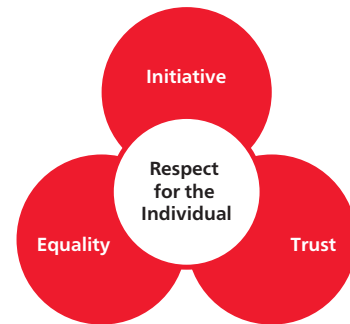


Honda Philosophy

Respect for the Individual



Fundamental Beliefs

- Initiative** : Initiative means not to be bound by preconceived ideas, but think creatively and act on your own initiative and judgment, while understanding that you must take responsibility for the results of those actions.
- Equality** : Equality means to recognize and respect individual differences in one another and treat each other fairly. Our company is committed to this principle and to creating equal opportunities for each individual. An individual's race, sex, age, religion, national origin, educational background, and social or economic status have no bearing on the individual's opportunities.
- Trust** : The relationship among associates at Honda should be based on mutual trust. Trust is created by recognizing each other as individuals, helping out where others are deficient, accepting help where we are deficient, sharing our knowledge, and making a sincere effort to fulfill our responsibilities.

The Three Joys



- The Joy of Buying** : The joy of buying is achieved through providing products and services that exceed the needs and expectations of each customer.
- The Joy of Selling** : The joy of selling occurs when those who are engaged in selling and servicing Honda products develop relationships with a customer based on mutual trust. Through this relationship, Honda associates, dealers and distributors experience pride and joy in satisfying the customer and in representing Honda to the customer.
- The Joy of Creating** : The joy of creating occurs when Honda associates and suppliers involved in the design, development, engineering and manufacturing of Honda products recognize a sense of joy in our customers and dealers. The joy of creating occurs when quality products exceed expectations and we experience pride in a job well done.

Company Principle

Maintaining a global viewpoint, we are dedicated to supplying products of the highest quality yet at a reasonable price for worldwide customer satisfaction.

Management Policies

- Proceed always with ambition and youthfulness.
- Respect sound theory, develop fresh ideas and make the most effective use of time.

- Enjoy your work and encourage open communications.
- Strive constantly for a harmonious flow of work.
- Be ever mindful of the value of research and endeavor.

Sources of Value Creation by Numbers | Six Capitals

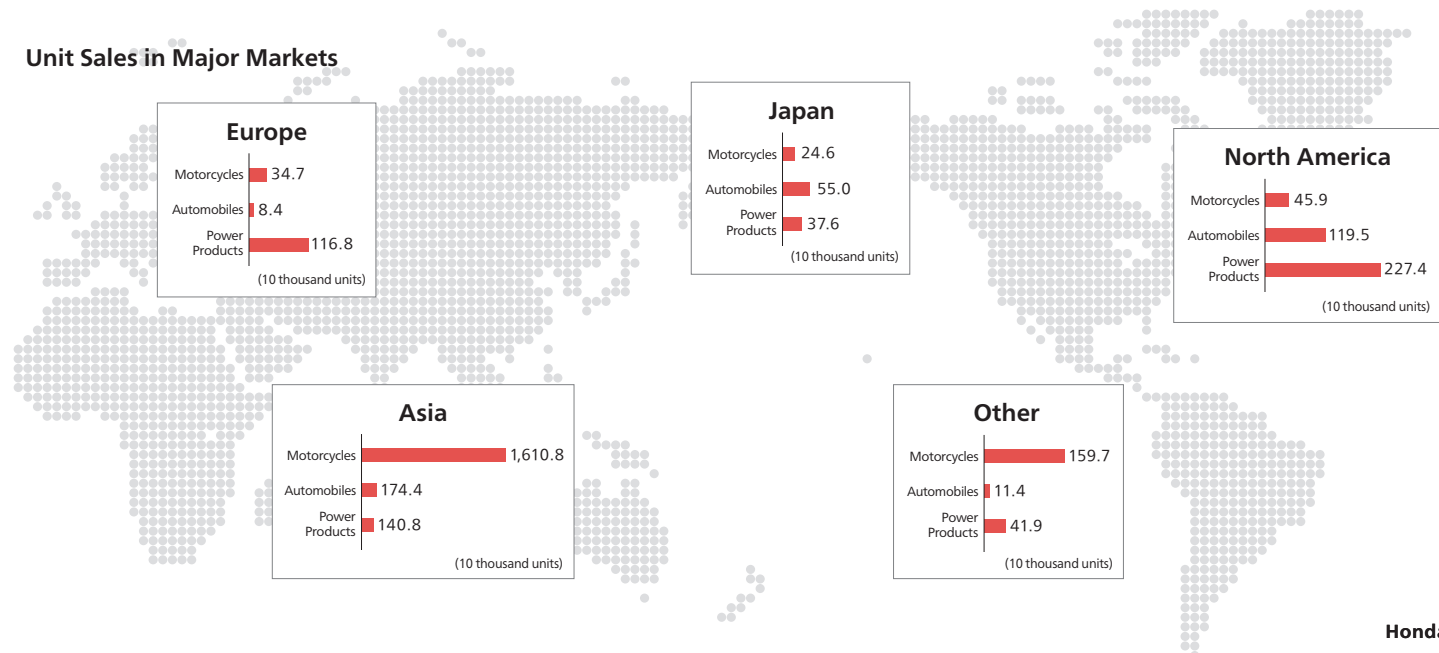
<p>Financial Capital A strong financial base that allows us to invest resources for transformation</p> <p>Net cash (excluding financial services) 2.7 tn YEN <small>(End of FY2023)</small></p> <p>Total capital 11.5 tn YEN <small>(End of FY2023)</small></p> <p>Interest-bearing debt (excluding financial services*1) 0.8 tn YEN <small>(End of FY2023)</small> <small>*1 Including US\$2.75 billion Green Bond issue</small></p>	<p>Human Capital Support for individual and organizational growth that leads to value creation</p> <p>Number of associates Consolidated 197,039 associates</p> <p>Non-consolidated 33,065 associates <small>(Number of associates as of the end of FY2023)</small></p> <p>Training hours per person per year 18 hours <small>(FY2023 in Japan)</small></p>	<p>Manufacturing Capital Evolution of production system to achieve high product attractiveness</p> <p>Number of product assembly sites 74 sites <small>(As of the end of FY2023)</small></p> <p>Capital investment*2 493.9 bn YEN <small>(FY2023)</small> <small>*2 Capital investment for the introduction of new models, expansion, rationalization, renewal of production facilities, and expansion of sales and R&D facilities, etc.</small></p>	<p>Intellectual Capital Enhancing the technological innovation capability to create compelling products and services</p> <p>R&D expenses Approx. 8 tn YEN <small>(FY2022- FY2031)</small></p> <p>R&D investments Electrification / Software area Approx. 5 tn YEN</p> <p>Preparation for new growth Approx. 1 tn YEN <small>(FY2022 - FY2031)</small></p> <p>Number of domestic and overseas patents More than 42,000 patents <small>(End of FY2023)</small></p>	<p>Natural Capital Reduction of environmental impact for coexistence and co-prosperity with nature</p> <p>Energy input Direct 19,300 TJ</p> <p>Indirect 24,000 TJ <small>(FY2023)</small></p> <p>Resource input Water withdrawal 33,200 k m³ <small>(FY2023)</small></p>	<p>Social and Relationship Capital Deepen and expand relationships of trust and cooperation with stakeholders</p> <p>Number of group companies 382 companies <small>(including 313 consolidated subsidiaries and 69 affiliates accounted for under the equity method) (End of FY2023)</small></p> <p>Brand value*3 22,837 m USD <small>(2022)</small></p> <p>Best Global Brands 2022 Automotive*3 5th in the world <small>(2022)</small> <small>*3 According to Interbrand research</small></p>
---	--	---	---	---	---

