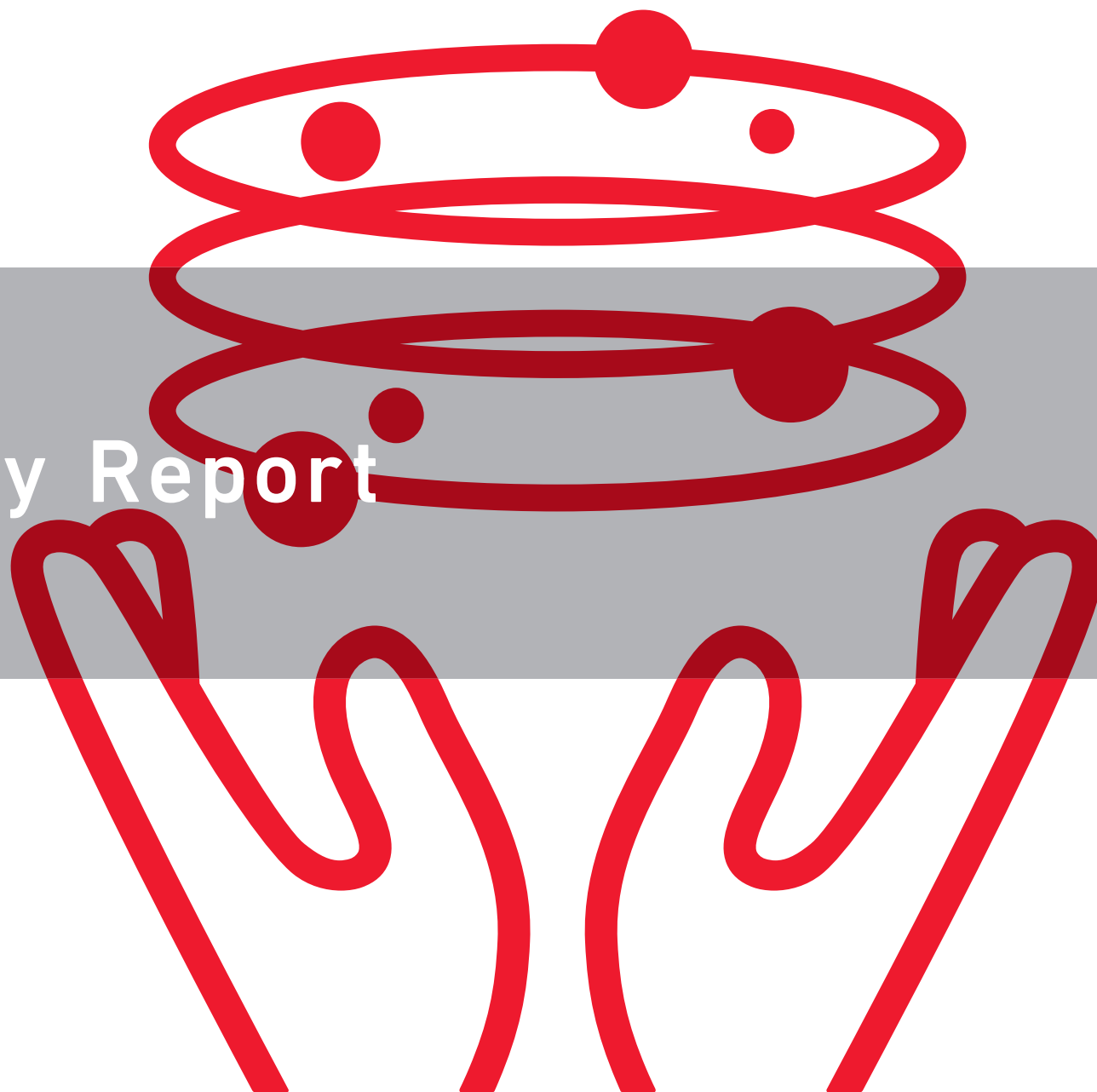


**HONDA**

Honda  
Sustainability Report  
2019



## Contents

|          |                                           |    |
|----------|-------------------------------------------|----|
| <b>1</b> | <b>Editorial Policy</b>                   | 02 |
| <b>2</b> | <b>Message from the President and CEO</b> | 03 |
| <b>3</b> | <b>Honda Philosophy</b>                   | 04 |
| <b>4</b> | <b>Overview of Honda</b>                  | 05 |
|          | Business Domains                          | 06 |
|          | Value Creation History                    | 08 |
|          | Unit Sales and Principal Operation Bases  | 09 |
|          | Matrix Management System                  | 10 |
|          | Financial Highlights                      | 12 |

|          |                                                                                                      |    |
|----------|------------------------------------------------------------------------------------------------------|----|
| <b>5</b> |  <b>Strategy</b>    | 13 |
|          | Honda's Sustainability                                                                               | 14 |
|          | Roadmap for Sustainable Growth                                                                       | 15 |
|          | 2030 Vision                                                                                          | 16 |
|          | Materiality Analysis                                                                                 | 17 |
|          | Sustainability Management Structure                                                                  | 18 |
|          | Stakeholder Engagement                                                                               | 19 |
|          | Research and Development                                                                             | 22 |
|          | Innovation Management                                                                                | 23 |
| <b>6</b> |  <b>Governance</b> | 24 |
|          | Corporate Governance                                                                                 | 25 |
|          | Compliance                                                                                           | 33 |
|          | Risk Management                                                                                      | 36 |
|          | Governance Data                                                                                      | 39 |

|          |                                                                                                                    |     |
|----------|--------------------------------------------------------------------------------------------------------------------|-----|
| <b>7</b> | <b>Performance Report</b>                                                                                          |     |
|          |  Environment                    | 41  |
|          |  Safety                         | 67  |
|          |  Quality                        | 79  |
|          |  Human Resources                | 96  |
|          |  Supply Chain                   | 118 |
|          |  Social Contribution Activities | 135 |
| <b>8</b> | <b>Assurance / GRI Content Index / Financial Data</b>                                                              | 143 |
|          | Assurance                                                                                                          | 144 |
|          | GRI Content Index                                                                                                  | 145 |
|          | Financial Data                                                                                                     | 157 |

## Editorial Policy

### ● Organizations covered

This report covers the entire Honda Group, which consists of Honda Motor Co., Ltd. and its 435 group companies in and outside Japan (comprising 364 consolidated subsidiaries and 71 affiliated companies accounted for by the equity method). Sections that do not cover the entire Honda Group are indicated as such with a reference to the specific scope. Furthermore, unless the context otherwise requires, the terms “we,” “us,” “our,” “Company” and “Honda” as used in this Sustainability Report each refer to the Honda Group.

### ● Period covered

This report focuses primarily on the activities undertaken during FY2019 (April 1, 2018 – March 31, 2019), and also includes past background information and activities conducted up to the time of publication, as well as other matters including future outlook and plans.

### ● Standards

This report has been prepared in accordance with the GRI Standards: Comprehensive option. For details, please refer to the GRI Content Index (⇒ p. 145).

• The guidelines referenced in calculations and/or the basis for calculations are shown in the corresponding sections.

Honda has been a member of the GRI GOLD Community since 2016 and became a member of the newly established GRI Community in 2019. The Company supports the mission of GRI to empower decision makers everywhere, through GRI Sustainability Reporting Standards and its multi-stakeholder network, to take action toward a more sustainable economy and world. The GRI Community includes diverse companies and organizations across business, consultancies, civil society, academia, labor, public and intergovernmental agencies, totaling 490 members across 35 industries from 66 countries.



### ● Assurance

The environmental data indicated with ☒ for the year ended March 31, 2019 are scheduled to be reviewed for the independent practitioner’s assurance.

### ● Accounting standards

Figures up to FY2014 are compiled pursuant to generally accepted accounting principles in the United States (U.S. GAAP) while figures from FY2015 and thereafter are compiled pursuant to International Financial Reporting Standards (IFRS).

### ● Date of publication

Publication of this report: June 2019

• Honda will publish the Sustainability Report with the independent practitioner’s assurance at the end of August 2019.

Planned publication of next report: June 2020

Honda releases a Sustainability Report every year.

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Sustainability Planning Division, Corporate Planning Supervisory Unit

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Tel. +81-3-5412-1159

### ● Published by

Corporate Planning Supervisory Unit, Honda Motor Co., Ltd.

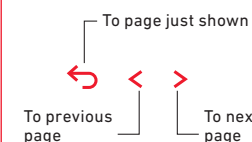
### ● Cover page pictogram

The design of the pictogram on the cover page symbolizes Honda’s concept of sustainability.

Three Ellipses = “Creating the Joys,” “Expanding the Joys” and “Ensuring the Joys for the Next Generation” (⇒ p. 14)  
Six Precise Circles = Motorcycles, Automobiles, Power Products and New Businesses for the future (⇒ p. 06)  
Supporting Hands = The desire of stakeholders who empathize with Honda’s initiatives (⇒ p. 19)



#### How to use this report



#### XXX

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> XXXXXXXXXXXXX

To relevant page in this report, or website outside of this report, etc.

#### Disclaimer

This report contains past and current factual data of Honda Motor Co., Ltd. as well as plans and outlook and future projections based on its management policies and management strategies as of the date of publication. These future projections are assumptions or decisions derived from the information available at the time this report was produced. Please note that the results of future business activities and events may vary depending on changes in conditions and circumstances. This report may also contain corrections, restatement or significant changes to information provided in previous reports.

## Message from the President and CEO



I would like to take this opportunity to express our gratitude for your cooperation and tremendous support for Honda's activities.

In 2017, Honda formulated the 2030 Vision (⇒ p. 16). The main statement of this vision is "Serve people worldwide with the 'joy of expanding their life's potential'." This encapsulates Honda's passion to provide appealing products and services that bring joy to customers around the world.

During 2018, the year in which the Company marked its 70th anniversary, we succeeded in bringing joy to over 32 million customers by offering attractive products and services in all aspects of our businesses, namely motorcycles, automobiles, power products, aircraft and aircraft engines. I feel confident that we are making step-by-step progress toward realizing the 2030 Vision.

These products and services have enabled us to meet the expectations and demands of a variety of stakeholders. Since the time of its founding, Honda has addressed numerous issues by helping solve social issues through its business activities, giving consideration to the impacts on the environment and society. In recent years, the Paris Agreement, the framework for responding to global warming, and the United Nations Sustainable Development Goals (SDGs) have gained the spotlight. Even prior to these two initiatives, Honda has implemented measures embodied in many of their targets. This has provided the means for us to reaffirm that we are on the right track to address environmental issues.

Furthermore, in striving to realize a carbon-free society, Honda has set a goal to "electrify two-thirds of our global automobile unit sales by 2030" (⇒ p. 46). In doing so, we will work to expand worldwide sales, mainly hybrid vehicles, as we aim to make sustainable contributions to the global environment.

The business environment surrounding our industry is in a time of a dramatic transformation with the advent of autonomous driving and car sharing in addition to electrification. To successfully navigate these abrupt changes, we must make company-wide global efforts for "creating products through inter-regional coordination and collaboration," which we are already promoting, and "taking a new approach of working together beyond the boundaries of divisions." Accordingly, Honda changed its operating structure in April 2019. As part of this change, we moved to expand our domains within the power products business under the new concept and name of the "life creation business" (⇒ p. 07). Meanwhile, we will decisively solidify the structure of each business consisting of motorcycles, automobiles, life creation, aircraft and aircraft engines, as we lead the "advancement of mobility" and "value creation for people's daily lives."

Honda will strive to ensure sustainable growth into the future through earnest efforts toward the environmental, social and governance (ESG) issues. You can look forward to Honda continuing to achieve sustainable growth together with society and making further strides within this era of change.

I sincerely appreciate your continued support for our endeavors.

*T. Hachigo*

President and  
Representative Director  
Chief Executive Officer



## Honda Philosophy

## Honda Philosophy

The Honda Philosophy, handed down to the Company by its founders Soichiro Honda and Takeo Fujisawa, is composed of Fundamental Beliefs (Respect for the Individual and The Three Joys), the Company Principle and Management Policies. The Philosophy forms the values shared by all Honda Group companies and all of their associates and is the basis for Honda's corporate activities and the associates' behavior and decision-making.

Honda incorporates the Philosophy into educational programs for its associates and gives it life by turning it into action, from everyday business activities to management decision-making, so that every person in the Company can responsibly continue putting the Philosophy into practice.

Additionally, Honda engages in corporate activities under the concept of "Free and Open, Challenge, Co-evolution." Specifically, this concept puts into practice Honda's corporate culture of "taking up the challenge without fear of failure, free from the prejudice of preconceived ideas, and with a foundation of teamwork based on trust."

Society's expectations toward Honda continue to evolve with the times. As a responsible global company, Honda will resolve problems while listening to the voices of its diverse stakeholders so as to meet their expectations and earn their trust.

