

# 4

Social

Quality

**Material issues**

- Assuring outstanding product quality

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# Basic Approach

## Aiming to Bring Reassurance and Satisfaction to Customers

“We have to aim for 120% product quality. If 99% of the products we make are perfect it would seem like a pretty good record. However, the customers who become owners of the remaining 1% will surely consider their products 100% defective. It is unacceptable that even one customer in a thousand – even one customer in ten thousand – should receive a defective product. This is why we have to aim for 120%.” These words of founder Soichiro Honda define the company's fundamental approach to quality, or, more specifically, what it means to strive to be a company society wants to exist. Determined to meet or exceed the expectations of customers, Honda is undertaking new initiatives to meet high product quality standards.

Adhering to these objectives, Honda's commitment is to strengthen customer trust by offering products founded on safety and a new level of outstanding quality. To this end, Honda has created the Honda Quality Cycle (➡ p. 51), which works continuously on quality enhancement and improvement, encompassing every stage in the process – from planning, development, production, and sales to after-sales service.

In order to realize the basic principles of 'Respect for the Individual' and 'The Three Joys' (the joy of buying, the joy of selling, the joy of creating), Honda has confirmed being number one in customer satisfaction in all points of contact as a primary objective. Honda works in collaboration with dealers to satisfy customers at every stage, from sales to after-market service, so that customers can continue using and enjoying its products and services.

## Offering a New Level of Outstanding Quality

Over the years, Honda has implemented a variety of dynamic activities aimed at realizing products that achieve a new level of outstanding quality.

Meanwhile, the industry is heading toward an unprecedented turning point concerning responses to factors of environment, safety, and intelligence.

Honda will accelerate powertrain electrification to achieve carbon neutrality as well as introduce driver-assistance technologies for the realization of a collision-free mobile society. Furthermore, Honda is now working to create new value through open innovation by teaming up with other companies, including many from different industries, to address the challenge of creating new forms of mobility that incorporate the Internet of Things (IoT).

Moving ahead, Honda aims to reduce problems at all points of customer contact in step with innovations in mobility and living, in addition to ensuring the highest quality levels among the products and services that customers rely on. Through this pursuit of quality in each domain, Honda has allowed its activities to evolve and produce new standards along the way.

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# Global Management

## Quality Management System and Quality Enhancement Promotion System

### Global Honda Quality Standard (G-HQS) Aimed at Increasing Quality of Honda Brand Products and Services

As Honda's production expands globally, alongside its parts and materials sourcing, maintaining a shared global quality management system is essential to ensure that all facilities continue to remain consistent in generating 120% product quality. Established in April 2005, G-HQS serves as the foundation of this system.

Based on the Honda Quality Cycle, G-HQS is a set of fundamental standards supporting quality assurance and improvement activities in all sections. The aim is to improve the quality of Honda brand products manufactured and sold around the world as well as the services offered globally. G-HQS is also, in part, utilized as a means to reliably implement and certify process-based quality assurance focusing on rules, which has recently grown in importance following changes in laws, regulations, and the business environment.

In accordance with the Honda Quality Cycle, to enhance and improve quality, Honda clearly defines the roles and responsibilities between global and regional functions in such areas as planning/development, production, sales/service, and quality. With G-HQS, the goals and requirements integral to quality assurance activities for each function are stipulated by global function. In line with local characteristics, the means for achieving these goals and requirements are specified by each operation base. This approach enhances the awareness of quality improvement and leads to the personal growth of local associates. The operational status of G-HQS within each operation base is confirmed by global function on a regular basis to enhance quality improvement activities as a concerted effort alongside facilities.

Based on ISO 9001\* criteria to which Honda production facilities in Japan and around the world have been certified, G-HQS represents the accumulation of knowledge that Honda has gathered independently to improve quality and prevent issues from recurring. As such, conforming to G-HQS is compatible with conforming to ISO certification standards.

As of February 28, 2023, 56 of the 60 Honda production facilities had acquired ISO 9001 certification.

\* ISO 9001: An international quality control and quality assurance standard set by the International Organization for Standardization (ISO).