Global Sales Figures for FY2023 (10 thousand units)

2,808.9

Motorcycles
1,875.7
+
Automobiles
368.7
+
Power Products
564.5

Unit Sales in Major Markets



HONDA
The Power of Dreams

How we move you.

CREATE ▶ TRANSCEND, AUGMENT

The dreams of each and every one of us working together have always been the driving force of Honda.

We have different kinds of dreams, but by applying our original technologies, ideas and design we take on challenges continuously to realize mobility that enables our customers to enjoy life with more freedom, more convenience and more fun.

The future mobility Honda dreams of will create a joy and freedom of mobility that enables people to transcend the constraints of time and place, and augment their every possibility.

Such mobility will become the “power” for people who are trying to advance toward their own dreams.

Dreams that will move even more people, until there is an endless expanse of new dreams.

The Power of Dreams

Through the creation of mobility we dream of, Honda will become “The Power of Dreams” of more and more people. That is how we will move people and society forward.

CEO Message

HONDA
The Power of Dreams

How we move you.
CREATE ▶ TRANSCEND, AUGMENT

Director, President and Representative
Executive Officer

Toshihiro Mibe



The power of dreams, how we move you.

Unchanging Passion Since Our Founding

Since its founding, Honda has been driven by its “dreams.” Above all else, we value original ideas, technologies and design, which derive from our unwavering passion and out-of-the-box thinking, and Honda has grown by fearlessly taking on challenges to realize what was thought to be impossible. Through the creation of diverse forms of mobility, Honda aims to become the “power” that supports people around the world who are trying to do things based on their own initiative, including those who take on new challenges and others who are trying to make changes to themselves and the society they live in. In doing so, Honda has been providing value that contributes to the advancement of mobility and people’s daily lives.

As environmental awareness rises and digital technology rapidly advances, the automotive industry is undergoing a once-in-one-hundred-years transformation that is characterized by swift changes. However, even in this era of a major transformation, the long-standing passion of Honda remains unchanged. Honda will strive to be a company people and society want to exist into the future by becoming the driving force for those who are determined to take new steps based on their own initiative.

We believe that mobility is a fundamental human desire. Our relentless pursuit of advancing mobility, spanning automobiles, motorcycles, power products, aircraft and more, enhances the “temporal and spatial value” of mobility, and expands people’s life’s potential. When more people are “connected” through mobility, we can generate greater “power,” which leads us to the creation of a better society. We believe it is Honda’s mission to realize such a future.

On another front, in order to contribute to society as a mobility-focused company, we must sincerely address difficult challenges of achieving “zero environmental impact” and “absolute safety.”

By realizing the future mobility Honda dreams of and a mobility society people desire, while addressing societal values in the areas of

the environment and safety, Honda aspires to chart a new trajectory of growth as a company.

Amidst this era of significant transformation, which we position as the “second founding” of Honda, we have made progress toward various initiatives. However, in order for all of us at Honda to work together cohesively toward a common purpose at an accelerated speed, we recognized the importance of re-clarifying “what we truly strive for.”

Honda’s Future Vision

Honda Global Brand Slogan – The Power of Dreams – is a simple and most straightforward expression of the fact that the dreams of each and every one of us working together at Honda have always been the driving force of Honda. Driven by dreams, what is Honda striving to achieve? What value is Honda going to offer to its customers? How will Honda create such value? Answers to these questions are the core of everything we do as a company, thus we decided to define what Honda truly strives for and communicate it more clearly to both internal and external stakeholders.

In contemplating this, we revisited the essential value of every mobility product and service Honda has offered to date. Consequently, we arrived at the conclusion that there are two value propositions Honda wants to continue offering – One is to enable people to “transcend various constraints such as time and place,” and the other is to enable people to “augment their abilities and possibilities.” The future mobility we dream of and a mobility society people desire lie ahead of us as we continue to thoroughly pursue these value propositions. Grounded in this notion, we expressed the value Honda will continue to offer to its customers with two key words: “Transcend” and “Augment.”

“Transcend” conveys the meaning of “go beyond the limits.” Throughout our history, Honda has consistently offered the value of increased “convenience,” “freedom,” and “speed” via mobility. This value

CEO Message

can be interpreted as enabling people to transcend various constraints that interfere with their mobility.

Especially, time is an absolute constraint for most people. Mobility products and services that enable more efficient utilization of the universally granted 24 hours, 365 days have immeasurable value. Through the creation of diverse mobility products and services which will be combined to realize seamless mobility, and with our advanced technologies such as automated driving technologies, Honda will create the value of “transcending the constraints of time.”

In addition, Honda will also pursue the creation of the value of “transcending the constraints of place” – with our aircraft products including eVTOL, which will make “three-dimensional mobility” available for people, through our challenges in the field of space technology, and with our avatar robots that people can control while traversing physical distances. Under the key word of “transcend,” we will vigorously pursue various initiatives with an aim to provide customers with the significant value of transcending the constraints of time and place.

The other key word, “Augment,” signifies “making something greater.” By controlling new mobility products at our will, we can travel faster and farther. We can reach places that were previously beyond human reach. We can effortlessly move heavy objects, and we can also perform intricate tasks swiftly. If people become capable of doing something that they could not do before through the use of various mobility products and services Honda offers, we can say that we provide the value of “augmenting people’s possibilities.” We believe that “what people can do” is infinitely augmentable by enhancing people’s physical and cognitive capabilities and optimizing them for various purposes through the use of a variety of mobility products and services which leverage digital technology. With our original ideas and technologies, Honda will strive to enable people around the world to augment their possibilities.