## Fundamental Beliefs

## Respect for the Individual

## 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.

# 4 Overview of Honda

|                                          |    |
|------------------------------------------|----|
| Business Domains                         | 06 |
| Value Creation History                   | 08 |
| Unit Sales and Principal Operation Bases | 09 |
| Matrix Management System                 | 10 |
| Financial Highlights                     | 12 |

## Overview of Honda

## Business Domains

## Principal Businesses Segments

## Motorcycles

Honda's motorcycle business has heralded motorization in many regions around the globe since production began in 1949. Honda offers a broad lineup from commuter models, which are loved by people the world over, to sports models that give people a taste of the joy of riding dynamics.

In April 2019, Honda consolidated its Motorcycle Operations and Motorcycle R&D Center into one organization in order to enable more coordination and collaboration among sales, production, development and purchasing divisions beyond their boundaries. By fully integrating the entire process involving new models—from the planning and conceptual phase through development, initial production and mass-production—Honda will secure its global competitiveness by increasing not only product appeal, but also cost competitiveness, quality and the speed of development.



Super Cub C125



CB1000R

## Automobiles

Honda commercializes unique and personal automobiles to provide people with the joy and freedom of mobility. Honda's production of automobiles commenced in 1963 with the T360 and in 2016 cumulative global production reached 100 million units.

Honda currently offers a diverse variety of automobiles, from the N-Box mini-vehicle sold in Japan and global models, the Accord and CR-V, to the Ridgeline pickup truck in North America and the NSX super sports car.

In addition, Honda is targeting 2020 for reducing CO<sub>2</sub> emissions intensity in products by 30% (compared with 2000) and 2030 for electrifying two-thirds of automobiles sold globally.



CR-V



Everus (Li Nian) VE-1 electric concept vehicle exclusively for China

## Overview of Honda

## Business Domains

## Life Creation

Honda has been providing a diverse range of items including general purpose engines, tillers, generators, snow throwers, lawnmowers, pumps and outboard engines as part of its power products business. Further, through development and commercialization of electrified products, Honda continues to propose products that are useful in various facets of people's daily lives and offer new value such as an innovative robotic lawnmower, Miimo, and a portable battery inverter power source, the LiB-AID E500.

In April 2019, Honda renamed the power products business to expand its concept and continue pursuing it under a new concept of the "life creation business." This renaming of the business represents its intention to evolve its business as a function to create new value for "mobility" and "daily lives," which includes its existing power products business as well as new businesses for the future, including the energy business.



Miimo robotic lawnmower



LiB-AID E500 portable battery inverter power source

## Aircraft and Aircraft Engines

Honda began delivery of the HondaJet to the world at the end of 2015 as a new proposal for personal mobility. Based on Honda's proprietary technology, including Over-The-Wing Engine Mount (OTWEM), the HondaJet provides a top-class mobility experience in the sky. In May 2018, Honda Aircraft Company introduced a new upgraded aircraft, the HondaJet Elite, and the performance package developed by the Advanced Performance Modification Group (APMG)\* for the original HondaJet. By the end of the year, it marked the customer delivery of the 100th HondaJet. The HondaJet is certified by nine countries including Japan, and sold currently in North America, Europe, South America, the Middle East and Asia including China, India and Japan.

Honda has also developed an aircraft turboprop engine in collaboration with General Electric (GE). Honda Aero, Inc. was established to produce the GE Honda HF120, while GE Honda Aero Engines LLC was established as a 50-50 joint venture with GE to sell the engine. The HF120 is a lightweight, compact, high-efficiency and high-performance turboprop engine with high thrust. Armed with these superior characteristics, sales of the HF120 engine will be expanded to include other aircraft manufacturers by leveraging the success of the HondaJet.

\*Organized within Honda Aircraft Company, APMG mainly implements Honda Aircraft Company's latest performance upgrades and software updates on their aircraft.



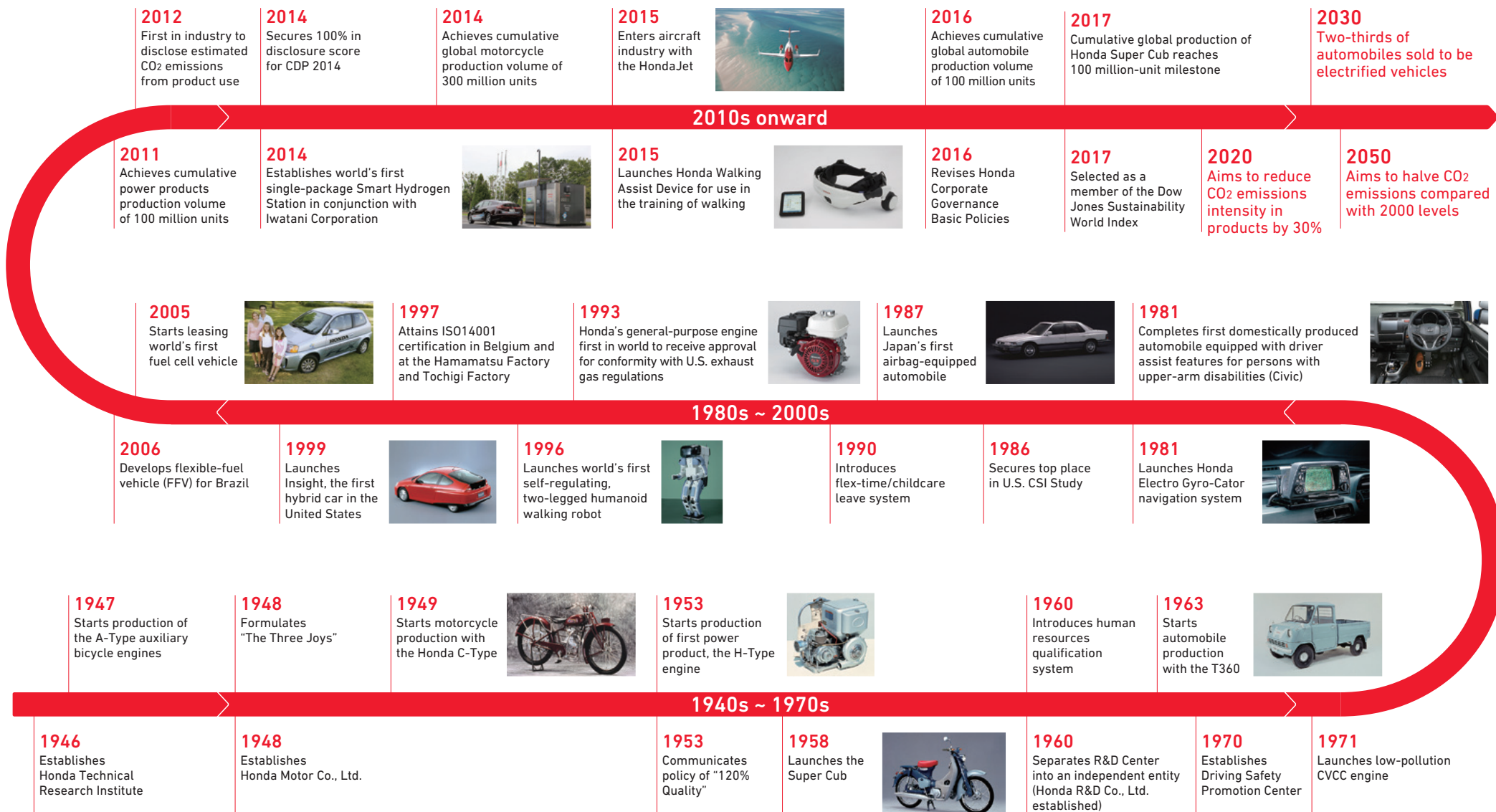
From left: HondaJet Elite, HondaJet and HondaJet APMG



HF120 turboprop engine

## Overview of Honda

## Value Creation History

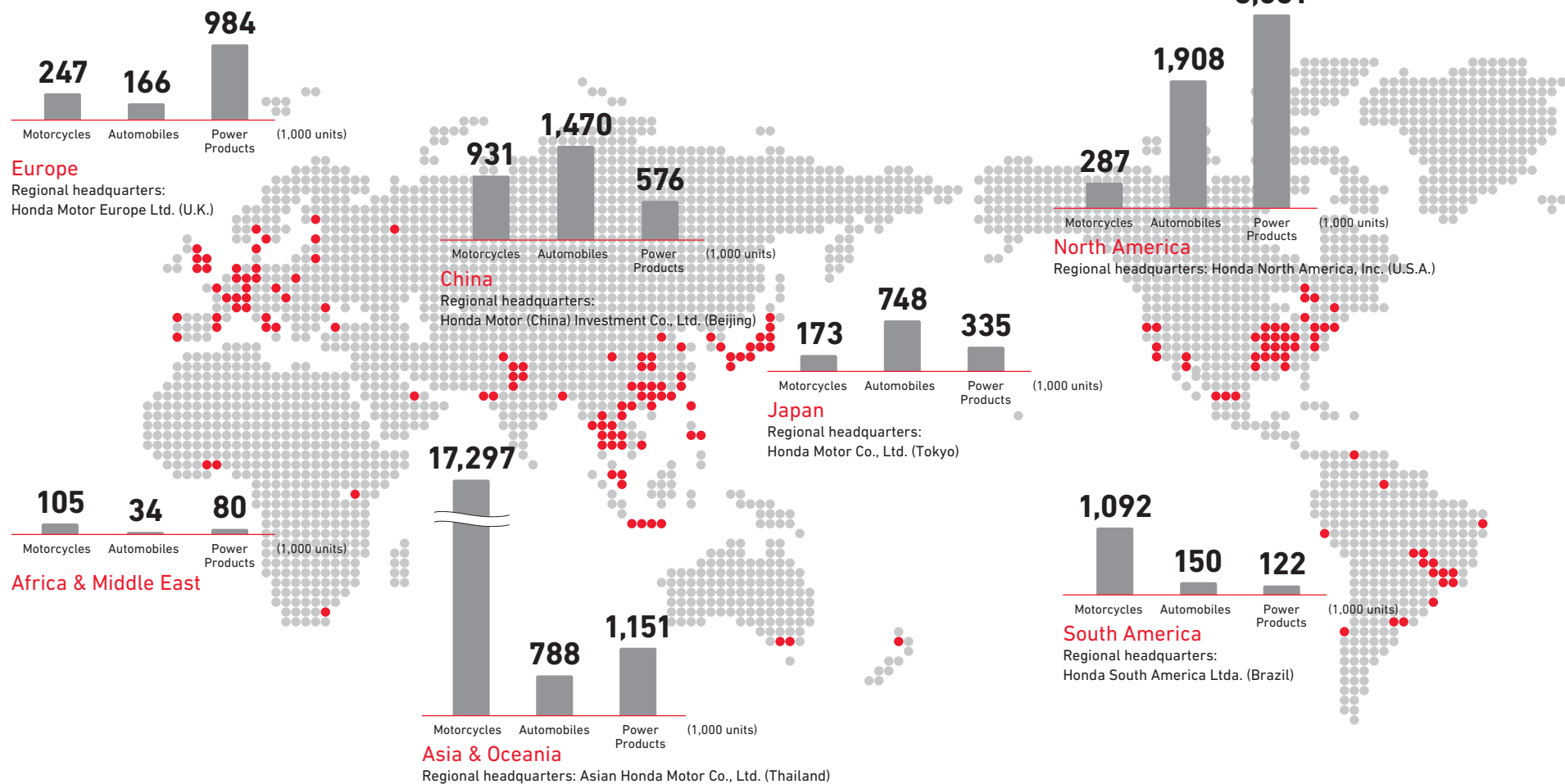




## Overview of Honda

## Unit Sales and Principal Operation Bases

Joy of mobility to **32,000,000** people  
transcending national borders



Company name: Honda Motor Co., Ltd.

Established: September 1948

President and Representative Director, CEO: Takahiro Hachigo

Capital: 86,067 million yen (as of March 31, 2019)

•The graphs show unit sales (retail) of motorcycles, automobiles and power products (in units of 1,000) for FY2019.

(April 2018 to March 2019)

The symbol ● represents the approximate locations of Honda Group companies.

## Overview of Honda

### Matrix Management System

## Organizational Operating System

Honda employs a matrix management system. In this matrix, the vertical axis represents organizations for each region, while the horizontal axis stands for each business.

On the vertical axis are organizations in Japan and six overseas regions (North America, South America, Europe, Asia & Oceania, China and Africa/Middle East). Based on Honda's Fundamental Beliefs, these organizations engage in business grounded in each region from a long-term perspective.

On the horizontal axis are the business domains of the Automobile Business and Motorcycle Business, as well as the Life Creation Business, which includes power products. Each organization develops medium-to-long-term plans for their respective products and coordinates efforts with regions to optimize and facilitate global business operations.