## Global Meeting Structure

In order to ensure the strengthening of quality under this quality management system, Honda sets challenges based on quality targets established in company-wide policy, which are then modified to reflect those faced in different regions for which specific countermeasures are formulated. Regular Global Quality-related Meetings allow for this initiative to be managed and for information sharing to take place.

Regarding customer service, Honda has devised an action policy that is focused on each customer, via which value is created through service and the joy of continuing to use Honda products is prioritized. Those individuals responsible for quality-focused departments, from the headquarters down to the regions, hold joint Aftersales Business Meetings to share this policy and any other measures globally. Any productive measures and initiatives established within these meetings are set as global benchmark levels to enable the provision of higher-quality services on-site.

### Global meeting structure

Meeting structure	Business	Meeting name	Times/year
Quality related	Motorcycle	Global Chief Inspecting Engineer Meeting	1
	Automobile		
	Power products		
Aftersales business	Automobile	Global Automobile Quality Meeting	3
	Motorcycle	Aftersales Business Meeting	1
	Automobile	Aftersales Business Meeting	2
	Power products		



Global Automobile Quality Meeting

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# Global Management

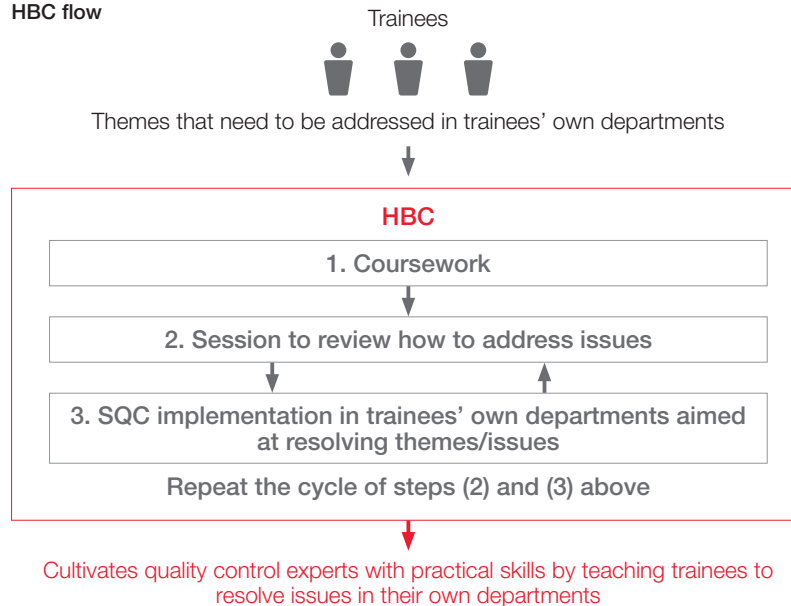
## Quality Control Training

With the aim of improving associates' quality assurance skills, Honda offers quality control training based on in-house qualifications and quality control responsibility levels.

In Japan, Honda offers a training curriculum that consists of four courses divided into basic training and specialized training. As part of this curriculum, the Honda QC Basic Course (HBC) focuses on training experts in all aspects of Honda quality control and is open not only to Honda associates but also to suppliers.

Outside of Japan, the QC Junior (QC J) Course and the QC Foreman (QC F) Course are offered as basic training.

**HBC flow**



**Training curricula content**

Category	Course name	Course content	Period
Basic training	QC Junior (QC J) Course	Targets associates during the six-month to one-year period after joining Honda to teach the basics of quality control techniques.	1 day
	QC Foreman (QC F) Course	Targets associates engaged in production and quality duties to teach the key quality control techniques and approaches required for robust quality assurance activities.	2 days
Specialized training	Statistical Quality Control (SQC) Course	Targets the teaching of professional quality control techniques and approaches among those associates whose principal responsibility is quality control and the carrying out of quality improvement activities.	2 days
	Honda QC Basic Course (HBC)	Targets associates responsible for the core of quality control activities to teach skills that allow them to resolve difficult problems/issues with the aim of becoming quality control experts.	Total of 18 days

\* SQC Course and HBC are held in Japan.

## Best Quality Award

By analyzing quality-related measures based on policy management with the aim of elevating quality awareness, the head of the Quality Innovation Supervisory Unit presents awards for themes that generate outstanding results. Divisions eligible for recognition include development, production, production technology, purchasing, certification, quality, parts/service, and IT.