Furthermore, another key word of our Global Brand Slogan is “Create,” which conveys the message that it is the creativity of each and every one of us at Honda that becomes the key to creating the value proposition of Honda. With the key word of “Create,” all of us who work together at Honda will set high goals and take on challenges without being afraid of changes, to “create” something which will generate new value for our customers.

Our creative power fueled by our dreams will generate the value proposition of Honda represented by the two key words: “Transcend”

and “Augment.” Such value we offer will move people, inspire people and become the “power” to support people who take one step closer to their dreams. As the “power” of people who embarked on their dream-filled journeys gains momentum and spreads to the people around them, it will create new connections and realize an expanse of dreams throughout our society. Honda always believes in the power of such infinite dreams that people pursue all around the world, and we want to be the “power” to help people realize their dreams.

With these aspirations for the future, we have added a new tagline – How we move you. – which follows the “The Power of Dreams” in our Global Brand Slogan. This tagline encapsulates the double meaning of “moving people physically” as a mobility company and “moving people’s hearts” through the value we provide.

We will continue our commitment to carry out our corporate activities while striving to move people, inspire people, and spread dreams throughout the world.

Toward the Realization of the Value Proposition of Honda

At Honda, we believe that every associate should be an individual who is driven by their intrinsic motivation and wants to realize their own dreams by demonstrating their abilities, individuality and creativity to the fullest. As I mentioned earlier, the wellspring of the two value propositions we aim to offer is “the power of dreams” and the “creativity” of each and every associate. When the strong individualities of Honda associates collide, and their diverse knowledge and dreams interact with each other, they evolve into greater knowledge and more profound dreams. This synthesis manifests as “creation,” generating value. Pursuing this vision, we will seek to establish an environment where everyone who works at Honda can fully demonstrate their abilities.

To this end, we are asking the following question to ourselves.

- Can each of us find meaning in our work and be passionate about our own work?
- Are we clear about what we want to do, our dreams, our aspirations and our future goals? Are we fully committed to pursuing them?
- Are there work environments and support systems which encourage us to take on such challenges?
- At every workplace, are we pursuing the very essence of things, having candid and unreserved discussions involving diverse individuals and conducting collaborative knowledge creation?

Guided by these perspectives, we will comprehensively reassess every element that shapes our corporate culture, including the decision-making process, approaches to our work and our personnel systems. Through such internal changes, we will strive to establish an organization capable of realizing “The Power of Dreams.”

Toward the Realization of Dreams

My dream is to realize a world where mobility products bearing the Honda logos are traveling all around the world, on the ground, in the ocean, in the skies and into outer space, and people are enjoying the true freedom of mobility. I envision that Honda mobility products and services will create more time and space where people can enjoy freedom, and such temporal and spatial value of our mobility will further unlock human potential, becoming the driving force to transform our society.

Each and every one of us working at Honda has a variety of dreams, which will be the starting point of our creativity. By leading our creativity in the right direction, we will maximize the limitless “power of dreams.” By creating a link between such power of dreams and the value proposition of Honda – Transcending and Augmenting – we will offer attractive products and services unique to Honda. Leading this process is the role I assume as the Global CEO of Honda. In today’s society, where people’s values are increasingly diverse, this challenge will undoubtedly be formidable. However, I believe that the greater the challenge, the more worthwhile it is for us to take on.

Toward a future filled with dreams and hopes, our journey of challenge will continue. Please keep your expectations high for the dream-inspiring mobility products and services Honda will create for the joy and freedom of mobility.



Value Creation Process

TRANSCEND

To enable people to transcend the various constraints of time and place

- Internet of Things (IoT)/Connected
- Carbon Neutrality of Power Units
- Automated Driving (AD)/Advanced Driver-Assistance System (ADAS)
- Energy Management System
- Resource Circulation

Five Key Factors of Our Initial Focus

Recognition of the External Environment

Creation of Social and Economic Value

Creation of Innovative Technologies

Brand Value Enhancement

Zero Environmental Impact

Key Themes

Human Capital Management

Zero Traffic Collision

Resource Input

- Financial Capital
- Human Capital
- Manufacturing Capital
- Intellectual Capital
- Natural Capital
- Social and Relationship Capital

Honda Philosophy



DREAMS

Driven by the power of each individual's dreams.

Acceleration/Intensification of Environmental Change

To be a company people and society want to exist
Honda's Vision
 We create **the joy** and freedom of mobility and become the power that supports individuals who start moving toward their dreams

How we move you.

The power of dreams, how we move you.

CREATE

To realize the mobility Honda dreams of with the creativity as the key

AUGMENT

To augment people's possibilities

HONDA
The Power of Dreams

How we move you.
CREATE ▶ TRANSCEND, AUGMENT

Corporate Strategy



We aim to expand our economic value by pursuing social value and chart a new growth trajectory as a company.

Director
Executive Vice President and
Representative Executive Officer
Chief Operating Officer
Shinji Aoyama

Toward the Embodiment of Value Creation

Honda aims to embody the values of “Transcend” and “Augment,” achieving “zero environmental impact” and “absolute safety,” thereby creating the joy and freedom of mobility in the era of electrification. Honda seeks to continuously be the “power” that supports people around the world who are trying to do things based on their own initiative.

While we recognize that achieving environmental and safety objectives is our duty as a mobility company, we must consciously sidestep any notion of trade-off where our pursuit of environmental and safety initiatives compromises economic value. Instead, we are committed to intensifying our endeavors guided by the principle of trade-on, aiming to enhance economic value through the pursuit of social value. This strategy paves the way for a fresh path of growth for the company, highlighting the importance of pursuing both societal and economic value.

Value Creation Story and Growth Strategy

(1) Defining Materiality and Company-Wide Objectives for the Achievement of “Vision” and “Value Proposition”

In order to create the “joy and freedom of mobility” that we aspire to, it is essential for the entire organization to clearly define key challenges and targets to be prioritized. Each individual working at Honda should use these as guiding principles, driving together with full force towards the same direction. Taking this perspective into account, and acknowledging the swift changes in the environment, along with the enhanced clarity of our “vision” and “value proposition” achieved through the redefinition of our global brand slogan, we have opted to reassess the most critical challenges that we had previously identified, grounding them in the framework of the materiality matrix. We will strive to enhance the effectiveness and speed of initiatives by reorganizing the important themes, materiality, and associated goals that we will particularly focus on in the future.

