executive Officer Etc. (including persons who newly become Executive Officers Etc. on or after the start date of the continued Scheme);
- (ii) The person has not left office for personal reasons (excluding cases of leaving office for personal reasons due to unavoidable reasons such as injury and illness) and has not resigned or been removed from office due to circumstances such as engaging in certain

acts of misconduct or material violations of duties or internal rules; and

- (iii) The person fulfills any other requirements prescribed in the trust agreement or the share delivery rules as being deemed necessary in order to achieve the purpose of the Scheme as a stock compensation scheme.

(3) Trust period after the extension

The trust period shall be a period of approximately three years, from September 2021 (scheduled) to August 2024 (scheduled).

At the time of expiration of the trust period, the trust period of the Trust may be extended for a period of time equal to the initial trust period (a period of three years) by amending the trust agreement and entrusting additional amounts to the Trust. In this case, for each extended trust period, the Company shall contribute money that will be the source of funds for the compensation for Executive Officers Etc. based on the resolution of the Compensation Committee and Board of Directors, and will continue to grant points to Executive Officers Etc. during the extended trust period.

However, if in the case of making such additional contributions there are any Company shares (other than the Company shares corresponding to the Share Delivery Points granted to Executive Officers Etc. but not yet delivered) or any money remaining in the trust assets (collectively, the “**Remaining Shares Etc.**”) on the last day of the trust period before the extension, the Remaining Shares Etc. will be succeeded by the Trust which would be extended. Such trust period may be extended thereafter in the same way.

Also, if the trust agreement is not amended and no additional amounts are entrusted to the Trust at the time of expiration of the trust period, no points will be granted to Executive Officers Etc. thereafter. However, if there are any Executive Officers Etc. in office who may potentially satisfy the beneficiary requirements at such time, the trust period of the Trust may be extended until the completion of the Delivery Etc. of Company Shares Etc. to such Executive Officers Etc.

(4) Company Shares Etc. to be Delivered Etc. to Executive Officers Etc.

In July of each year, the Company shall grant Executive Officers Etc. base points determined in accordance with their positions, and in around June of the year that is three years after the base points were granted (or if an Executive Officer Etc. leaves office or passes away before that period of time has elapsed, at such time), the Company shall determine the number of shares to be delivered (including shares subject to conversion) in accordance with the number of points calculated by multiplying the base points by the performance coefficient (the “**Share Delivery Points**”). The number of Company shares per one point is one share. However, if a stock split, stock consolidation or the like is conducted with respect to Company shares during the trust period, the number of Share Delivery Points and the upper limit of the number of shares for delivery set out below in (6) will be adjusted in line with the ratio of the stock split, stock consolidation or the like.

Formula for calculation of base points

Base points = base amount of stock compensation by position (see Note 1) / the average of closing prices for Company shares on the Tokyo Stock Exchange for March 2021 (or if the Trust is continued, for the March that immediately precedes the month in which the extension date of the Trust falls)

Formula for calculating Share Delivery Points

Share Delivery Points = base points × performance coefficient (see Note 2)

(Note 1) “**Base amount of stock compensation by position**” will be determined by

taking into consideration factors such as work responsibilities and duties, and the ratio of monetary compensation and stock compensation as a proportion of all compensation.

(Note 2) The performance coefficient shall be determined within the range of 50%-150% in accordance with the degree of achievement or growth in financial indicators, such as consolidated operating profit margin, and in non-financial indicators, such as brand value and ESG (environmental, social and governance) consideration, of the Company for the final fiscal year of the three consecutive fiscal years (the “**Target Period**”) counting from the fiscal year in which the granting date of the base points falls. If an Executive Officer Etc. leaves office or passes away before the date on which the Target Period expires, the performance coefficient shall be set at 100%.

(5) Method and timing of Delivery Etc. of Company Shares Etc.

Promptly after the determination of the Share Delivery Points in principle (after three years have passed from the granting of the base points; or, if an Executive Officer Etc. leaves office before such period passes, at such time), the Shares Etc. corresponding to the Share Delivery Points of each Executive Officer Etc. who satisfies the beneficiary requirements stated in (2) above shall be Delivered Etc. by performing the prescribed beneficiary determination procedures. In this case, Company shares corresponding to 50% of the number of Share Delivery Points (after truncating any shares less than one unit) will be delivered, and the Company shares corresponding to the remaining number of Share Delivery Points will be converted within the Trust and an amount of money equivalent to the conversion proceeds will be paid.

If an Executive Officer Etc. who satisfies the beneficiary requirements passes away before the date on which the Target Period expires, all the Company shares corresponding to the number of Share Delivery Points as of such time shall be converted into money within the Trust and such money will be paid to the heirs of such Executive Officer Etc.