Awards for divisions overseas were introduced in 2012, with the head of the Quality Innovation Supervisory Unit presenting the awards on-site. From FY2013 to FY2023, visits were made to a total of 69 sites around the world (suspended between 2020 and 2021 due to the COVID-19 pandemic but resumed in FY2023) to directly communicate with associates (employees).



Award ceremony and on-site verification (FY2023)

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# Quality Initiatives

## Honda Quality Cycle

Honda has created the Honda Quality Cycle to provide a continuous focus on quality enhancement and improvement at every stage, encompassing planning, development, production, sales, and after-sales service.

The aim of this initiative is to apply and reflect design and development expertise

at the production preparation and production (mass production) stages. Ultimately, the goal is to achieve the highest quality by creating drawings designed to facilitate manufacturing and by developing manufacturing control techniques that limit process variability.

### Honda Quality Cycle



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# Quality Initiatives

## Planning/Development and Production (Mass Production)

To ensure high quality, Honda conducts comprehensive quality assurance activities from the dual perspectives of planning/development and manufacturing. For example, drawings for objects that will be machine-processed include finished dimensions. However, when the same worker uses the same materials, equipment, and procedures to produce an item according to the dimensions specified on the relevant drawings as part of a given production process, small variations are inevitably found in the item's finished dimensions.

To address this complication, when designing drawings, R&D departments consider not only function and performance but also the ease of manufacture and minimization of variations. For their part, production departments implement manufacturing controls, based on the drawings, to keep variability within applicable standards and also develop production processes so that all workers can continue to achieve consistent quality levels.

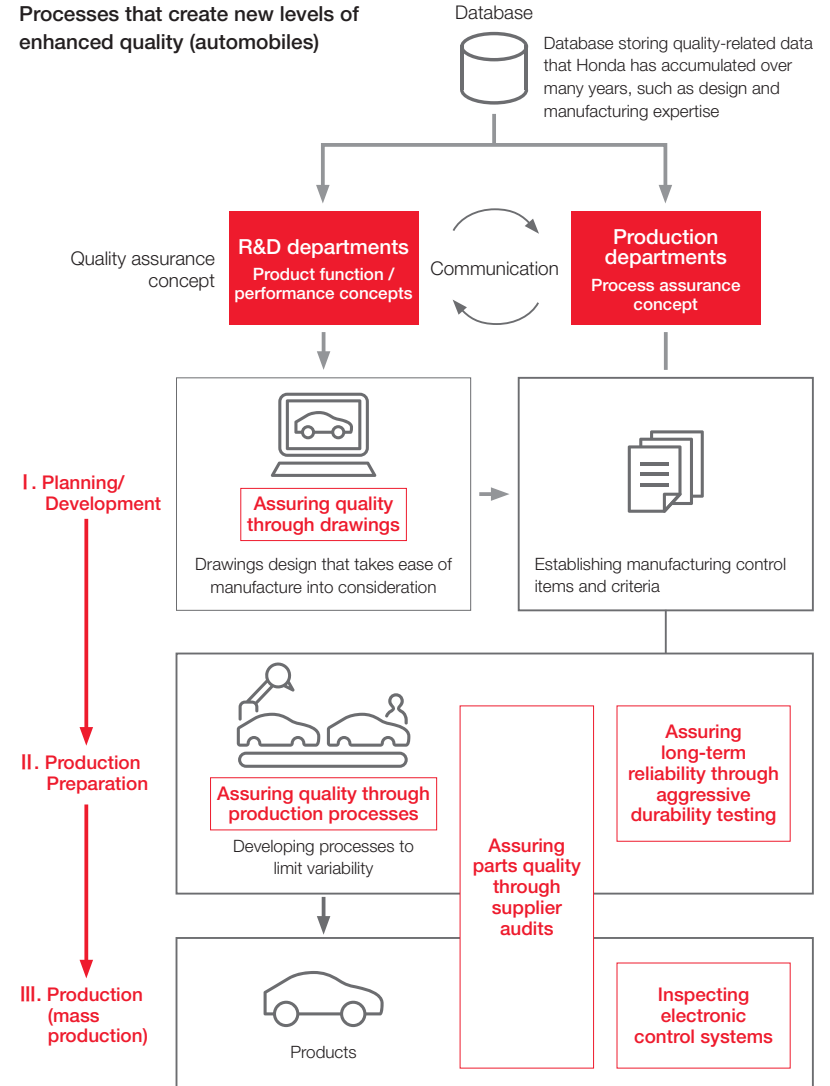
### Strengthening Activities to Improve Planning and Development

At each stage of planning, development, production preparation, and production (mass production), Honda is strengthening activities to reduce quality-related issues. This involves investigating any cause in the event of a major quality issue and introducing measures to prevent a recurrence.