We have selected the new key themes by systematically identifying and prioritizing societal issues extracted comprehensively from the perspective of sustainability, aligning them with Honda’s direction. Specifically, in addition to “environment” and “safety” which have long been highlighted as important themes in our management, we have chosen “people” and “technology,” which drive Honda’s growth, as well as “brand” that encompasses all corporate activities — our five non-financial indicators as important themes. We align these aspects with our financial strategy to effectively generate both social and economic value. Furthermore, within the realm of non-financial indicators, we have defined the materiality that should be addressed for each theme. This approach helps us clarify the areas we need to focus on to achieve our vision.

To ensure we achieve our materiality, it is crucial to execute strategic planning and resource allocation with a medium to long-term perspective, even within a rapidly changing and highly uncertain environment, without being overly tied to short-term fluctuations. With this in mind, we have decided to discontinue the previous practice of setting three-year midterm goals and instead establish achievement targets on a 5-year and 10-year horizon. We will clearly define key goal indicators (KGIs) and key performance indicators (KPIs) for the milestones to be reached in each phase of 2025 and 2030, reinforcing management governance by regularly monitoring the progress of initiatives by the leadership team. This approach will enhance the effectiveness of initiatives and facilitate their rapid implementation towards the achievement of materiality.

Materiality Assessment Process

STEP 1	STEP 2	STEP 3	STEP 4
<p>Comprehensive extraction of social issues from a sustainability standpoint</p> <p>Based on SDGs, disclosure standards like GRI standards and SASB, as well as external evaluation criteria such as S&P Global CSA, social issues are comprehensively extracted.</p>	<p>Prioritization and selection of important themes based on Honda’s vision</p> <p>We prioritize and select areas to focus on, in alignment with Honda’s vision, “to create the joy and freedom of mobility,” among the social issues extracted in Step 1.</p>	<p>Identification of materiality, management indicators and objectives for each important theme</p> <p>For each important theme, we define specific challenges to focus on as materiality, and set indicators and target values to measure their achievement.</p>	<p>Setting initiatives and actions toward achieving materiality</p> <p>We formulate specific initiatives and actions toward achieving the target values set for each materiality.</p>

Corporate Strategy

	Important Themes	Materiality	Management Indicators (KGI*1)	Target		Approach and Direction of Efforts		
				2025	2030			
Financial Indicator	Economic Value Enhancement	<ul style="list-style-type: none"> Improvement of capital efficiency Sustainable growth of cash flows 	ROIC	Consolidated	-	10% or higher	We have established ROIC target for 2030, complementing the previously disclosed ROS target for 2025. By fortifying our business structure, we intend to boost cash generation capabilities. Our objective is to uphold an optimal equilibrium between strategic resource allocation for transformation and shareholder returns, with the aim of achieving sustainable growth and enhanced capital efficiency.	➡p.12 Financial Strategy
			ROS		7% or higher	-		
Non-Financial Indicator	Brand Value Enhancement	<ul style="list-style-type: none"> Enhancement of consistent brand management 	Brand Value*2 (Interbrand research)	Consolidated	(Unpublished)		By embodying Honda's brand value through high-quality products and services, and through consistent brand management in all corporate activities, we aim to enhance brand value.	➡p.55 Brand Value Enhancement Enhancement of Consistent Brand Management
	Realization of Zero Environmental Impact Society	<ul style="list-style-type: none"> Challenging climate change issues Challenging energy-related issues Efficient utilization of resources Biodiversity conservation 	Reduction rate of CO ₂ emissions from corporate activities	Consolidated	-	46%	To remain a company people and society want to exist globally, we are committed to thorough efforts in environmental preservation. We aim for zero environmental impact in the lifecycle by 2050 through initiatives such as "carbon neutrality," "clean energy" and "resource circulation" through electrification of the products, etc.	➡p.27 To Realize a Zero Environmental Impact Society Environmental Strategy
			Total CO ₂ emissions from products	Consolidated /Business	(Unpublished)			
			Waste reduction rate	Consolidated (compared to BAU*3)	-	14.5%		
			Water intake reduction rate		-	14.5%		
Realization of Zero Traffic Collision Society	<ul style="list-style-type: none"> Development of technology to capture and complement human intention Safety education and awareness activities Building a transportation ecosystem 	Traffic fatalities involving automobiles in Japan and the United States	Consolidated	(Unpublished)		With the philosophy of pursuing the safety of all people in a mobility society, we aim to achieve zero traffic collision fatalities involving Honda's motorcycles and automobiles worldwide by 2050 through the evolution of advanced safety technology and expanded safety education.	➡p.37 To Realize a Zero Traffic Collision Society Safety Strategy	
Evolution of Human Capital Management	<ul style="list-style-type: none"> Activating associates' intrinsic motivations and fostering the integration of diverse individuals Ensuring both quantitative and qualitative sufficiency of human resources in priority business areas 	Associate engagement score	Consolidated	50% or higher	60% or higher	Under the belief that the integration of diverse individuals who take on challenges driven by their "dreams" leads to the creation of the value Honda aims to provide, we promote various initiatives. Additionally, we strive to ensure that human rights are not violated in any of our corporate activities.	➡p.42 The Evolution of Human Capital Management Human Capital Strategy	
Creation of Innovative Technologies	<ul style="list-style-type: none"> Establishing competitive advantage in focus areas 	Ability to create intellectual property	Consolidated	(Unpublished)		We define five key factors to focus on at present for the evolution of mobility and promote technological development.	➡p.8 Corporate Strategy ➡p.51 Creation of Innovative Technologies Challenges in New Fields	

*1 KGI: Key Goal Indicators overseen by the Board of Directors

KPIs overseen by the Executive Council are detailed in each strategy page, etc.

*2 Brand Value: The monetized value of a brand as disclosed by Interbrand

*3 BAU: Business As Usual based on production plans

Corporate Strategy

(2) Ongoing Focus on the “Five Key Factors”

In our important theme of “Creating Innovative Technologies,” we have defined the following five key factors as the technological areas to focus on for the immediate future.