Also on the horizontal axis are the Company's Functional Operations — Brand and Communication, Business Management, Human Resources and Corporate Governance, IT, Production, Purchasing and Customer First. Each of these functional operations support and coordinate efforts to increase the effectiveness and efficiency of the Honda Group as a whole.

In addition, R&D activities are conducted mainly by independent subsidiaries. These activities are carried out with Honda R&D Co., Ltd. and its subsidiaries for products and Honda Engineering Co., Ltd. and its subsidiaries for production technologies in order to create distinctive and internationally competitive products through the application of advanced technology.

|                                          |                                                                                                     | Regions |               |               |        |                |       |                    |
|------------------------------------------|-----------------------------------------------------------------------------------------------------|---------|---------------|---------------|--------|----------------|-------|--------------------|
|                                          |                                                                                                     | Japan   | North America | South America | Europe | Asia & Oceania | China | Africa/Middle East |
| Businesses                               | Motorcycles      |         |               |               |        |                |       |                    |
|                                          | Automobiles      |         |               |               |        |                |       |                    |
|                                          | Life Creation  |         |               |               |        |                |       |                    |
| Functions                                |                                                                                                     |         |               |               |        |                |       |                    |
| Brand and Communication                  |                                                                                                     |         |               |               |        |                |       |                    |
| Business Management                      |                                                                                                     |         |               |               |        |                |       |                    |
| Human Resources and Corporate Governance |                                                                                                     |         |               |               |        |                |       |                    |
| IT                                       |                                                                                                     |         |               |               |        |                |       |                    |
| Production                               |                                                                                                     |         |               |               |        |                |       |                    |
| Purchasing                               |                                                                                                     |         |               |               |        |                |       |                    |
| Customer First                           |                                                                                                     |         |               |               |        |                |       |                    |

## Overview of Honda

### Matrix Management System

## Changes in Operating System in Business Domain and R&D Domain

In light of the rapid changes in the business environment, Honda decided to make some organizational changes in its motorcycle, automobile and power products businesses as well as R&D in April 2019.

### Motorcycle Business

In 2010, Honda started an initiative to strengthen collaboration among different divisions in the areas of sales, engineering, development and buying in the Motorcycle Business. Since 2014, engineering, development and buying divisions have been sharing one workplace at the Kumamoto Factory and developing products in collaboration.

At the same time, in consideration of the market environment, competition with manufacturers from China and India, in addition to competition against Japanese, European and U.S. competitors, is further intensifying. Moreover, the business environment is changing ever more dramatically, such as compliance with stricter environmental regulations in each region and undertaking initiatives to expand into new markets. In light of such circumstances, Honda needs to further increase the unity of its Motorcycle Business as a whole and increase the speed of operations to enhance the competitive strength of the business.

To this end, in order to advance its existing product development system and enable more coordination and collaboration among sales, engineering, development and buying divisions beyond their boundaries, Honda has consolidated its Motorcycle Operations and Motorcycle R&D Center into one organization. Under this new organizational structure, Honda will fully integrate the entire process involving new models — from the planning and conceptual phase through to development, initial production and mass production. The Company also aims to secure global competitiveness by increasing not only product appeal but also cost competitiveness, quality and the speed of development.

### Automobile Business

The automobile industry is currently at a major turning point. For Honda to survive, it must continue offering products that fulfill the needs of customers and more promptly than ever before. At the same time, Honda must continue creating new value for future generations. To this end, Honda strengthened the structure of its Automobile Business.

First, in order to respond more speedily and flexibly to changes in the business environment, the Executive Vice President will serve as the Chief Officer of Automobile Operations, governing the entire automobile operations, thus enabling decisions to be made more promptly.

Furthermore, in order to deepen collaboration with Automobile Operations, Honda R&D newly established the Automobile Center, which will specialize in the development of automobile products.

### Power Products Business

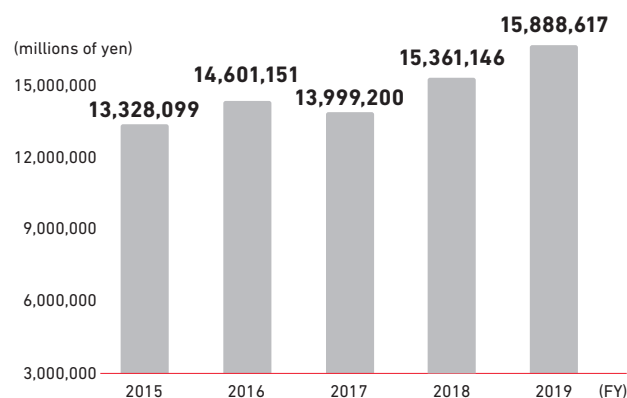
Honda is close to commercializing the new energy business it has been working on for the past few years. To accelerate this initiative, Honda will add energy business to the area of responsibility of Power Products Operations.

With the addition of new businesses for the future, including Energy Business, to existing Power Products Business, Honda's business operation in this area has evolved into the function to provide new value for mobility and daily lives. As such, Honda has expanded this business domain and renamed it the Life Creation Business.

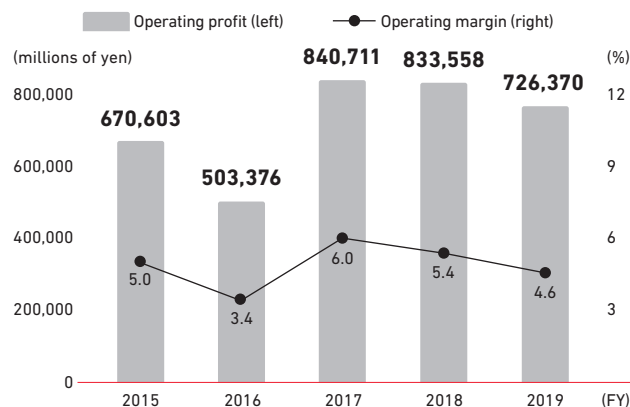
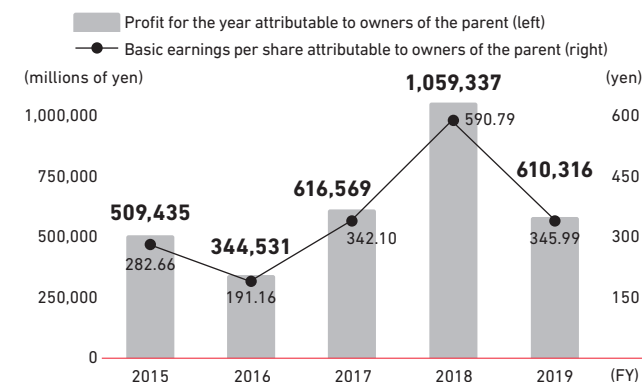
## Overview of Honda

## Financial Highlights

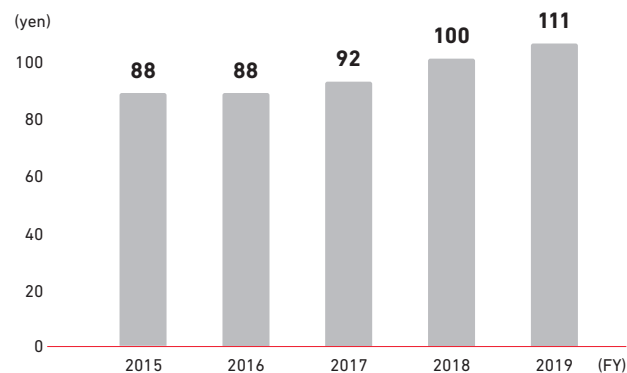
## Sales revenue



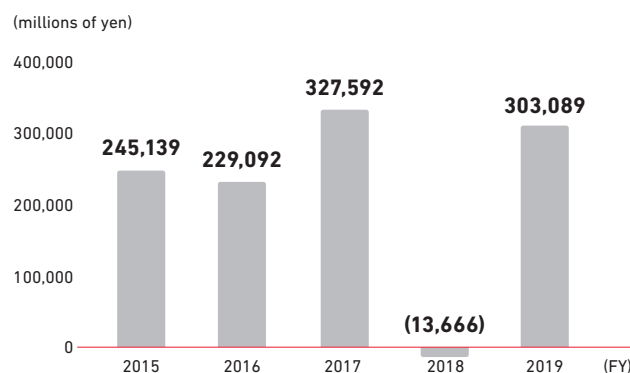
## Operating profit/Operating margin

Profit for the year attributable to owners of the parent/  
Basic earnings per share attributable to owners of the parent

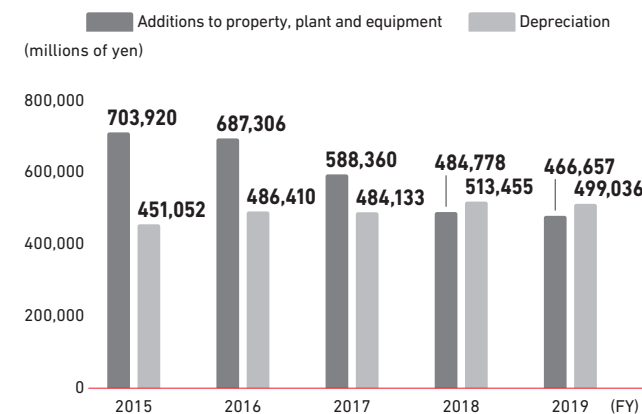
## Dividend per share



## Income tax expense



## Additions to property, plant and equipment/Depreciation



# 5 Strategy



## Material Issues

- Advancing powertrain electrification
- Eliminating the mobility divide
- Improving the quality of the mobility experience
- Applying automation and information technologies to everyday life
- Strengthening brand management
- Utilizing management resources efficiently
- Contributing to the economic development of developing countries



5 Strategy

— Honda's Sustainability ..... 14

|                                           |    |
|-------------------------------------------|----|
| Roadmap for Sustainable Growth .....      | 15 |
| 2030 Vision .....                         | 16 |
| Materiality Analysis .....                | 17 |
| Sustainability Management Structure ..... | 18 |
| Stakeholder Engagement ....               | 19 |
| Research and Development ...              | 22 |
| Innovation Management .....               | 23 |

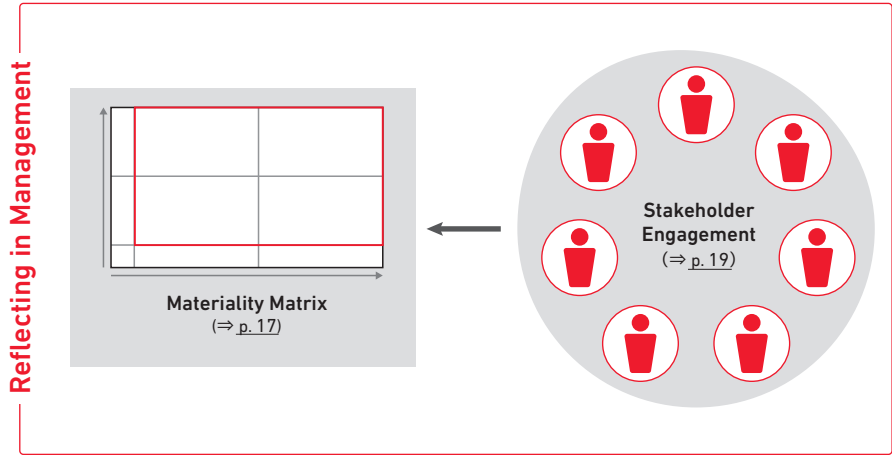
Honda's Sustainability

The Honda Philosophy forms the values shared by all Honda Group companies and all of their associates and is the basis for Honda's corporate activities and the associates' behavior and decision-making.

In order to achieve both the creation of growth opportunities for the Company and a sustainable society, Honda has set striving to be "a company that society wants to exist" as its direction for the 21st century. It is also advancing initiatives known as "Creating the Joys," "Expanding the Joys" and "Ensuring the Joys for the Next Generation."



The “2030 Vision” is one milestone indicating in concrete terms the direction Honda ought to take toward realizing these objectives. For Honda's sustainability, it is important to meet stakeholders' expectations and needs by providing value through its products and services. Equally important is to fulfill its corporate social responsibility such as by considering the impact on the environment and society and to contribute to the resolution of social issues through its business activities. To this end, Honda is devising medium- and long-term strategies that consider the roles it should fulfill and contributions it should make. Further, these are matched to the characteristics of each region around the world, using the materiality matrix, which assesses issues based on both stakeholder and Honda's corporate perspectives, as its guide.