To prevent specification-related issues, Honda identifies the impact of previously changed and changing points. Improvements are then implemented via a review committee that examines changing points and works through pending issues.

Additionally, the planning and development procedures at Honda have also been evolving. Indeed, Honda is strengthening its design review to enhance planning accuracy in the initial stages of new technology development. Furthermore, the Company has formulated evaluation conditions and standards in order to minimize deviation from the values expected by customers and society, as well as setting a sufficient verification timeframe.

Processes that create new levels of enhanced quality (automobiles)





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# Quality Initiatives

## I. Planning/Development

### Assuring Quality through Drawings

Honda's R&D departments create drawings that take ease of manufacture into consideration in order to limit process variability and prevent human error during the manufacturing process. These drawings serve as the basis of Honda's quality assurance efforts.

Specifically, the R&D departments utilize a database of measures and techniques previously used to address market quality issues and other information. They communicate closely with manufacturing departments during the initial development stage, together with putting the concepts of product functionality, performance, and quality assurance in writing. To coordinate the quality assurance concept, these details are then shared to ensure coordination with production departments' process assurance and activities.

### Establishment of Development Procedures with Suppliers

For many years, Honda has been committed to development based on "purchasing components with guaranteed performance," from which the Company presents its requirements to suppliers who design and test components for Honda products and also procures the components from them. Honda's R&D departments, purchasing departments, and other related departments have initiated a project to reduce critical quality issues within such components, which has included producing a manual for development based on "purchasing components with guaranteed performance." The manual is revised annually.

In the planning phase of advanced development, the technical challenges of the components to be developed are first organized. Accordingly then, the key development roles and responsibilities are determined to reflect the development experience and technical know-how of Honda and its suppliers. Essential development plan areas to focus on are then clarified, such as increasing the accuracy of Honda's requirements or taking a concrete approach toward verification.

In addition, quality assurance roles and responsibilities are clarified among Honda's departments/business sites and suppliers, based on logistics, distribution

channels, and contractual agreements at the time of mass production. Areas requiring quality control in development, production preparation, and mass production are then conveyed to the relevant departments.

When a quality-related issue is found in the process of monitoring product quality defects based on the aforementioned procedures, an investigation into the cause is then conducted to ensure continuous improvement in development procedures.

## II. Production Preparation

### Assuring Quality through Production Processes

To prevent product quality issues, Honda's production departments establish manufacturing control items and criteria for each part, process, and operation. Engineers then use these manufacturing control items and criteria to verify manufacturing variability.

Honda's activities regarding parts procurement also cover parts materials.

Furthermore, by incorporating suggestions for enhancement from the work sites conducting actual operations and determining manufacturing control methods for each process, Honda develops processes that limit variability.

### Assuring Parts Quality through Supplier Audits

Assuring the quality of procured parts is an important factor in delivering high-quality products.

Honda visits its suppliers' manufacturing facilities to conduct quality audits based on the 'Three Reality Principle,' which emphasizes 'going to the actual place,' 'knowing the actual situation,' and 'being realistic.'

These audit activities are conducted for both the production preparation and mass production stages of supplier operations. Experts in the development and production of individual parts visit manufacturing facilities to conduct audits of suppliers' quality control systems and their implementations.

Honda then works to improve part quality through activities emphasizing communication with suppliers, for example, by sharing audit results and cooperating to identify quality improvement measures.



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# Quality Initiatives

## Assuring Reliability through Durability Testing

For new or redesigned models, Honda conducts rigorous long-distance durability testing before beginning mass production of such models to verify that no quality issues are present.