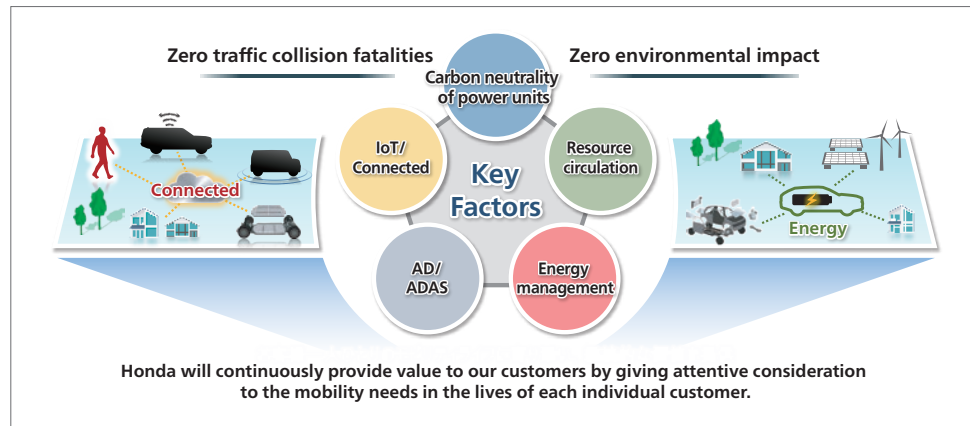
- Carbon neutrality of power units (electrification/hydrogen)
- Resource circulation
- Energy management system
- AD/ADAS*1
- IoT/Connected

By pursuing advanced and innovative technologies in each area, we aim to enhance the added value of mobility. Furthermore, through the synergy of the technologies developed in each domain, we strive to provide continuous value tailored to the mobility life of each individual customer.*2

*1 AD: Automated Driving, ADAS: Advanced Driver Assistance Systems

*2 Please refer to Business Strategy (→p.15-) and 5 Key Themes (→p.27-) for an overview of initiatives in each area.

Mobility Honda Strives For



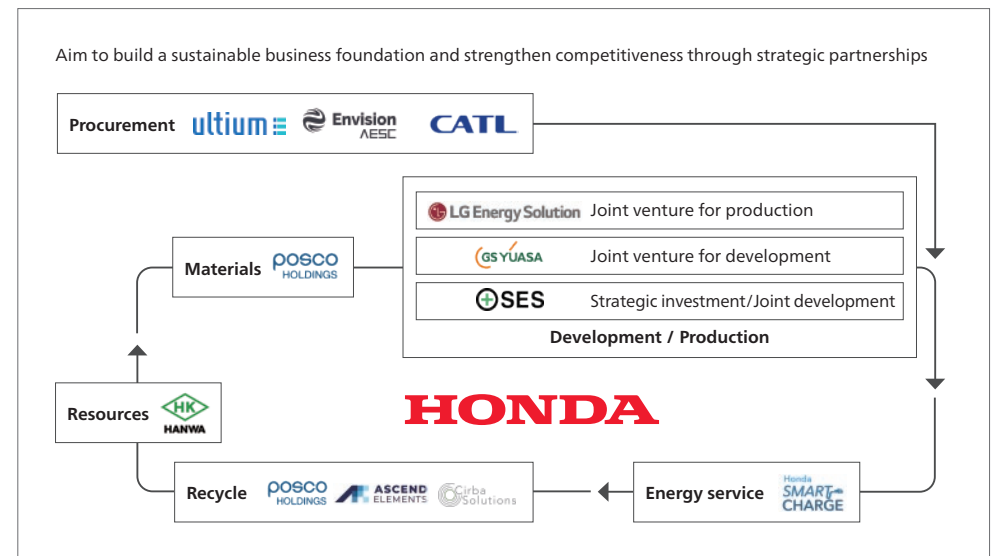
Toward Building a Robust Value Chain with Honda as the Hub

With the global rise in environmental awareness, the electrification of power units and the advancement of software, the nature of the value chain surrounding mobility is undergoing significant changes. Particularly in the realm of EVs (Electric Vehicles), it's imperative to promptly address novel challenges, such as ensuring stable production and procurement of batteries, securing essential minerals used as raw materials, cost reduction and the technological development of next-generation batteries. Moreover, initiatives centered on resource circulation such as the use of sustainable materials are crucial. These not only ensure the steady supply of vital minerals but also lead to reductions in CO₂ emissions. We recognize that the importance of such endeavors will only continue to grow in the future.

In an era where the surrounding business environment is rapidly diversifying and becoming more complex, while keeping Honda's proprietary technology and know-how at the core, we believe it's essential to form a robust value chain through collaborations with other companies that possess strengths distinct from Honda's. This approach can generate synergistic benefits and further accelerate our efforts towards new value creation.

We have already been advancing collaborations in areas like battery production, resource procurement, hydrogen projects and energy services. Moving forward, by actively expanding even more strategic partnerships, we aim to build a sustainable and competitive business foundation.

Strong Value Chain with Honda as a Hub (Battery Area)



Corporate Strategy

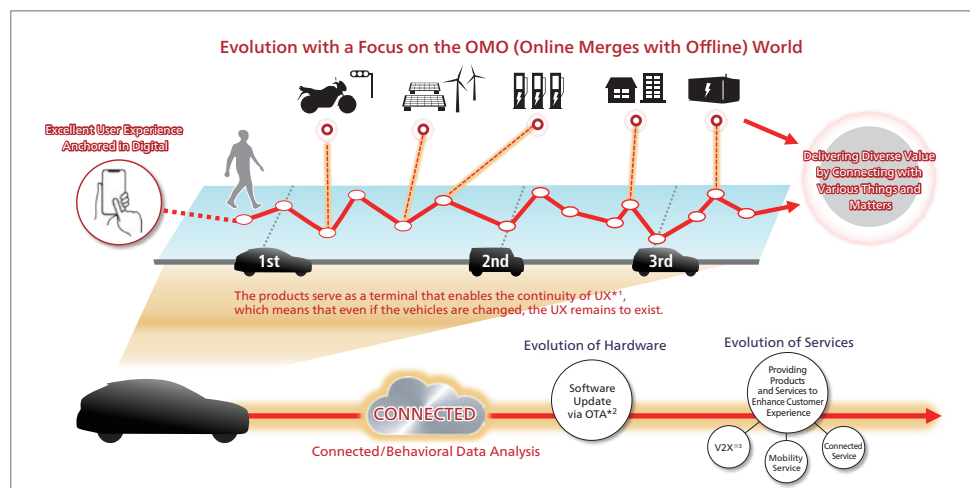
Striving for Enhanced Lifetime Value

With the rapid advancements in electrification and digitization, there's a shifting paradigm in the value of mobility. Traditionally, under the "sell off the hardware" business model, a new vehicle's value was at its peak at the time of purchase, declining over the years. However, as the demand for software areas, represented by automated driving, driver safety assistance systems and digital services, continues to grow, there's an emerging perspective that the value of mobility can be enhanced post-purchase through software updates.