5 Strategy

Honda's Sustainability ..... 14

— Roadmap for Sustainable Growth ..... 15

2030 Vision ..... 16

Materiality Analysis ..... 17

Sustainability Management Structure ..... 18

Stakeholder Engagement .... 19

Research and Development ... 22

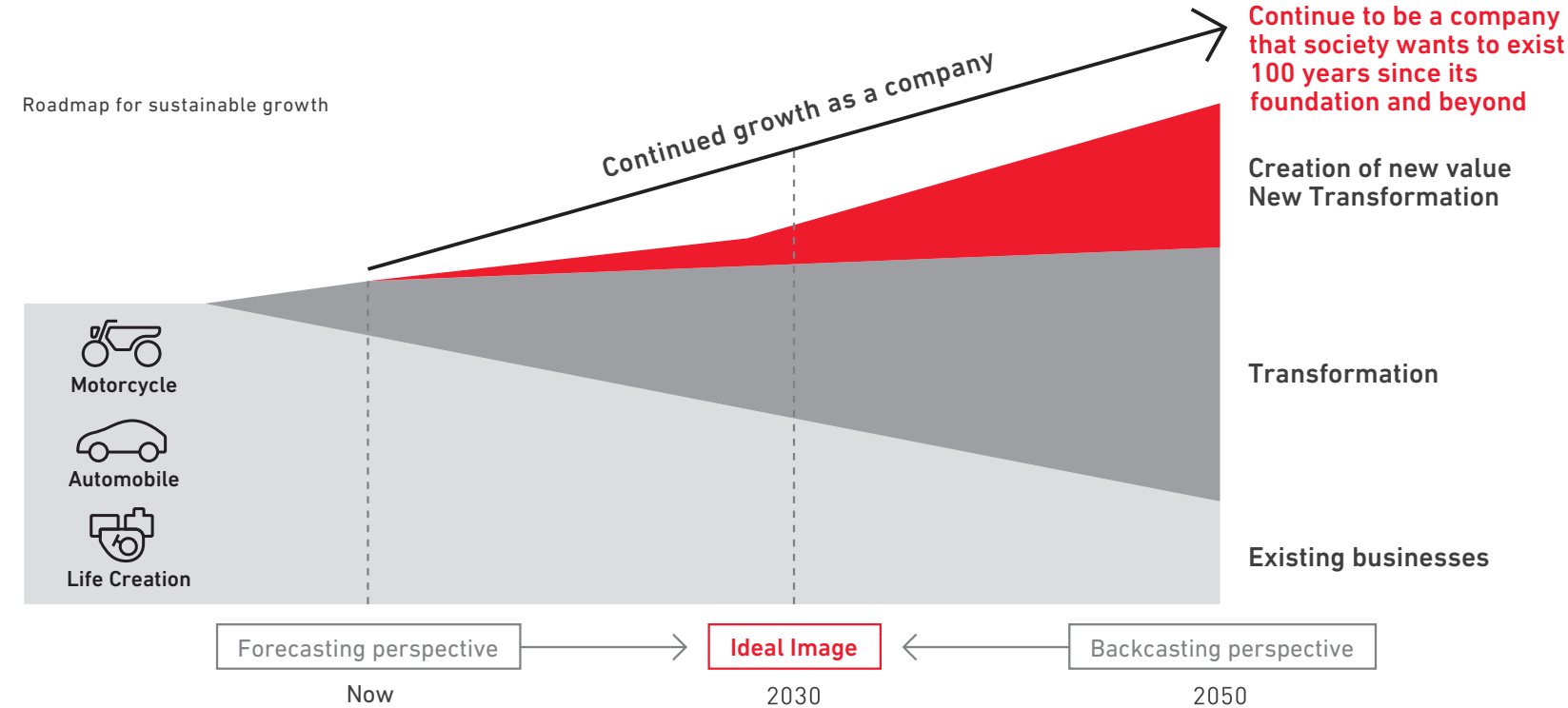
Innovation Management ..... 23

Roadmap for Sustainable Growth

Honda is facing numerous social issues that have been much discussed, including poverty and refugee problems, human rights issues, climate change, energy problems, improving occupational health and safety, and the aging of society. Within this context, for Honda, which undertakes a diverse range of businesses globally, understanding its opportunities and responsibilities in the value chain will also be essential for identifying priority issues in management. In addition, in order to swiftly respond to and overcome rapid changes in the business environment, it is necessary to set forth Honda's future direction in the form of a vision.

The "2030 Vision" embodies an ideal image of what Honda wants to be in the year 2030 in order to continue being "a company that society wants to exist" in 2050, when the Company will have marked more than 100 years since its founding.

In formulating the Vision, Honda examined long-term environmental changes from two perspectives: forecasting, or looking ahead to the future from the present point in time, and backcasting, or looking back from 2050 to the present. As the Company continues operating existing businesses, how is it going to transform and evolve the value of existing businesses in accordance with the significantly changing expectations of society and the needs of Honda customers? Moreover, how is Honda going to create unprecedented new value in motorcycle, automobile and life creation businesses, as well as new areas beyond the framework of its existing businesses? In order to formulate a vision that will enable the realization of sustainable growth over the long term, Honda has examined the direction of the transformation of its businesses toward 2030 from the three perspectives of "Current, Transformation and New."



5 Strategy

Honda's Sustainability .....

Roadmap for Sustainable Growth .....

— 2030 Vision .....

Materiality Analysis .....

Sustainability Management Structure .....

Stakeholder Engagement ....

Research and Development ...

Innovation Management .....

2030 Vision

The 2030 Vision formulated by Honda is expressed in the statement, “Serve people worldwide with the ‘joy of expanding their life’s potential’—Lead the advancement of mobility and enable people everywhere in the world to improve their daily lives—.” To embody this Vision, the Company set the direction of its concrete initiatives as action guidelines for the 21st century from three perspectives: “Creating the Joys,” “Expanding the Joys” and “Ensuring the Joys for the Next Generation.”

From the first perspective of “Creating the Joys,” Honda will work on “creating value for ‘mobility’ and ‘daily lives.’” The Company will focus on three areas, namely mobility, robotics and energy, in order to provide people with the “joy and freedom of mobility” and “joy of making their lives better.”

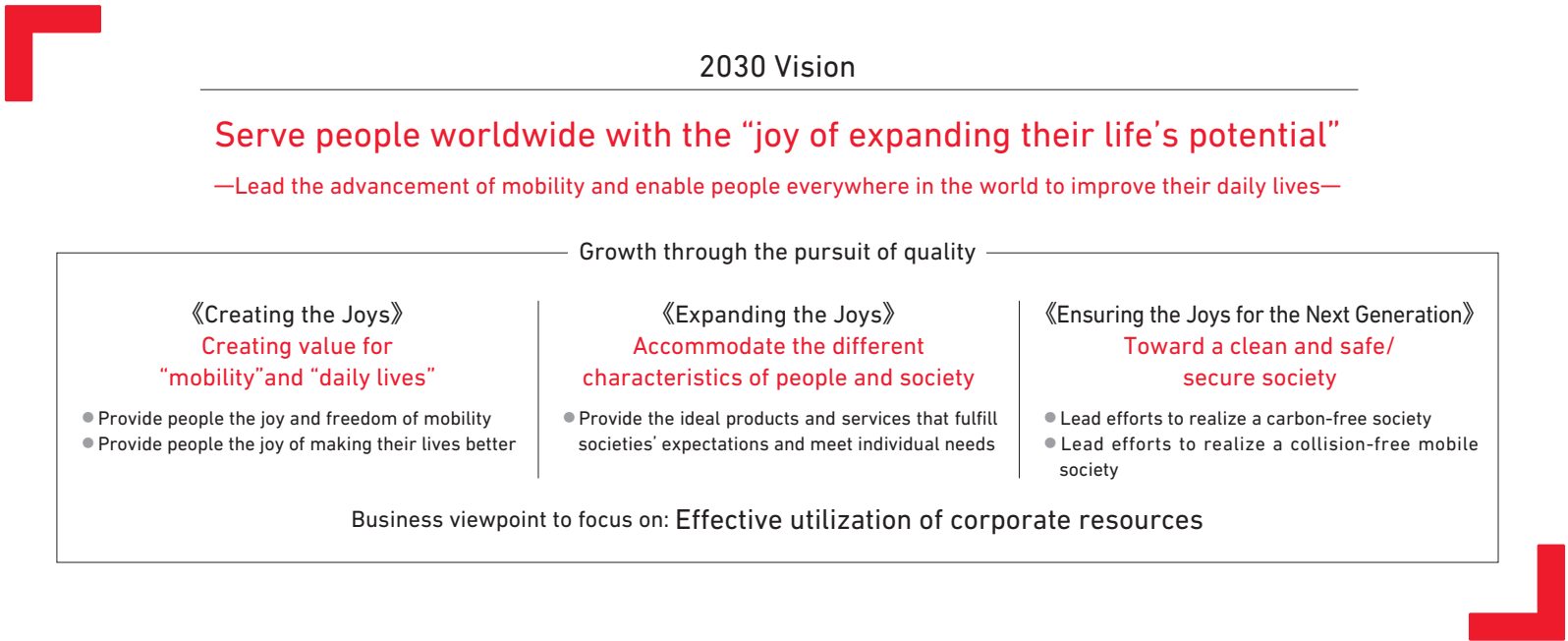
From the second perspective of “Expanding the Joys,” Honda will undertake efforts to “accommodate the different characteristics of people and society.” In this area, the Company will strive to further expand the joy of people by offering products and services that are optimized for all people reflecting different cultures and values and

diverse societies, irrespective of whether they are in developed or developing nations.

From the third perspective of “Ensuring the Joys for the Next Generation,” the Company will make progress “toward a clean and safe/secure society.” Striving to become No.1 in the areas of the environment and safety, Honda will invest more resources in these areas and will strive to become a company that leads efforts to realize a carbon-free and collision-free mobile society.

In this Vision, Honda has returned to its universal passion and made a major shift in its direction from quantity to quality. To this end, the Company has set its corporate attitude to realize “growth through the pursuit of quality.” The Company will aim to expand the circle of joy and let the Honda brand shine even brighter through the steadfast pursuit of the “quality of value Honda provides” and “quality of its initiatives.”

To realize this Vision, the Company will make effective utilization of limited corporate resources to transform and evolve existing businesses and create new value.



## 5 Strategy

Honda's Sustainability ..... 14

Roadmap for Sustainable Growth ..... 15

2030 Vision ..... 16

## — Materiality Analysis ..... 17

Sustainability Management Structure ..... 18

Stakeholder Engagement .... 19

Research and Development ... 22

Innovation Management ..... 23

## Materiality Analysis

## Evaluation of Issues from the Stakeholders' Perspective

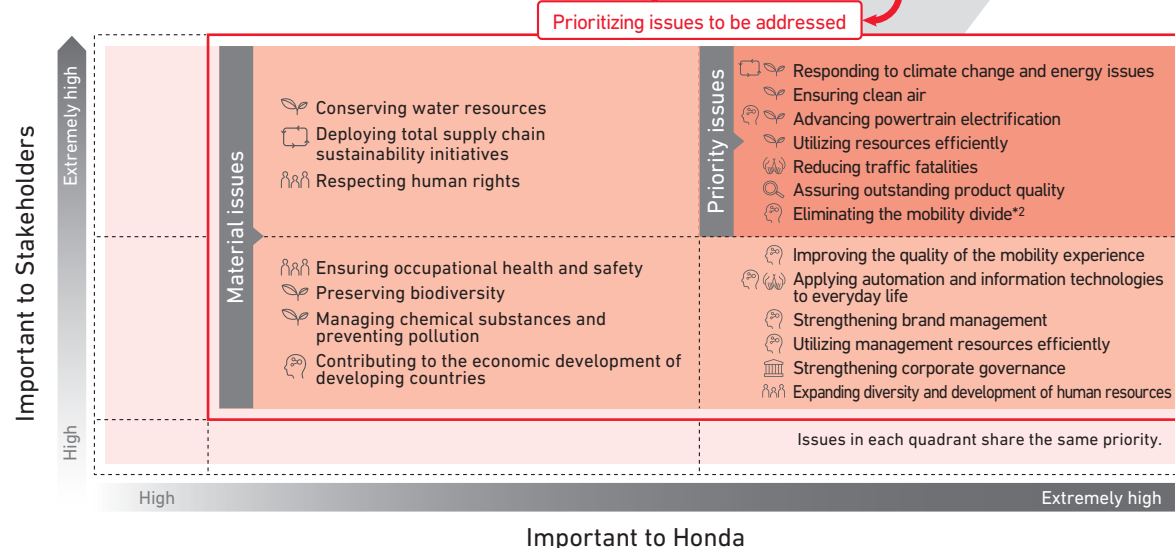
Toward achieving our long-term vision which is based on the Honda Philosophy, key issues to be addressed are identified and prioritized from our perspective and from the viewpoint of our stakeholders. The materiality matrix provides the essential framework for organizing these issues. By creating and employing this matrix, we confirmed the coverage of overall issues and clarified where each of them is positioned.