Honda also disassembles vehicles used in the test drives to verify that no parts show quality issues via a process consisting of several thousand check items. By accumulating data on the issues discovered via these test drives and detailed inspections, as well as associated countermeasures, the Company ensures a high level of quality and reliability.



Verification of parts following durability testing

## III. Production (Mass Production)

### Inspection of Electronic Control Systems

In recent years, the installation of electronic control systems in vehicles has increased dramatically in order to improve environmental friendliness, together with convenience and comfort. Inevitably, the implementation of efficient inspection is required to assure the quality of these systems.

To this end, Honda has installed Line End Tester (LET) – an inspection and diagnostic system developed in-house at production plants in Japan and overseas.

The LET was initially deployed to perform diagnostics of emission cleaning systems and parts in order to comply with U.S. emissions regulations. Then, in response to the recent evolution of electronic control systems, Honda extended the device's capabilities, allowing its use in the shipping quality inspection of all electronic control systems, from switches and instruments to air conditioner, audio, engine, and transmission operations. Doing so has enabled quantitative inspections through communication with electronically controlled components, which improves the accuracy and efficiency of inspections when compared to conventional methods dependent on human senses, such as smell, sight, and hearing.

To further enhance the precision and efficiency of sensory inspections, Honda is continuing to promote the quantification of shipping quality assurance for electronic control systems.



Inspection using the LET system



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# Quality Initiatives

## IV. Sales and Service

Honda has established the Customer First Supervisory Unit to realize optimal service operations in worldwide markets. The unit has set the key objective of being 'No.1 in customer satisfaction in all points of contact' based on a 'customer-first' policy.

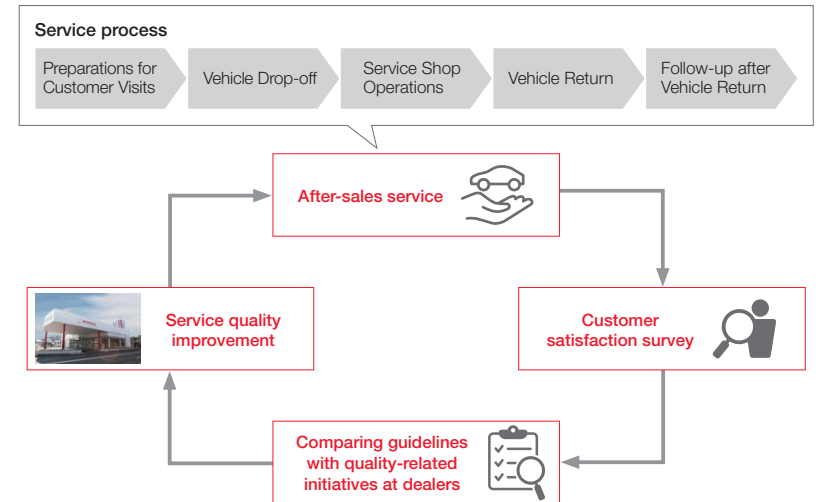
'No.1 in customer satisfaction in all points of contact' refers to the realization of an environment in which customers feel satisfied with Honda in each and every situation they come into contact with the Company. In addition to fulfilling customer expectations built up through past experience and information, the unit aims to be No.1 in customer satisfaction by providing exciting experiences that exceed customer expectations.

## Customer Satisfaction Survey

Honda conducts a global customer satisfaction survey in relation to service operations for customers who have received aftersales service from a dealer. In FY2023, the survey was conducted in 21 countries, including Japan and countries in North America, South America, Europe, Africa and the Middle East, Asia and Oceania, and China. The survey method enabled minute measurements of satisfaction for each part of the service process at a dealer, with the survey findings then used to provide guidelines for each dealer. By comparing these guidelines with other quality-related initiatives undertaken at dealers, activities are being undertaken toward better service quality at all points of customer contact by implementing a plan-do-check-act (PDCA) cycle.

In addition, once a year Honda conducts a survey to make comparisons with manufacturers and brands considered as benchmarks in other countries. The results are then used as a reference to maintain and improve customer satisfaction at industry-leading levels. Consequently, in FY2023, Honda attained top-level customer satisfaction in 19 countries.\*

### Improving service operations through customer satisfaction survey



\* Internal survey by Honda; as of March 2023

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# Quality Initiatives

## Customer Relations Center

The Customer Relations Center, which is in direct communication with customers in Japan, has a very straightforward slogan: "For the customer." Its mission is to handle inquiries from Honda customers politely, clearly, and quickly, aiming for the highest quality of response. The center also responds to survey requests from government agencies and inquiries from consumer advocacy organizations.