Through IoT and connected technologies, as mobility becomes interconnected with other mobility solutions and transportation infrastructure, it becomes possible not only to prevent accidents before they occur but also to provide personalized, up-to-date digital services. This means that future mobility will be able to "grow alongside the customer."

Furthermore, mobility is expected to generate new value beyond merely being a means of transportation, serving as "energy storage." Initiatives in the energy services sector, utilizing the power supply capabilities of electric mobility through home charging and public charging, will ensure that even when not in motion, mobility continues to evolve into an entity that benefits people in various aspects of their lives.

Through the fusion of hardware and software, we aim to continually deliver value to our customers over an extended lifecycle and grow alongside them as partners. Instead of focusing solely on "mobility," we are committed to accompanying each individual in various aspects of their lives, providing personalized and diverse values consistently. By upholding these two principles, we strive to enhance the lifetime value from a long-term perspective.

Evolution of Mobility through Digitalization

*1 UX: User Experience

*2 OTA: Over The Air, technology to update a vehicle's software through wireless communication

*3 V2X: Vehicle to X, technology for communication and coordination between vehicles and various objects



We aim for corporate management centered on "dreams" and "speed" by advancing management operations.

(3) Advanced Management Operations to Support Value Creation

As the surrounding environment undergoes significant changes, the key challenges in our management strategy have also become increasingly sophisticated and complex. While Honda is committed to focusing on the aforementioned five crucial themes to drive the evolution of mobility and the transformation of our business, it is essential to further advance our management operations themselves to dynamically and swiftly promote large-scale initiatives towards this significant transformation. From this perspective, we've decided to drive the company-wide key challenges set at the beginning of the term through a "cross-departmental task force" led directly by the management members. We've established a system under direct management control that allows for a swift PDCA (Plan-Do-Check-Act) cycle.

In addition to establishing the "Electrification Business Development Operations" this fiscal year, we have also significantly reorganized the corporate functions and regional operations. This reorganization aims to optimize our management resources as a whole. Furthermore, we have abolished the operating officer system, consolidating the roles of officers in charge of each business and function into executive officers, thereby clarifying accountability and enabling swift execution. In addition, in line with the previously mentioned goal of constructing a robust value chain with Honda as the hub, we are steadily advancing the establishment of an internal system to strengthen alliances that supports smooth collaboration with other companies.

For Honda to remain a company people and society want to exist, we believe that two elements are paramount: the diverse "dreams" rooted in individual intrinsic motivations, and the "speed" to manifest them through technology and ideas. We aim to magnify the power of each individual's dream and swiftly translate it into value. With this vision in mind, we are committed to continually elevating our management operations to greater heights.

Financial Strategy



Through strategic resource allocation in accordance with the business transformation phase, we aim to realize enhanced corporate value.

Executive Officer
Chief Financial Officer
Chief Officer, Corporate
Management Operations
Eiji Fujimura

Initiatives for Increasing Corporate Value

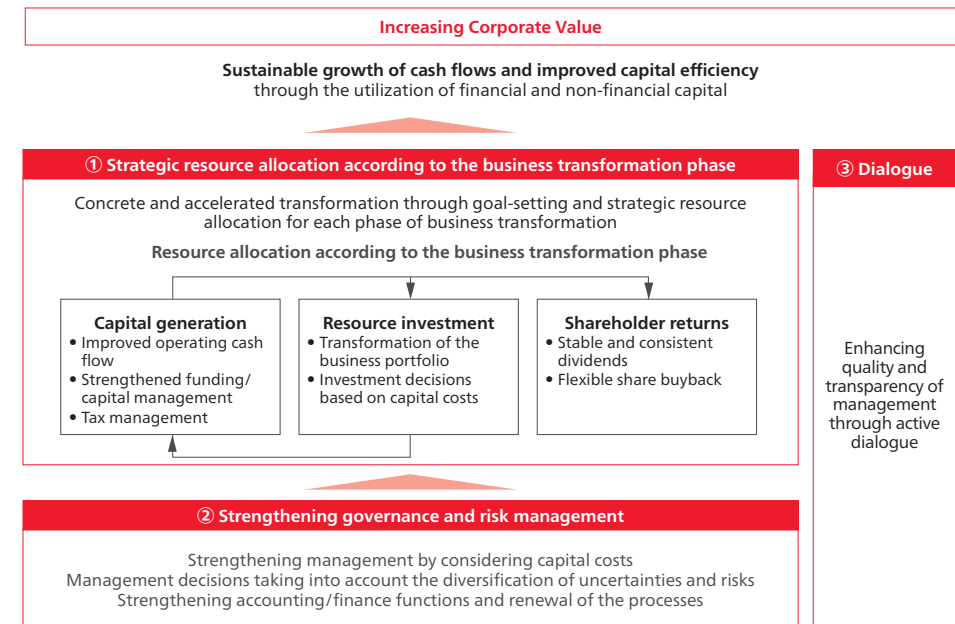
To support this transformation, the entire Honda company is united in our effort to “strengthen our business constitution” and we have been implementing measures aimed at improving our profit structure.

In FY2023, due to worsening business conditions, including the impact of cost increases from semiconductor shortages and inflation, as well as higher quality related expenses, company-wide operating profit margin (ROS) was an austere 4.6%. However, in motorcycle business operations, ROS reached 16.8%, an all-time record high. In automobile business operations, the break-even point based on production capacity improved significantly from approximately 90% to roughly 80%, contributing to revenue protection when production is reduced. Through such efforts in each business segment, we are confident that we are making steady progress in improving our profit structure and are aiming to achieve a company-wide ROS target of 7% or more by FY2026. In terms of financial foundation, continuing from FY2022, we generated free cash flow at the level of 700 billion yen. This not only secured funds to support the transformation, but also enabled us to declare an annual dividend of 120 yen. Furthermore, exercising a flexible capital policy, we conducted two share buybacks totaling 170 billion yen during the year.