The materiality matrix was prepared in two stages; identifying issues and then categorizing them according to their materiality. Issues were identified through dialogue among members of respective operating divisions within the Company. The process also took into account various viewpoints including global and value chain perspectives, the status of technological innovation, Sustainable Development Goals (SDGs)\*1 and social issues pursuant to the

Paris Agreement. We evaluated the materiality of these issues in light of the views of stakeholders through dialogue with leading environmental, social and corporate governance (ESG) rating agencies and NGOs in Europe and the United States that focus on sustainability issues. The contents were also evaluated and assessed by management at the Company's Sustainability Strategy Committee meetings and other occasions.

This resulted in the successful visualization of critical issues on a priority basis as a mobility company, including the realization of a carbon-free and collision-free mobile society. We believe our efforts should contribute to the achievement of certain SDGs, notably Goal 13 "Take urgent action to combat climate change and its impacts"; Goal 7 "Ensure access to affordable, reliable, sustainable and modern energy for all"; and Goal 3 "Ensure healthy lives and promote well-being for all at all ages." Critical issues specified based on the views of stakeholders are being reflected in company-wide strategy and incorporated into respective business activities to achieve the Company's vision.

Materiality matrix



\*1 SDGs are international objectives related to such areas as poverty, hunger, energy, climate change and a peaceful society adopted at the United Nations Sustainable Development Summit in 2015.

\*2 Disparity in quality of life between those who do and do not have access to mobility

|                           |
|---------------------------|
| Strategy (⇒ p. 13)        |
| Governance (⇒ p. 24)      |
| Environment (⇒ p. 41)     |
| Safety (⇒ p. 67)          |
| Quality (⇒ p. 79)         |
| Human Resources (⇒ p. 96) |
| Supply Chain (⇒ p. 118)   |

Initiatives toward each critical issue are explained in each part.

5 Strategy

Honda's Sustainability .....

Roadmap for Sustainable Growth .....

2030 Vision .....

Materiality Analysis .....

— Sustainability Management Structure .....

Stakeholder Engagement ....

Research and Development ...

Innovation Management .....

Sustainability Management Structure

Structure for Deliberating Sustainability Initiatives

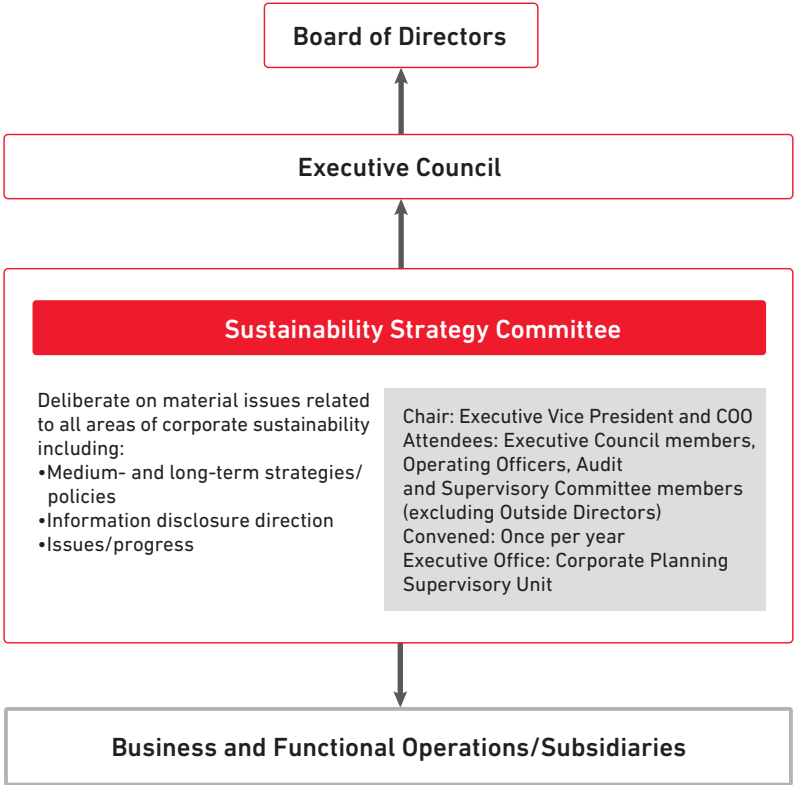
Honda organized the Sustainability Strategy Committee, chaired by the Executive Vice President and COO, as a platform to discuss and assess policy and initiatives related to sustainability activities.

Through this Committee, we identify the challenges in realizing the long-term vision of the Company, referring to the expectations and demands of key stakeholders recognized through dialogue, and deliberate on material issues at the management level, including verifying progress of response and implementation.

From FY2018, it has been decided that sustainability issues are discussed in one committee in a more integrated manner, including environmental and safety-related domains that were discussed in a different committee until the previous fiscal year.

Taking into consideration the key challenges examined here, Honda determines corporate strategies through the Executive Council and Board of Directors. Then the Company breaks them down into policies and measures for business and functional operations and subsidiaries for actual execution.

Sustainability management structure from FY2018



## 5 Strategy

Honda's Sustainability ..... 14

Roadmap for Sustainable Growth ..... 15

2030 Vision ..... 16

Materiality Analysis ..... 17

Sustainability Management Structure ..... 18

## — Stakeholder Engagement ..... 19

Research and Development ... 22

Innovation Management ..... 23

## Stakeholder Engagement

## Basic Approach

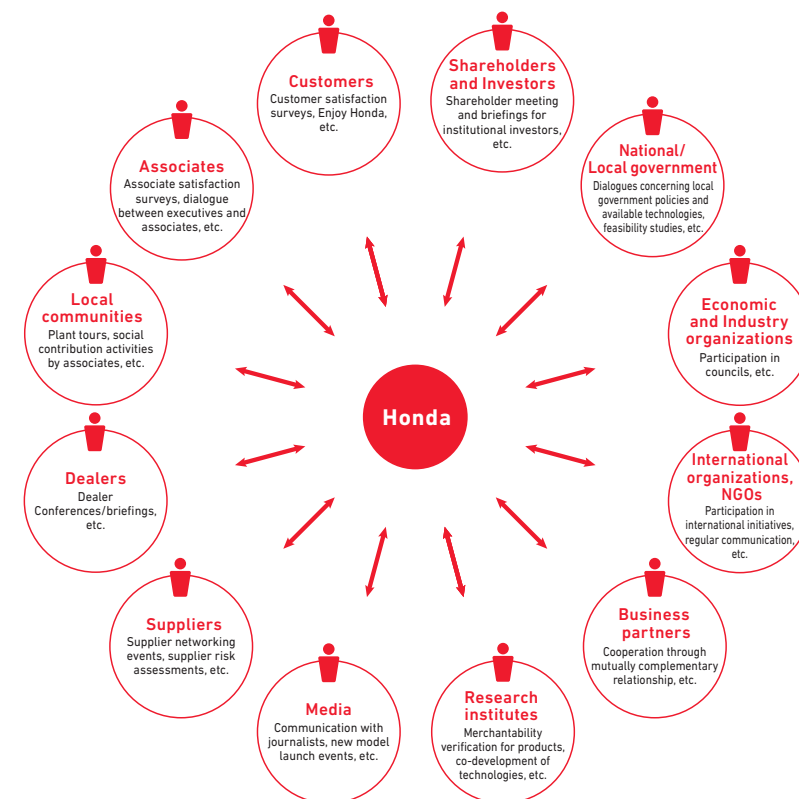
To be a “company that society wants to exist,” Honda must put into practice a communication cycle. This means appropriately and accurately conveying to society the value that it seeks to provide. It also means to engage in dialogue with diverse stakeholders to grasp and understand the demands and expectations placed on the Company, translate these into concrete measures and implement them, and finally listen to stakeholders’ evaluations of its activities.

Especially in recent years, the growing scale and globalization of companies, along with the rapid proliferation of IT, have heightened the impact of companies on society, and vice-versa. As this process continues to accelerate, Honda considers that stakeholder dialogue is a beneficial tool that leads to a proper understanding of stakeholders regarding the Company’s initiatives while also giving the Company an understanding of changes and risks in the social environment.

Based on this understanding, Honda engages in dialogues globally through various opportunities. These dialogues are conducted between key stakeholders (that are either impacted by Honda’s business activities or whose activities impact Honda’s business activities) as shown in the diagram indicated at the right and respective divisions within Honda. As an example, engagement with shareholders and investors consists of dialogue aimed at ensuring that Honda is understood accurately through shareholder relations and investor relations activities.

In addition, opinions gained from leading ESG rating agencies and NGOs are reflected in the Materiality Analysis (⇒ p. 17), which is utilized in identifying issues Honda ought to be addressing.

Stakeholder engagement





5 Strategy

Honda's Sustainability ..... 14

Roadmap for Sustainable Growth ..... 15

2030 Vision ..... 16

Materiality Analysis ..... 17

Sustainability Management Structure ..... 18

— Stakeholder Engagement ..... 19

Research and Development ... 22

Innovation Management ..... 23

Stakeholder Engagement

## Cooperation with External Organizations

To carry out our responsibility as a global mobility company, Honda engages in dialogues with government, economic and industry organizations and also cooperates with external bodies. In Japan, Honda personnel serve as vice chairman, committee head and committee member within the Japan Automobile Manufacturers Association, president of the Society of Automotive Engineers of Japan, as well as vice president of the Tokyo Chamber of Commerce and Industry.

In addition, Honda personnel serve as technical committee chairs and other representatives in the international motorcycle and automobile industry bodies such as The International Motorcycle Manufacturers Association (IMMA) and Organisation Internationale des Constructeurs d'Automobiles (OICA). Furthermore, Honda cooperates with initiatives related to sustainability through membership in the World Economic Forum (WEF) and the World Business Council for Sustainable Development (WBCSD).

At Honda, we delegate authority to regional operations within a certain scope when executing business in respective regions in order to enhance local autonomy and enable speedy decision-making. Political contributions are made following required internal procedures based on the laws and regulations of respective countries.

## 5 Strategy

Honda's Sustainability ..... 14

Roadmap for Sustainable Growth ..... 15

2030 Vision ..... 16

Materiality Analysis ..... 17

Sustainability Management Structure ..... 18

## — Stakeholder Engagement ..... 19

Research and Development ... 22

Innovation Management ..... 23

## Stakeholder Engagement

## External Evaluations

## Honda Selected to the Dow Jones Sustainability World Index

In September 2018, Honda was selected for the second consecutive year as a component of the Dow Jones Sustainability World Index after being ranked within the top five in the global Automobiles sector in the annual review of the Dow Jones Sustainability Indices (DJSI), one of the key benchmarks for socially responsible investing. At the same time, the Company was selected for the fourth consecutive year as a component of the Dow Jones Sustainability Asia/Pacific Index.

The DJSI are investment indices run and offered cooperatively by U.S.-based S&P Dow Jones Indices and Switzerland-based RobecoSAM. The sustainability of the world's leading companies are evaluated from three perspectives in terms of economic, environmental and social criteria and select companies that demonstrate overall excellence for inclusion in the indices.

MEMBER OF

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM

**Selected for the Fourth Straight Year with a Bronze Class Rating in the RobecoSAM Sustainability Index**

Honda was selected for the fourth year running with a Bronze Class rating in the Automobiles sector of the Sustainability Award 2019 issued by Switzerland-based RobecoSAM. RobecoSAM evaluates sustainability of approximately 2,500 companies worldwide in terms of economic, environmental and social criteria. Companies deemed to be particularly outstanding in each sector are rated in categories of Gold Class, Silver Class and Bronze Class each year.


**Securing an A-Rating on the CDP Japan 500 Climate Change Report 2018**

In January 2019, CDP released the results of a survey on climate change initiatives and reduction of GHG emissions for 5,000 major companies worldwide.

Honda received an A- rating, a score at the leadership level in the CDP Japan 500 Climate Change Report 2018, one of those categories.

CDP is an international NPO that provides a global system for measuring, disclosing, managing and sharing important environmental information from companies and cities. The level of company initiatives in environmental challenges are evaluated in the four stages of information disclosure, awareness, management and leadership.

Please refer to the Environment section of the Performance Report (⇒ p. 41) for the items required by the FSB Task Force on Climate-related Financial Disclosures (TCFD), one of the CDP evaluation indices.

5 Strategy

|                                           |    |
|-------------------------------------------|----|
| Honda's Sustainability .....              | 14 |
| Roadmap for Sustainable Growth .....      | 15 |
| 2030 Vision .....                         | 16 |
| Materiality Analysis .....                | 17 |
| Sustainability Management Structure ..... | 18 |
| Stakeholder Engagement ....               | 19 |
| — Research and Development ...            | 22 |
| Innovation Management .....               | 23 |

Research and Development

In 1960, Honda spun off the research and development division from Honda Motor Co., Ltd. as an independent entity with the founding of Honda R&D Co., Ltd. As expressed by words of Honda's founder Soichiro Honda, "What I am researching is not technology, but rather what people like," Honda's research is not just technologies but also people's values. By doing so, the Company has taken on challenges on the creation of new value through the cultivation of unexplored domains.