The center accepts consultations from customers 365 days a year and received 138,342 inquiries in FY2023. Valuable feedback from customers, including questions, suggestions, requests, and opinions, is shared in a timely manner with the Company's R&D, manufacturing, service, and sales departments in compliance with laws and regulations, as well as Honda's own policies concerning the handling of personal information.



Sharing 'Customer Voice' in a meeting

## Customer Car Life Support

Honda is providing services to support optimal car lifestyles for customers in global markets.

In Japan, for example, Honda is providing Honda Total Care as a membership service for Honda automobile users.

Members can access information that is useful for car maintenance and management, as well as make appointments for inspections via a dedicated Honda Total Care membership website and app. In addition, the Honda Total Care Emergency Support Center is accessible with the touch of a button in case of an emergency, as a part of the system that enhances customer convenience.

The Honda Total Care Emergency Support Center is a one-stop contact point for members facing problems, such as road collisions or vehicle breakdowns. In this manner, the service relieves members from the burden and confusion of having to undertake various correspondence with insurance companies, car dealers, and other parties. The Center is in service 24 hours a day, seven days a week, and makes smooth roadside assistance arrangements for members in need, as well as providing support for car operating instructions, among other services.

Honda has also entered into a business alliance with the Japan Automobile Federation (JAF) – a first in the automotive industry – to provide the industry's most expansive\* roadside service as an optional addition. In addition, Honda has rolled out the Honda Total Care Premium connected service, starting with the all-new Fit model released in February 2020. The service includes a function that allows for making an automatic call to an operator when an airbag is deployed, as well as providing an onboard emergency call button and trouble support button. By utilizing these features to eliminate the problems drivers face, Honda provides safer and more secure automobile lifestyles.

Honda aims to ensure the industry's highest level of customer support quality by strengthening relationships with customers through these services.

\* Survey by Honda; as of March 2023

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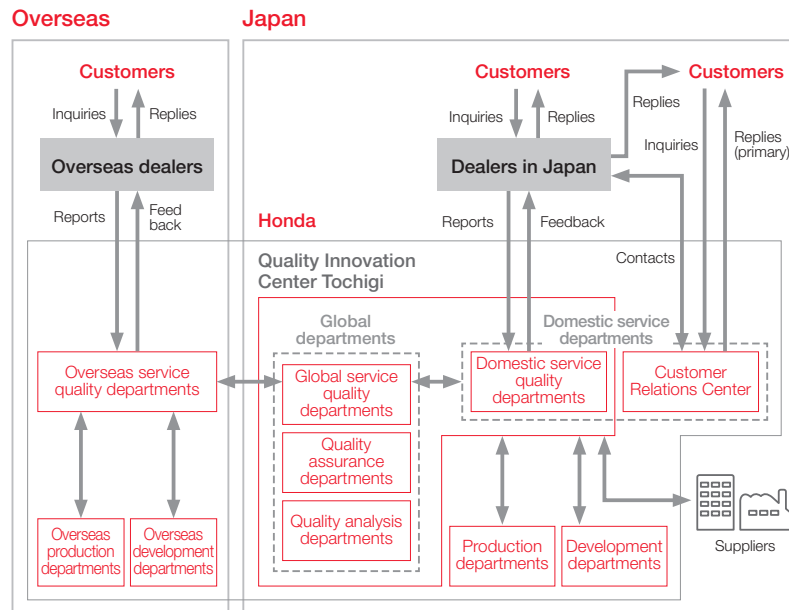
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# Quality Initiatives

## V. Quality Information Collection/Analysis and Quality Improvement

To enhance the functions of 'preventing quality issues' and 'quickly detecting and resolving quality issues when they occur' on a global scale, Honda has established the Quality Center to bring together the various organization components concerned with product market quality information. The facility gathers quality-related information from dealers in Japan and overseas via service departments and the Customer Relations Center. Measures and policies for preventing quality issues are developed based on the issues identified from this data, then provided as feedback to the development/production departments, including the design and production sections, and suppliers too.