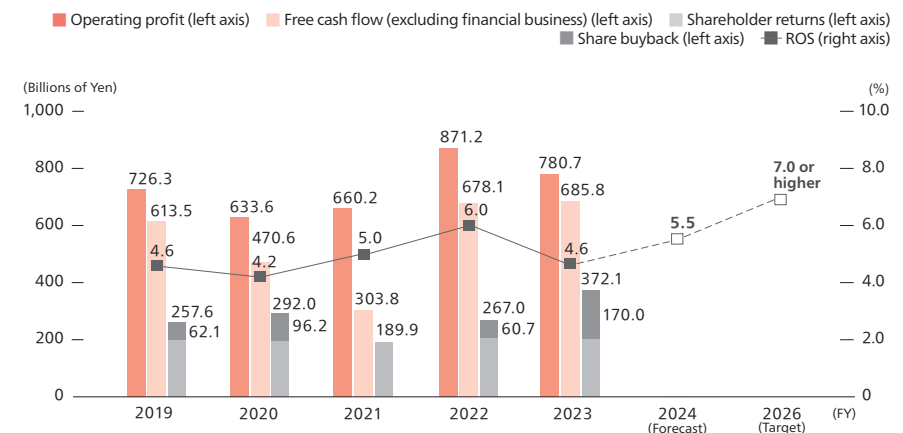
Given the significant changes in the business environment as well as an increase in the types of risks, including geopolitical risks, it has become crucial to leverage both financial and non-financial capital to attain sustainable growth of cash flows and enhance capital efficiency, thereby boosting corporate value. As a Chief Financial Officer, I believe it is crucial to: 1) clearly define goals for each phase of business transformation and execute strategic resource allocation, 2) ensure reliable execution, strengthen governance and conduct appropriate risk management, including the strengthening of capital cost-conscious management and 3) engage in active dialogue with stakeholders to enhance the quality and transparency of management.

By meticulously executing these missions one by one, we will realize the transformation in what we call the company's second founding and Honda will continue to be a company that our shareholders want to exist.

Initiatives for Increasing Corporate Value



Performance Trend



Financial Strategy

Initiatives for Increasing Corporate Value through Phase-specific Goals and Strategic Resource Allocation

To establish cash generation capabilities through new value creation, we will categorize our management plan into phases of transformation and set specific quantitative goals to drive our initiatives forward. While the PBR (Price-to-Book Ratio) has fallen below 1x, it is crucial to establish a capital return that exceeds the capital cost (ROIC) at an early stage. Additionally, as we aim for “a continual value provision that aligns with the mobility needs of each individual customer’s life,” we believe that leveraging both financial and non-financial resources, and ensuring sustained growth of cash flows over the long term, are crucial.

Up to 2025: “Strengthening Business Resilience of ICE*1 Product Operations and Investment in EVs” Phase

Moving towards 2025, we will sequentially introduce EVs tailored to each region. However, in the phase up to 2025, ICE vehicles will continue to be the core of our sales. From a financial standpoint, as we allocate resources to EVs in order to transform our business portfolio, we will concurrently concentrate on enhancing the business structure of ICE vehicles, with the objective of achieving a company-wide Return on Sales (ROS) of 7% or higher. Strengthening the profitability of our automobile operations is particularly challenging, but we will build upon the business structure we’ve developed through initiatives like the introduction of Honda Architecture*2, consolidated planning, reducing the number of derivatives of our global models and optimizing production capacity. We will also work on strengthening our supply chain, including securing a stable supply of semiconductors, to recover our automobile sales volume and steadily enhance profitability. Having built a robust financial foundation through the enhancement of a solid business structure with these initiatives, we will steadily allocate resources to EVs. Furthermore, by achieving a company-wide ROS of 7% or higher, we will realize an ROIC that exceeds capital costs.

*1 ICE: Internal Combustion Engine

*2 Honda Architecture: System architecture connecting computers, sensors, actuators and other components in automobiles

Up to 2030: “Transition from ICE Vehicles to EVs” Phase

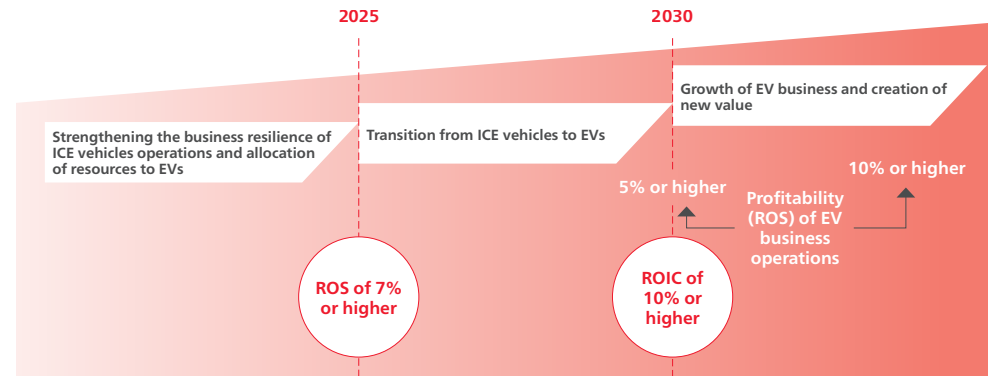
Building a Production System for Over 2 Million EVs Annually on a Global Scale

In the period leading up to 2030, we will intensify the allocation of resources to expedite the growth of EV business and attain self-sufficiency in the EV business. By 2030, our objective is to establish a global production capacity exceeding 2 million EVs, while striving for an EV/FCV sales ratio of 40% in developed countries. We will expedite strategic investments that foster the growth of EV business, including the advancement of next-generation batteries like semi-solid-state batteries and all-solid-state batteries. We will also bolster the EV production system through the transformation of our global production system and develop Honda’s distinctive vehicle operating system (OS), which facilitates the post-sale evolution of vehicle features and services post-vehicle sales. Furthermore, we will broaden our range of EV offerings, primarily in both motorcycles and automobiles, while elevating market competitiveness. While there might be an impact from temporary upfront investments, our goal is to bolster the cash generation capability of our ICE (Internal Combustion Engine) business, allocate resources to support transformation, sustain a return on invested capital (ROIC) surpassing the cost of capital and aim for an ROS (Return on Sales) exceeding 5% for the EV segment, along with a company-wide ROIC surpassing 10% by 2030.

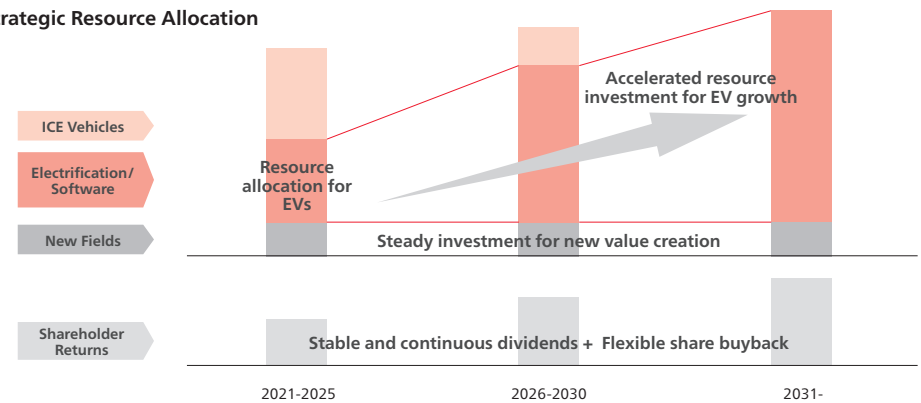
2030s: “Growth of EV Business and Creation of New Value” Phase

We will establish the company’s second founding by expanding the growth of EV business and creating new value. We set the ROS target for the EV business at 10% or higher and strive to achieve a sales ratio of 100% for EV / FCV by 2040, ensuring the sustainable growth of cash flow. To realize the creation of new value, we will stably allocate an annual research budget of around 100 billion yen to fundamental research areas, focusing on carbon-neutral technologies such as the application of intelligence technologies, advancement of battery-related technologies, utilization of hydrogen, and sustainable materials.