The operating environments are very different for each of Honda's motorcycle, automobile, life creation, aircraft and other businesses. In addition, the digital revolution and other factors have brought about major changes in social structure that are not limited to a business domain. Against this backdrop, it is necessary to strengthen the creation of new value for the future and the timely development of highly competitive products in order to serve people worldwide with the "joy of expanding their life's potential" as stated in Honda's 2030 Vision Statement.

To this end, Honda reorganized Honda R&D in April 2019 with the establishment of the Innovative Research Excellence center as a facility dedicated to innovative mobility technologies for the future and the creation of advanced technologies. At the same time, Honda R&D has been reorganized by business, namely automobile, life creation and aero, to pursue the most efficient product development that takes into account the characteristics of the operating environment surrounding each business.

In the Motorcycle Business, the competition is expected to intensify further with the emergence of Chinese and Indian manufacturers in addition to Japanese, European and U.S. competitors. With the dual aim of continuously developing highly competitive products and further increasing the speed of operations, the motorcycle R&D function has been consolidated into Honda Motor Co., Ltd. Efforts are being made to push more coordination and collaboration among sales, engineering, buying and development divisions.

Honda also established the Digital Solution Center, which will be responsible for creating new value through the development of various services using digital technology in such areas as mobility, connected cars and energy management, and for innovating internal operational processes. The Center will work to strengthen the ability to create solutions, which includes not only innovating production creation "*Mono-zukuri*" in diverse fields, a strength of Honda, but also driving value creation, or "*Koto-zukuri*".

Since its establishment, Honda R&D has operated while continuing to transform based on the unchanging concept of creating technologies that help people. The aforementioned operational changes toward the realization of the 2030 Vision will serve to heighten the ability to create new value and technologies and develop new products. In response to the great waves of change in the times, Honda is collaborating with external technological and business partners. Concurrently, it is making an effort to deliver joyful and fulfilling mobility and daily life as well as a clean and safe/secure society through value-added products and services for people.

5 Strategy

Honda's Sustainability .....

Roadmap for Sustainable Growth .....

2030 Vision .....

Materiality Analysis .....

Sustainability Management Structure .....

Stakeholder Engagement ....

Research and Development ...

Innovation Management .....

14

15

16

17

18

19

22

23

Innovation Management

Honda R&D Co., Ltd., a research and development subsidiary of Honda, established Honda Research Institute (HRI) in 2003. The purpose of the institute is to evolve cutting-edge intelligence research, which explores the fields of brain research and visual/aural recognition in addition to traditional mechanical engineering. With bases in Frankfurt in Germany, Silicon Valley and Columbus in the United States and Wako City in Saitama Prefecture, Japan, HRI has been working on various research projects while establishing a global network of researchers in the areas of advanced sciences.

Honda R&D Innovations, Inc., a subsidiary of Honda R&D in Silicon Valley, has been promoting Honda Xcelerator, a program to create transformative products and services through open innovation, since 2015 primarily in Silicon Valley but also in Israel, Europe, China, Japan and other areas. Honda Xcelerator helps startups with innovative ideas through funding, access to a collaborative workspace, test vehicles and support from Honda mentors. Focus areas of development for the program include personal mobility, autonomous vehicles, artificial intelligence, smart materials, robotics, energy, human machine interface and production technology. Honda aims to revolutionize mobility and energy management through co-creation.

Through Honda Xcelerator, Honda R&D will build strategic win-win relationships with startups around the world. The company also aims to strengthen the research and development of products and services for the future using new technologies and business models.

In addition, Honda established Honda R&D Innovation Lab Tokyo in February 2017 in Akasaka, Tokyo. This new facility is meant to serve as a venue for co-creation in collaboration with external experts and other research institutes in order to accelerate the research and development of intelligence technologies in Japan.

In April 2017, Honda created R&D Center X, a new research and development operation with responsibility for new value areas that include robotics technology, mobility systems and energy management. R&D Center X has been pursuing strategic ties with outside entities through open innovation to realize a robotics society that will further highlight the inherent greatness of human beings.

# 6 Governance



# governance

## Material Issues

— Strengthening corporate governance

## 6 Governance

## — Corporate Governance ..... 25

Compliance ..... 33

Risk Management ..... 36

Governance Data ..... 39

## Corporate Governance

## Basic Approach

Honda strives to enhance corporate governance as one of the most important tasks for its management, based on the Company's basic principle, in order to strengthen the trust of its shareholders/investors, customers and society; encourage timely, decisive and risk-considered decision-making; seek sustainable growth and the enhancement of corporate value over the mid- to long-term; and become "a company that society wants to exist."

Honda has adopted a company with an Audit and Supervisory Committee system with the aim of reinforcing the supervisory function of the Board of Directors and ensuring prompt decision-making. Under the system, the Company operates "the Audit and Supervisory Committee", which consists of Directors, to delegate the authority to Directors from the Board of Directors and accelerate the separation of the supervisory function and business execution function.

Honda is making efforts to appropriately disclose corporate information

including the release and disclosure of quarterly financial results and management policies in a timely and accurate manner to bolster trust and appreciation from shareholders/investors and society. Going forward, Honda will continue to strive to ensure the transparency of its management.

Please refer to "Honda Corporate Governance Basic Policies" and Corporate Governance Report for Honda's basic policy, structure and composition of members related to corporate governance, policy on the appointment of Directors, an outline of self-assessment findings made by the Board of Directors and philosophy on remuneration for Executive Officers. (Please refer to the link below.)

## WEB

"Honda Corporate Governance Basic Policies"  
"Corporate Governance Report"

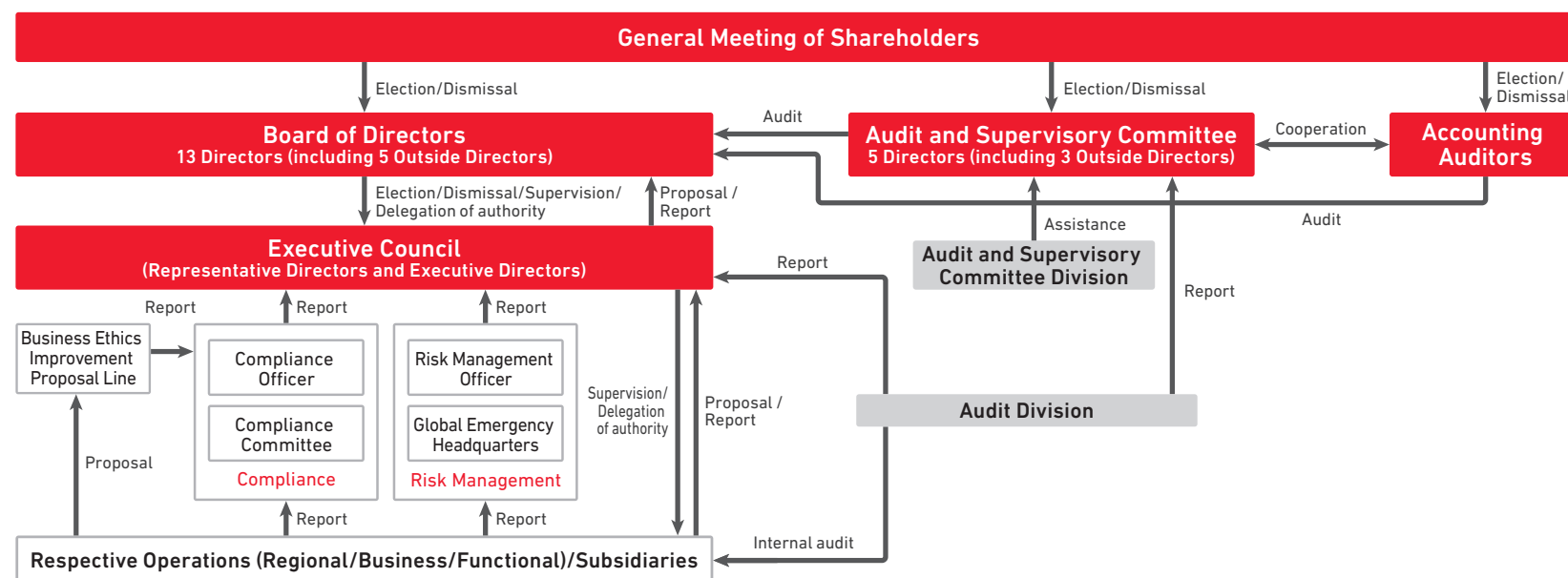
> <https://global.honda/investors/policy/governance.html>

## DATA

Overview of corporate governance

> p.39

Corporate governance structure (as of June 19, 2019)



6 Governance

— Corporate Governance ..... 25

Compliance ..... 33

Risk Management ..... 36

Governance Data ..... 39

Corporate Governance

Corporate Governance

Executive Decision-Making Process

Honda has adopted a company with Audit and Supervisory Committee system in order to further delegate the decision-making authority of executing important business matters from the Board of Directors to the Directors in accordance with the provisions of the Company's Articles of Incorporation and resolutions approved by the Board. The system enables quick decision-making and prompt business execution while advancing to separate management supervision and business execution so that the Board's function is further concentrated to the overseeing of business execution.

The board has established criteria for deliberation and delegated some of its authority to the Executive Council, which in turn delegates some of its authority to the Regional Operating Boards.

The Executive Council conducts preliminary deliberation on items such as that will be decided by the Board of Directors, and, within the limits of authority delegated to it by the Board of Directors, deliberates on important management matters. Regional Operating Boards deliberate on important management matters within their respective regions, within the limits of authority delegated to them by the Executive Council.

Board of Directors

The Board of Directors is comprised of eight inside directors and five outside directors.

In order to respond to the mandate of the shareholders to achieve sustainable growth and enhance the corporate value of the Company over the medium to long term, the duties of the Board of Directors include making decisions concerning key Company matters such as its basic management policies and monitoring of operations by Directors. In addition, the Board of Directors discusses and makes decisions concerning matters specified in the regulations of the Board of Directors, as well as matters set forth in the articles of incorporation and applicable laws. All other matters are delegated to the Representative Directors or the Executive Directors.

In order to fulfill the above roles, the Company focuses on considering the

balance in the diverse knowledge and experience of the Board of Directors as a whole. Accordingly, the Company appoints as its Directors persons of superior character and insight who have high expertise and abundant experience. Gender, nationality and other attributes are of no consequence.

Evaluation of Effectiveness of the Board of Directors

For each fiscal year, the Company's Board of Directors carries out an evaluation of the Board as a whole for the purpose of checking the current state of its operational capabilities, subsequently, to enhance effectiveness.

As same as the previous fiscal year, a self-evaluation was conducted by the Company for 2018. Based on the results of a questionnaire and interviews conducted with the Directors, the self-evaluation was deliberated and resolved at the Board of Directors.

The self-evaluation questionnaire was prepared under the supervision of outside attorneys. The interviews and the compilation of the results were carried out by outside attorneys as well.

The Board of Directors shared the view that "effectiveness of the Board is ensured appropriately," through considering measures which had been taken. Such matters include revision of the deliberation standard and enhancing provision of useful information to Outside Directors. Further, they also shared the understanding of the needs to have more through discussions over the entire management policy of the Company to further enhance monitoring capabilities of the Board of Directors.

The Company will further enhance monitoring capabilities of the Board of Directors to raise effectiveness, by taking measures such as engaging further discussions over the management policy and the business challenges as well as enhancing provision of sufficient information to Directors for the sake of such discussions.

DATA

Status of the meetings of the Board of Directors

> p.39



6 Governance

— Corporate Governance ..... 25

Compliance ..... 33

Risk Management ..... 36

Governance Data ..... 39

Corporate Governance

Outside Directors

Honda appoints Outside Directors who have abundant experience and deep insight, and who are capable of overseeing the entire business management of the Company from an objective, highly sophisticated and broader viewpoint based on the standpoint independent from the Company. In selecting Outside Directors, the Company seeks to identify persons who have a high degree of independence. The five Outside Directors currently in office satisfy Criteria for Independence of Outside Directors and their interests are not in conflict with those of the Company nor the shareholders. The five Outside Directors are specified as Independent Directors as prescribed in a provision of the Tokyo Stock Exchange (TSE); the names of those persons have been submitted to the TSE.

Please refer to “Honda Corporate Governance Basic Policies” for Honda’s Independence Criteria for Outside Directors. (Please refer to the link below.)