### Market quality enhancement system (automobiles)



Moreover, the Quality Center operates a structure to increase collaboration between after-sales services and quality assurance activities and strengthen this feedback flow.

When a quality issue does occur, Honda moves quickly to resolve it, for example, by working closely with development and production departments to investigate and address the cause, by assisting affected customers, and by taking action to prevent a recurrence.

In addition to conventional quality issues related to automobiles, issues concerning connected services to onboard devices are also handled as quality issues under this market quality enhancement system.

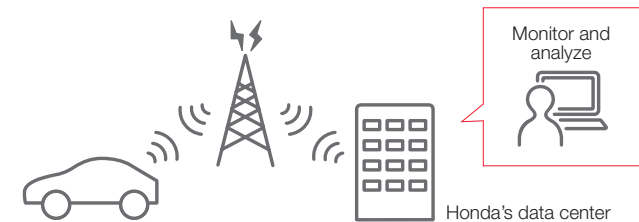
### Prediction System

Honda has recognized the necessity of a system that provides peace of mind to customers in preparation for new environmental vehicles, such as fuel cell vehicles and electric vehicles.

With this system, vehicle information is sent to Honda's data center using telematics technology and then analyzed. Potential warning signs are identified from results prior to any trouble occurring, as a precautionary measure to safeguard customers.

Honda is further utilizing this system to provide customers with as much peace of mind as possible.

### Image of the prediction system



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# Quality Initiatives

## Quality Innovation Center Tochigi

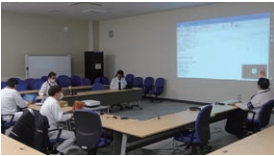
Quality Innovation Center Tochigi brings together all the key organizational components into a single facility, from the collection and analysis of market quality data to the considering of countermeasures and providing of quick and precise feedback to development and production departments.

In particular, locating quality and service departments within a single facility allows for the effective analysis and development of countermeasures thanks to the ability to share information quickly.

### Quality improvement operation process


**Parts collection**  
Parts collected from the market are classified by category and managed to facilitate quick analysis.




**Sharing market quality information**  
Service, R&D and analysis departments gather and share information from the market.




**Analyzing materials**  
Issues caused by materials are analyzed using the latest scientific equipment, including composition analysis and Xray diffraction analysis systems.




**Measuring part precision**  
Parts' dimensional precision is verified using 3D measurement and the latest roundness measurement equipment.



**Testing engine functionality and performance**  
The functionality and performance of assembled engines are verified on a bench.



**Bench environment test**  
Analyses are conducted in road environments found around the world, from low temperatures to under the scorching sun, to humid conditions, traffic jams and high speeds.



**Exhaust gas and mode driving verification**  
The compliance of exhaust gas components with emissions regulations and proper system operation during mode driving are verified.



**Bench vibration test**  
Actual vehicle vibrations are reproduced on a testing bench together with analyzing issues.

### Quality Improvement Operation Process

Quality enhancement operations at the Quality Innovation Center Tochigi, Japan, consist of pulling together market quality data and sharing information about collected parts and market quality issues. The personnel of this facility analyze collected parts, investigate causes, and develop countermeasures and improvements in a timely manner.

Specialized teams with extensive product knowledge are able to obtain detailed data using a range of analytical equipment. The operational process is configured to facilitate objective and appropriate decision-making based on gathered data.

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# Quality Initiatives

## Critical Quality Issues Exhibition Hall Presents Examples of Key Quality Issues

A critical quality issues exhibition hall was established at the Quality Innovation Center Tochigi in 2009, ensuring that the experience of market quality issues will not be forgotten and will be passed on to the future by learning through the exhibition of actual items.

The hall provides key examples of past market quality issues. Many people visit the hall annually for training or as part of a tour. In FY2023, training was mainly provided online to about 1,400 participants. The targets include not only Honda associates but also suppliers, overseas distributors, and service division personnel.

In particular, to strengthen the efforts to prevent market quality issues from being forgotten and recurring, training for engineers designing and developing products is being expanded from new recruits and newly promoted managers to also include young associates in their fifth year with the Company and associates from Honda's overseas businesses.