Goals for Each Phase of Business Transformation



Strategic Resource Allocation



Financial Strategy

Returning Profits to Our Shareholders

Concerning the distribution of our results, we regard returning profits to our shareholders as one of the foremost management priorities. This determination is made by factoring in internal reserves intended for future growth and the overall performance of the consolidated business, all of which are assessed from a long-term standpoint. Regarding dividends, using a consolidated payout ratio of 30% as a reference, we are committed to achieving steady and consistent dividend payments, capitalizing on Honda's inherent strengths in generating cash while accelerating resource allocation for transformation. For FY2024, we intend to raise the dividend to an unprecedented level of 150 yen*1. Furthermore, on May 11, 2023, our board of directors approved a share buyback program amounting to 200 billion yen. In line with our goal of enhancing capital efficiency and implementing flexible capital policy, we will judiciously proceed with the repurchase of our own shares.

*1 On August 9, 2023, during a board of directors meeting, a resolution was passed to execute a stock split at a ratio of 3 shares for every 1 share, with September 30, 2023, as the designated record date. Following this stock split, adjustments were made to the dividend forecast. However, the annual dividend forecast of 150 yen, as announced on May 11, 2023, remains unchanged based on the pre-stock split standard.

Strengthening Governance and Risk Management

In an era of significant transformation, our objective is to enhance governance and infuse management practices with a heightened awareness of capital costs. This approach will empower us to respond flexibly and effectively to evolving environmental dynamics, ultimately elevating our corporate value. We will employ the ROIC framework to seamlessly connect on-ground initiatives with company-wide objectives. Our efforts will focus on optimizing profits, the numerator in ROIC, while enhancing the denominator—deployed capital*2—through prudent utilization of retained assets and strategic investment discernment, thus enhancing capital efficiency. Concerning our financial services business, where funding predominantly relies on liabilities, we will apply the ROE metric to strike a balance between profitability and stability. This balanced approach will maximize capital efficiency and lend support to our transformative endeavors.

When it comes to resource allocation, given the substantial uncertainties stemming from economic trends, shifts in environmental regulations and technological breakthroughs, the necessity of substantial investments for transformation becomes evident. As a risk management strategy, we are committed to identifying decision triggers and making investment choices while considering capital costs.

Active Dialogue with Stakeholders

We firmly believe that increasing corporate value goes beyond merely outlining a roadmap for sustainable cash flow growth and improved capital efficiency. It also entails ensuring that Honda's prospects are well comprehended in the capital markets.

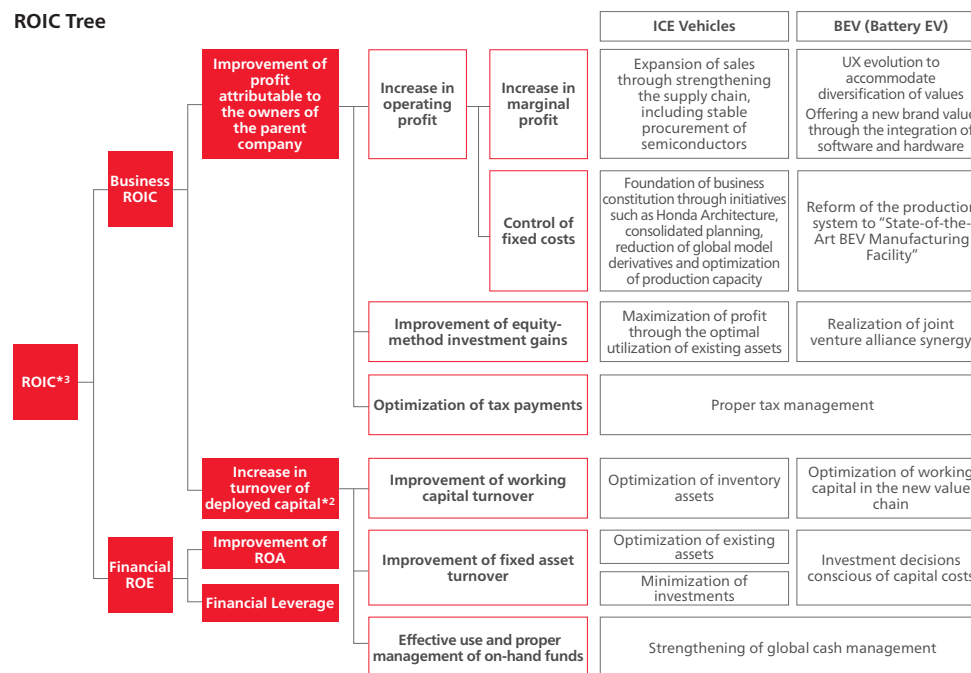
To achieve this, a fundamental requirement is that our stakeholders, including shareholders and investors, have an accurate understanding and a positive regard for our management direction. Taking proactive measures, our management team will engage in more active dialogues than ever before,

conducted through various events and individual meetings. Through these dialogues, our management team will gain direct insights into the expectations and interests of the capital markets. We consider this feedback from stakeholders as highly valuable and will integrate it into our management approach, thus contributing to a further augmentation of corporate value.

For specific information regarding our dialogue achievements in FY2023 and the ensuing feedback within the company, we invite you to visit our official website (<https://global.honda/en/investors/policy/governance.html>).

We appreciate your ongoing support and look forward to your anticipation of the continuous enhancement of Honda's corporate value.

ROIC Tree



*2 Deployed capital: Shareholders' equity attributable to the company's shareholders + Interest-bearing liabilities (excluding those from the financial business sector). Deployed capital is calculated using the average of the beginning and end of the period.

*3 ROIC: Net income attributable to the parent company owners + Interest expenses (excluding financial businesses) / Deployed Capital