WEB

“Honda Corporate Governance Basic Policies”

> <https://global.honda/investors/policy/governance.html>

Support Systems for Outside Directors

Honda provides necessary support to Outside Directors through the Secretarial Division or the Audit and Supervisory Committee’s Division in a timely manner.

Materials on the Board of Directors’ agenda are distributed and explained in advance for the Outside Directors, and the information helpful for them to supervise the Company’s business is continuously provided, including when they assume their respective positions.

Business Execution Management (Organizational Management)

In order to facilitate quick and appropriate management decisions at the regional and working levels, Honda appoints Operating Officers who have been delegated the business execution authority from the Representative Director or the Executive Director to play the roles in their respective fields of Regional, Business and Functional Operations, R&D subsidiaries and other major organizational units.

6 Governance

— Corporate Governance ..... 25

Compliance ..... 33

Risk Management ..... 36

Governance Data ..... 39

Corporate Governance

Audit Organization

The Audit and Supervisory Committee comprises five members who are also Directors of the Company (including three Outside Directors). In order to respond to the entrustment of the shareholders, the Audit and Supervisory Committee shall conduct audits of the Directors and execute the duties of the committee prescribed by laws and regulations with the aim of ensuring sound and sustainable growth of the Company. Each Director serving as an Audit and Supervisory Committee Member audits the execution of duties by Directors in accordance with the auditing and supervisory criteria for the Audit and Supervisory Committee, auditing policies and division of duties, etc., as determined by the Audit and Supervisory Committee. The audit is carried out through attendance at important meetings, examination of status of management/company assets and other activities.

To provide timely and accurate reports to the Audit and Supervisory Committee, Standards for Audit and Supervisory Committee Reports are being established. Based on these standards, reports are made periodically to the Audit and Supervisory Committee on the status of the business operations of the Company and its subsidiaries, the status of implementation and operation of internal control systems, and other matters. Also, reporting is required whenever there is an item that has a major impact on the Company. Candidates of Directors for Audit and Supervisory Committee Members are selected by a resolution of the Board of Directors with the approval of the Audit and Supervisory Committee.

In addition to the above, the Audit Division, which was organized to directly report to the President and CEO, conducts internal audits of each department of the Company. It also provides supervision and guidance to internal audit departments in major subsidiaries, as well as directly auditing subsidiaries when necessary.

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| Status of meetings of the Audit and Supervisory Committee |
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> p.39

Status of Activities to Strengthen the Functions of the Audit and Supervisory Committee

The Company has formed the Audit and Supervisory Committee’s Division as a staff organization directly under the Audit and Supervisory Committee to provide support to the Committee.

In order to ensure the effectiveness of the audit, the Audit and Supervisory Committee appoints two full-time members for the Committee.

Mr. Masafumi Suzuki, a director who is also a member of the Audit and Supervisory Committee, has had sufficient operating experience in the finance and accounting departments of the Company and its subsidiaries, and Mr. Hideo Takaura, also a director and a member of the Audit and Supervisory Committee, has abundant experience and considerable knowledge as a certified public accountant. Both of them qualify as “persons with considerable knowledge related to finance and accounting,” as specified under Article 121-9 of Regulation for Enforcement of the Companies Act of Japan. In addition, the Company’s Audit and Supervisory Committee has recognized Messrs. Masafumi Suzuki and Hideo Takaura as “specialists in finance in the Audit and Supervisory Committee” as specified in the regulations of the U.S. Securities and Exchange Commission, based on Article 407 of the U.S. Public Company Accounting Reform and Investor Protection Act of 2002 (Sarbanes-Oxley Act of 2002). All five members of the Audit and Supervisory Committee remain independent as specified by the regulations of the U.S. Securities and Exchange Commission.

Training for Officers

When a new officer takes a position, Honda provides him/her with a training program including outside training that focuses on corporate governance as the central theme, and including code of conduct, prevention of bribery and prevention of anti-competitive behavior. The training program stresses the importance of receiving an explanation in the reports on operations written by associates on the impact in terms of not just financial performance but also environmental and social aspects.

From now on, Honda is planning to implement a more systematic training program including training for outside executives.

6 Governance

— Corporate Governance ..... 25

Compliance ..... 33

Risk Management ..... 36

Governance Data ..... 39

Corporate Governance

Tax Policy

The Honda Tax Policy prescribes the basic stance and thinking regarding taxes for Honda Motor Co., Ltd. and its consolidated subsidiaries. The policy aims to contribute to society as well as maintain and increase corporate value by complying with the tax laws and regulations of each country and region where Honda undertakes business activities and by making proper tax payments.

Tax systems of each country and region and international taxation rules are frequently changed. In this environment, to ensure the proper execution of its business in a stable manner Honda carries out accurate and high-quality tax affairs and responds to tax risks associated with its businesses in accordance with the Tax Policy.

For details, please refer to the Honda Tax Policy. (Please refer to the link below.)

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| Honda Tax Policy |
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> p.40

Remuneration of Directors

Remuneration of Directors (excluding those serving as Audit and Supervisory Committee Members) is paid from a maximum allocation for this purpose approved by the General Meeting of Shareholders, based on the remuneration criteria approved by the Board of Directors. Bonuses of the Directors (excluding Outside Directors and the Directors who are Audit and Supervisory Committee Members) are paid within the maximum limit approved by the General Meeting of Shareholders and decided by the Board of Directors, based on the Company’s performance during the applicable fiscal year, dividends paid to shareholders, criteria for associates’ bonuses and other considerations.

Additionally, Honda introduced a stock-based remuneration system for Directors who are residents of Japan (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members). The purposes of this system are to further enhance the motivation of Directors for contributing to the sustainable growth of corporate value over the medium to long term and to promote the sharing of interests between the Directors and shareholders. Under the system, the level of remuneration paid and the delivery of shares shall be within the maximum limit decided at the Ordinary

General Meeting of Shareholders and determined based on the progress of financial indicators such as the consolidated operating margin during three consecutive fiscal years as well as the progress of non-financial indicators such as brand value and environmental, social and governance (ESG) factors.

Please refer to Article 13 of the “Honda Corporate Governance Basic Policies” concerning the policy for determining remuneration for Directors. (Please refer to the link below.)

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> <https://global.honda/investors/policy/governance.html>

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| Annual total remuneration and bonuses of highest-paid individuals (President and Representative Director, Chief Executive Officer) (Japan) |
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> p.39

DATA

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| Total amount of remuneration for Directors and Corporate Auditors |
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> p.39

DATA

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| Rate of increase in annual total remuneration and bonuses of highest-paid individuals (President and Representative Director, Chief Executive Officer) (Japan) |
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> p.39

Remuneration of Accounting Auditors

The Company has had its financial statements audited in accordance with the Companies Act of Japan, the Financial Instruments and Exchange Act of Japan, the Securities Exchange Act of 1934 (United States) and the Exchange Act of 1933 (United States) by KPMG AZSA LLC. Within KPMG AZSA LLC, a total of 76 staff members conducted external audits of the Companies’ financial statements. These accounting firm staff members are composed of 3 certified public accountants (Hiroshi Miura, Tomoo Nishigori and Hiroyuki Yamada), who are in overall charge of the Outside Audits, and 73 professional staff members (including 23 certified public accountants, 3 accountants with U.S. public accountant certification and 47 other staff members).

In deciding the amount of remuneration for services rendered by the Accounting Auditor, various factors are taken into consideration in discussions with the accounting firm, including the Company’s size/characteristics, the time schedule for the audit and other matters. In addition, to preserve the independence of the Accounting Auditor, remuneration to be paid is required to obtain the prior approval of the Audit and Supervisory Committee.

## 6 Governance

## — Corporate Governance ..... 25

Compliance ..... 33

Risk Management ..... 36

Governance Data ..... 39

## Corporate Governance

## Directors



Chairman and Director  
Toshiaki Mikoshiba

## [Reason for Appointment]

He has broad experience primarily in the area of sales and marketing, as well as abundant international experience, and is familiar with the Honda Group's business including overseas operations. In FY2019, he has demonstrated strong leadership in efforts aimed at enhancing the joy of our customers as Officer in Charge of Sales and Marketing and Chief Officer for Regional Operations (North America), and has achieved satisfactory results in overseeing business execution in the area of sales and marketing from a global perspective.



Executive Vice President and Representative Director  
Chief Operating Officer  
Seiji Kuraishi

## [Reason for Appointment]

He has broad experience primarily in the areas of supply chain management and sales and marketing, as well as abundant international experience, and is familiar with the Honda Group's business including overseas operations. In FY2019, he has demonstrated strong leadership in efforts aimed at enhancing the joy of our customers on a global basis and has achieved satisfactory results as Executive Vice President and Representative Director, Chief Operating Officer in charge of Strategy, Business Operations and Regional Operations.



Senior Managing Director  
Chief Financial Officer  
Kohei Takeuchi

## [Reason for Appointment]

He has broad experience primarily in the area of accounting and finance, as well as abundant international experience, and is familiar with the Honda Group's business including overseas operations. In FY2019, he has demonstrated high expertise and strong leadership as Chief Officer for Business Management Operations, and has achieved satisfactory results in overseeing business execution in the area of management from a global perspective as Chief Financial Officer.



Director  
Hiroko Koide

## [Reason for Appointment]

She has over 30 years of experience working for foreign companies, including over 15 years which she served as an executive, and has a global perspective as well as abundant experience and deep insight regarding corporate management.



President and Representative Director  
Chief Executive Officer  
Takahiro Hachigo

## [Reason for Appointment]

He has broad experience primarily in the areas of research and development, production and purchasing, as well as abundant international experience, and is familiar with the Honda Group's business including overseas operations. Since June 2015, as President and Representative Director, he has been responsible for the execution of all operations and has been in charge of the management of the entire the Honda Group by demonstrating strong leadership.



Senior Managing Director  
Yoshi Yamane

## [Reason for Appointment]

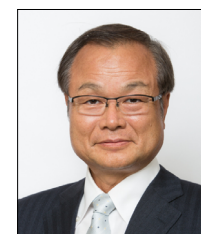
He has broad experience primarily in the area of production, and is familiar with the Honda Group's business including overseas operations. In FY2019, he has demonstrated high expertise and strong leadership mainly in the area of production as Officer in Charge of Production, and has achieved satisfactory results in overseeing business execution in broad areas, which include purchasing, quality, parts and services, from a global perspective.



Director  
Motoki Ozaki

## [Reason for Appointment]

He held positions of President and Chairman of Kao Corporation, and has abundant experience and deep insight regarding corporate management. He has properly fulfilled his duties as Outside Director since June 2016 by overseeing the entire business management of the Company from the standpoint independent from the Honda Group.



Director and Advisor  
Takanobu Ito

## [Reason for Appointment]

He served as President and Representative Director of the Company. He has abundant experience and deep insight as a corporate manager and is familiar with the Honda Group's business including overseas operations. He has properly fulfilled his duties as Director and Advisor since June 2015 by expressing opinions and providing suggestions regarding management, as well as undertaking the role of the Company's point of contact with economic organizations, etc.

**6 Governance****— Corporate Governance ..... 25**

Compliance ..... 33

Risk Management ..... 36

Governance Data ..... 39

**Corporate Governance****Directors (Audit and Supervisory Committee Members)****Director (Audit and Supervisory  
Committee Member)(full-time)**  
**Masahiro Yoshida****【Reason for Appointment】**

He held positions of Managing Officer and Director and Chief Officer for Business Support Operations of the Company. He has high expertise and abundant experience in the area of administration such as human resources and corporate governance and is familiar with the Honda Group's business including overseas operations. He has properly fulfilled his duties as Director who is an Audit and Supervisory Committee Member since June 2017 by auditing and overseeing the execution of duties by Directors.

**Director (Audit and Supervisory  
Committee Member)(full-time)**  
**Masafumi Suzuki****【Reason for Appointment】**

He held the position of General Manager of Accounting Division for Business Management Operations of the Company. He has high expertise and abundant experience in the area of accounting and finance and is familiar with the Honda Group's business including overseas operations. He has properly fulfilled his duties as Director who is an Audit and Supervisory Committee Member since June 2017 by auditing and overseeing the execution of duties by Directors.

**Director (Audit and Supervisory  
Committee Member)**  
**Hideo Takaura****【Reason for Appointment】**

He has high expertise and abundant experience as a Japanese certified public accountant and has properly fulfilled his duties as Outside Director who is an Audit and Supervisory Committee Member by auditing and overseeing the execution of duties by Directors from the standpoint independent from the Honda Group.

**Director (Audit and Supervisory  
Committee Member)**  
**Mayumi Tamura****【Reason for Appointment】**

She has abundant experience and deep insight regarding corporate management and has properly fulfilled her duties as Outside Director who is an Audit and Supervisory Committee Member by auditing and overseeing the execution of duties by Directors from the standpoint independent from the Honda Group.