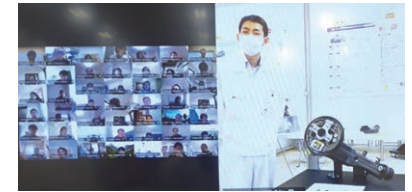
Rust on the body of a Honda Civic made in 1981



Cracked exhaust manifold of Honda Life mini vehicle made in 1999



In-person training



Online training

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# Quality Initiatives

## Analysis in Partnership with Overseas Entities

Overseas production plants play a central role in conducting the same type of quality enhancement activities as the Quality Innovation Center Tochigi.

When plants encounter a particularly difficult market quality issue and request assistance, the Center investigates and analyzes the issue before reporting the results back to the overseas facility.



Quality Innovation Center Tochigi, Japan

### Working with automotive production plants



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## Quality Initiatives

### Handling Major Quality Issues When They Occur

When Honda determines that an issue occurs with a product requiring a recall, it quickly notifies government authorities in accordance with individual countries' regulations and contacts the product owners by means of direct mail or telephone from dealers to provide information about how repairs can be received free of charge. In addition to Honda's website, recall information is provided through news media where possible.

As for recalls, a Global Quality Committee is quickly convened in accordance with G-HQS, and decisions concerning recalls are made by its chairperson in consultation with members of the relevant sales area, including experts from departments involved with quality issues who are capable of making objective decisions.

#### Annual recalls (FY2023)

Segment	Times	Total units
Automobiles	18	2,556,463
Motorcycles	12	125,319
Power products	0	0

\* These figures are sourced from internal data and, therefore, may differ from those publicly announced by authorities.

#### Airbag recalls

The repeated recalls for airbags have caused Honda customers great inconvenience and concern.

Honda has always placed top priority on customer safety and peace of mind and responded to its customers with this in mind.

In accordance with the agreed-upon revisions to the consent order between the National Highway Traffic Safety Administration (NHTSA) and Takata in May 2016, Honda has been gradually replacing all Takata ammonium-nitrate-based driver and passenger front airbag inflators that do not contain a desiccant.

Honda will continue to undertake its most extensive efforts to ensure a sufficient supply of replacement inflators to customers and take other necessary measures as quickly as possible.



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# Third-Party Evaluation

Honda analyzes the Initial Quality Study (IQS) for automobiles as an indicator of customer satisfaction, which constitutes the results of the Honda Quality Cycle to secure the provision of high-quality products.

This study is conducted by J.D. Power, an independent evaluation organization. Honda's planning and development, production, and sales and service departments are working together in this effort.

## Results of 2022 IQS for automobiles

Survey by J.D. Power and Associates

Country	Brand	Ranking
U.S.A.	Honda	No. 16
	Acura	No. 21
Japan	Honda	No. 2

Country	Segment	Model	Ranking
U.S.A.	Minivan	Odyssey	No. 1
	Midsize SUV	Passport	No. 3
	Small Premium Car	ILX	No. 3
Japan	Mini Super Height Wagon	N-BOX	No. 2
	Compact Car	FIT	No. 3
	Midsize SUV	VEZEL	No. 2
	Minivan	STEP WGN	No. 1
	Minivan	Odyssey	No. 3
China	Compact Upper	FIT	No. 1
	Compact Upper	Life	No. 3
	Compact SUV	VEZEL	No. 1
	Midsize Upper Economy	CIVIC	No. 2
	Midsize Upper	Accord	No. 2
	Large MPV	Elysion	No. 2
	Large MPV	Odyssey	No. 3

· Includes top three vehicles in major markets from January to December 2022.

Sources:

- J.D. Power and Associates 2022 U.S.
  - Initial Quality Study SM (based on responses from more than 84,165 owners who purchased or leased a new vehicle as surveyed from February to May 2022)
- J.D. Power Japan 2022 Japan
  - Initial Quality Study SM (based on responses from more than 20,797 owners who purchased a new vehicle as surveyed from May to June 2022)
- J.D. Power China 2022 China
  - Initial Quality Study SM (based on responses from more than 34,914 owners who purchased a new vehicle as surveyed from December 2021 to May 2022)