Executive Officers Etc. shall continue to hold the Company shares delivered by the Trust during their term of office and further for a period of one year after they leave office.

(6) The amount of additional trust money to be entrusted to the Trust and the number of additional Company shares to be acquired by the Trust

The amount of additional trust money to be entrusted to the Trust and the number of additional Company shares to be acquired by the Trust are as follows.

The amount of additional trust money to be entrusted to the Trust: 1,975 million yen* (scheduled)

*The sum of the amount of the additional trust money described above and the residual cash to be carried over from the existing BIP Trust will be applied to fund the acquisition of shares by the Trust and trust fees and trust expenses.

The number of additional Company shares to be acquired by the Trust: 596,300 shares* (scheduled)

*The sum of the number of additional shares the Trust will acquire described above and the number of the remaining shares to be carried over from the existing BIP Trust will be the number of the Company shares which are expected to be Delivered Etc. to Executive Officers Etc. within the trust period of the Trust.

(7) Method of acquisition of Company shares by the Trust

The acquisition of Company shares by the Trust is scheduled to be an acquisition from the stock market based on the funds for acquisition of shares and the number of additional shares to be acquired stated in (6) above.

In cases such as where, during the trust period, due to factors such as an increase in the number of Executive Officers Etc., the possibility arises that the number of Company shares held by the Trust will be less than the number of Company shares corresponding to the number of Share Delivery Points granted to Executive Officers Etc. during the trust period, the Company may additionally entrust money to the Trust and acquires additional Company Shares.

(8) Execution of voting rights relating to Company shares held by the Trust

In order to secure neutrality in the management of the Company, voting rights in respect of Company shares held by the Trust (meaning Company shares before Delivery Etc. to Executive Officers Etc.) may not be exercised during the trust period.

(9) Handling of dividends pertaining to Company shares held by the Trust

In the light of the fact that the Delivery Etc. of Company Shares Etc. will occur three years after the granting of the base points, in order to further enhance the attitude of Executive Officers Etc. of contributing toward the sustained improvement of corporate value of the Company in the medium to long term, dividends received by the Trust will, in addition to being applied to the trust fees and trust expenses of the Trust, be paid to the beneficiaries together with the Company Shares Etc. that are Delivered Etc. under (5) above, in proportion to the number of Company shares (including shares that will be subject to conversion) that are Delivered Etc. by the Trust.

(10) Handling of remaining shares and remaining dividends at time of expiration of trust period

If the Trust will continue to be used for the Scheme or for a stock compensation scheme similar to the Scheme, any remaining shares at the time of expiration of the trust period will be Delivered Etc. to Executive Officers Etc. If the Trust will be terminated due to expiration of the trust period, as a measure of returning value to shareholders, the Trust will transfer such remaining shares to the Company for no consideration and the Company will cancel such shares by a resolution of the Board of Directors.

Also, if the Trust will continue to be used after the expiration of the trust period, any remaining amounts of dividends pertaining to the Company shares held by the Trust at the time of such expiration shall be utilized as funds for acquiring Company shares, and if the Trust will be terminated due to expiration of the trust period, any portion of such remaining amounts of dividends that exceeds the trust expenses reserve is planned to be donated to organizations in which the Company and Executive Officers Etc. do not have any interests.

Reference information

Content of trust agreement

(1)	Type of trust	An individually-operated specified trust of money other than cash trust (third party beneficiary trust)
(2)	Purpose of trust	To further enhance the attitude of Executive Officers Etc. of contributing toward the sustained improvement of corporate value of the Company in the medium to long term
(3)	Trustor	The Company
(4)	Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint trustee: The Master Trust Bank of Japan, Ltd.)
(5)	Beneficiaries	Executive Officers Etc. who satisfy the beneficiary requirements
(6)	Trust administrator	A third party which has no interests in the Company (a certified public accountant)
(7)	Date of trust agreement	August 20, 2018 (scheduled to change as of August 18, 2021)
(8)	Period of trust	From August 20, 2018 to August 31, 2021 (scheduled to be extended until August 31, 2024 based on the changes to be made to the trust agreement as of August 18, 2021)
(9)	Exercise of voting rights of Company shares	None
(10)	Class of shares acquired	Common shares of the Company
(11)	Amount of additional trust money	1,975 million yen (scheduled) (including trust fees and trust expenses)
(12)	Timing of acquisition of shares	From August 20, 2021(scheduled) to August 31, 2021 (scheduled) (excluding the period from the fifth business day before the last day of each accounting period (including fiscal quarters) to the last day of such accounting period)
(13)	Method of acquisition of shares	Acquisition from stock market
(14)	Holder of vested rights	The Company
(15)	Residual assets	The residual assets able to be received by the Company as holder of vested rights shall be within the scope of the trust expenses reserve

End