**Director (Audit and Supervisory  
Committee Member)**  
**Kunihiko Sakai****【Reason for Appointment】**

He has high expertise and abundant experience as a legal affairs specialist having served as Public Prosecutor for many years, including posts of Superintending Prosecutor at High Public Prosecutors' Offices from July 2014 to March 2017.

6 Governance

— Corporate Governance

..... 25

Compliance

..... 33

Risk Management

..... 36

Governance Data

..... 39

Corporate Governance

Operating Officers

Managing Officers

|                                                                                                                                                                                     |                                                                                               |                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <div>Takashi Sekiguchi</div> <div>● Executive in Charge of Corporate Planning</div>                                                                                                 | <div>Michimasa Fujino</div> <div>● President and Director, Honda Aircraft Company, LLC</div>  | <div>Shinji Aoyama</div> <div>● Chief Officer, Regional Operations (North America)</div> <div>● President, Chief Executive Officer and Director, Honda North America, Inc.</div> <div>● President, Chief Executive Officer and Director, American Honda Motor Co., Inc.</div> | <div>Noriya Kaihara</div> <div>● Chief Officer, Purchasing Operations</div>                                                                                                                                          |
| <div>Toshihiro Mibe</div> <div>● President and Representative Director, Honda R&amp;D Co., Ltd.</div> <div>● Executive in Charge of Intellectual Property and Standardization</div> | <div>Mitsugu Matsukawa</div> <div>● President and Director, Honda of America Mfg., Inc.</div> | <div>Noriaki Abe</div> <div>● Chief Officer, Motorcycle Operations</div>                                                                                                                                                                                                      | <div>Yasuhide Mizuno</div> <div>● Chief Officer, Regional Operations (China)</div> <div>● President, Honda Motor (China) Investment Co., Ltd.</div> <div>● President, Honda Motor (China) Technology Co., Ltd.</div> |

Operating Officers

|                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                    |                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <div>Issao Mizoguchi</div> <div>● Chief Officer, Regional Operations (South America)</div> <div>● President and Director, Honda South America Ltda.</div> <div>● President and Director, Honda Automoveis do Brasil Ltda.</div> <div>● President and Director, Moto Honda da Amazonia Ltda.</div> | <div>Yusuke Hori</div> <div>● Chief Officer, Customer First Operations</div> <div>● Chief Officer, IT Operations</div>                                             | <div>Tomomi Kosaka</div> <div>● President and Representative Director, Honda Engineering Co., Ltd.</div>                                                                                                                                        | <div>Toshiyuki Shimabara</div> <div>● Representative of Production, Regional Operation (China)</div> <div>● Executive Vice President, Honda Motor (China) Investment Co., Ltd.</div> <div>● Executive Vice President, Honda Motor (China) Technology Co., Ltd.</div> |
| <div>Kazuhiro Odaka</div> <div>● Executive in Charge of Government and Industry Relations</div>                                                                                                                                                                                                   | <div>Masayuki Igarashi</div> <div>● Chief Officer, Regional Operations (Asia &amp; Oceania)</div> <div>● President and Director, Asian Honda Motor Co., Ltd.</div> | <div>Hiroyuki Kachi</div> <div>● Chief Officer, Production Operations</div> <div>● Executive in Charge of Corporate Project</div>                                                                                                               | <div>Soichi Yamamoto</div> <div>● General Manager, Saitama Factory, Production Operations</div>                                                                                                                                                                      |
| <div>Katsushi Inoue</div> <div>● Chief Officer, Regional Operations (Europe)</div> <div>● President and Director, Honda Motor Europe Ltd.</div>                                                                                                                                                   | <div>Kimiyoshi Teratani</div> <div>● Chief Officer, Regional Operations (Japan)</div>                                                                              | <div>Asako Suzuki</div> <div>● Chief Officer, Human Resources and Corporate Governance Operations</div>                                                                                                                                         | <div>Katsuhisa Okuda</div> <div>● Chief Officer, Life Creation Operations</div>                                                                                                                                                                                      |
| <div>Katsuhide Moriyama</div> <div>● Chief Officer, Brand and Communication Operations</div>                                                                                                                                                                                                      | <div>Keiji Ohtsu</div> <div>● Chief Quality Officer</div>                                                                                                          | <div>Yoshishige Nomura</div> <div>● General Manager, Monozukuri Center, Motorcycle Operations</div> <div>● Senior Managing Director, Honda R&amp;D Co., Ltd.</div> <div>● President and Representative Director, Honda Racing Corporation</div> | <div>Yoshikado Nakao</div> <div>● Executive in Charge of Purchasing, Purchasing Operations</div>                                                                                                                                                                     |
| <div>Hiroshi Tokutake</div> <div>● General Manager, Kumamoto Factory, Motorcycle Operations</div> <div>● Executive in Charge of Life Creation Production, Life Creation Operations</div>                                                                                                          | <div>Taro Kobayashi</div> <div>● Executive in Charge of Automobile Sales, Automobile Operations</div>                                                              | <div>Jiro Morisawa</div> <div>● Chief Officer, Business Management Operations</div>                                                                                                                                                             |                                                                                                                                                                                                                                                                      |



## 6 Governance

Corporate Governance ..... 25

— Compliance ..... 33

Risk Management ..... 36

Governance Data ..... 39

## Compliance

## Honda Code of Conduct

In order to earn the trust of customers and society and grow sustainably, companies must not only comply with laws and regulations but go beyond those legal structures by practicing ethical corporate conduct.

Recognizing this, Honda formulated the Honda Code of Conduct, which summarizes the sincere behavior to be practiced by people working at Honda around the world. This is shared throughout the entire Honda Group, including subsidiaries in Japan and overseas.

The Company works to instill the Honda Code of Conduct in each and every associate through actions such as the distribution of leaflets, posting of information on its intranet and through training. Each of Honda's departments and subsidiaries regularly checks the status of activities to ensure awareness of the Code, and, reports to the Compliance Committee.

## WEB

"Honda Code of Conduct"

> <https://global.honda/about/codeofconduct.html>

## Compliance Committee

To improve compliance within the Honda Group, Honda has established a Compliance Committee, headed by a Compliance Officer designated by the Board of Directors, and composed of officers appointed by the Compliance Officer and the Executive Council. The Committee makes decisions regarding important internal control system measures, which include formulating and amending of compliance policies. In addition, the responsibilities of the Committee encompass from confirming the status of establishment and operation of internal control systems to performing oversight to ensure the appropriate management of the Business Ethics Improvement Proposal Line and deciding measures to prevent recurrences when serious compliance-related matters occur. For matters of compliance that are of particularly high importance, deliberation or reporting at a meeting of the Executive Council or the

Board of Directors is carried out depending on the details of the matter.

The Compliance Committee met five times in FY2019 to report on the establishment and operating status of internal control systems as well as the operating status of the Business Ethics Improvement Proposal Line, among other things. There were no major violations of laws or regulations in FY2019.





## 6 Governance

Corporate Governance ..... 25

## — Compliance ..... 33

Risk Management ..... 36

Governance Data ..... 39

## Compliance

## Business Ethics Improvement Proposal Line

Honda established the Business Ethics Improvement Proposal Line as a mechanism for improving corporate ethics issues. This hotline addresses issues involving corporate ethics in cases of actions that violate laws or internal rules. This allows the Company to accept suggestions and provide consultation, from a fair and neutral standpoint, for associates who face barriers in improving or resolving issues in the workplace for reasons such as difficulties in consulting with superiors.

Furthermore, in addition to cases of a clear violation of laws or internal rules, this hotline provides consultation and responds to inquiries about the details of internal rules when questionable actions have occurred, and also engages in fact checking related to such cases. Suggestions are accepted by email, letter, telephone or fax from all subsidiaries and suppliers in Japan and overseas, as well as from the parent company. Anonymous suggestions are also accepted for the protection of submitters.

Moreover, the Company established a point of contact within an external law office to facilitate associates to submit suggestions. As for overseas, local points of contact have been established in all Regional Operations, while some subsidiaries set up their own points of contact.

In FY2019, 445 suggestions and consultations were handled by the Business Ethics Improvement Proposal Line (including points of contact outside the Company). Among these, 190 concerned the parent company, 240 concerned subsidiaries and 15 concerned other matters. Following investigations, disciplinary action was taken in two cases involving the parent company and 11 cases involving subsidiaries, and none of these cases resulted in punitive dismissal. None of the cases involved violations of the Honda Policy on the Prevention of Bribery.

In order to raise internal awareness of the points of contact, Honda provides notice on its our intranet, distributes information cards to all associates, including fixed-term employees and temporary workers, and displays information posters in each workplace. These tools also make it clear that the associates submitting suggestions will be protected at the same time. In addition, Honda observes how well these points of contact are recognized through associate surveys conducted once every three years for all associates. For departments found in these surveys to have low recognition of the points of contact, the Company makes additional efforts to increase their awareness.

## Initiatives to Prevent Bribery

The Honda Code of Conduct requires that the Company complies with laws and regulations, and states that “as an independent corporate entity, Honda maintains appropriate relationships with political entities (political organizations and politicians) and administrative entities (governmental agencies and government officials)” and “will interact with political and administrative entities in an appropriate manner in compliance with laws, regulations and company policies and will not offer politicians or government officials entertainment or gifts (both monetary and non-monetary) that are prohibited by laws, regulations and company policies” and thereby prohibits bribery.

In addition, the Company also established the Honda Policy on the Prevention of Bribery, which stipulates basic policy, and the Honda Guideline for the Prevention of Bribery, which stipulates compliance items and prohibited items, with a focus on prevention of bribery.

In addition to raising awareness by integrating bribery prevention-related knowledge into Honda’s level-specific training programs, it is also incorporating e-learning-based training for its associates in management positions in departments that face a higher risk of bribery. With regard to its subsidiaries, Honda has launched training programs, matched to conditions in each company, aimed at raising awareness.

6 Governance

Corporate Governance ..... 25

— Compliance ..... 33

Risk Management ..... 36

Governance Data ..... 39

Compliance

## Initiatives for the Prevention of Anti-Competitive Behavior

As a company engaged in business globally, Honda takes great care in its daily business activities to comply with competition laws in the countries where it operates.

The Honda Code of Conduct states that “Honda will engage in free and open competition with competitors to maintain its stance as a company trusted by customers and society” and that each associate “will comply with competition laws (antitrust laws)” to ensure compliance with competition laws.

As a part of its measures to strengthen compliance, Honda incorporates programs on the topic of anti-competitive behavior in level-specific training at the time of personnel promotions, and in pre-assignment training for persons stationed overseas. Additionally, Honda publishes awareness-raising content concerning anti-competitive behavior on the Company’s intranet for its associates.

### Rules on Conflict Minerals

The final rule for disclosure on conflict minerals adopted by the U.S. Securities and Exchange Commission (SEC) mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) requires corporations to confirm that the purchase and use of conflict minerals from the Democratic Republic of the Congo and adjoining countries are contributing neither to the funding of armed groups nor to the abuse of human rights in that region.

Honda’s policy is to aim to be free from conflict minerals which contribute to the funding of armed groups or human rights infringement. To achieve this goal and to help resolve the global problem of conflict minerals, the Company is actively engaged with domestic and international industry organizations and its suppliers.

With its suppliers, Honda shares the Honda Supplier Sustainability Guidelines that summarize what is expected of them with regard to CSR activities, including how to deal with conflict minerals, and is encouraging procurement in line with the guidelines.

Since 2013, Honda has surveyed its suppliers worldwide concerning the use of conflict minerals. In FY2019, Honda received responses from more than 7,000 suppliers. In addition to reporting survey results to the SEC, the Company also makes them publicly available on its website. (Please refer to the link below.)

In the event that the survey reveals any minerals of concern, regardless of source country, Honda works together with its suppliers to take appropriate measures. The Company is also working to improve the accuracy of its survey, requesting further investigation when survey responses are insufficient.

PDF

“Honda Supplier Sustainability Guidelines”

> [https://global.honda/about/dam\\_img/sustainability/report/pdf/supply-chain/supplier-sustainability-guidelines.pdf](https://global.honda/about/dam_img/sustainability/report/pdf/supply-chain/supplier-sustainability-guidelines.pdf)

WEB

Under the IR Library website “Form SD/ Conflict Minerals Report”

> <https://global.honda/investors/library.html>



6 Governance

Corporate Governance ..... 25

Compliance ..... 33

— Risk Management ..... 36

Governance Data ..... 39

Risk Management

Crisis Response

Honda carries out risk sensing activities to monitor and report on signs of crisis and ensures that this leads to quick responses.

When a crisis occurs, the Company sets up a Global Emergency Headquarters for crisis response proportionate to the anticipated magnitude of impact. In this way, Honda lays out a structure to prevent the situation from spreading and to quickly bring the situation under control.

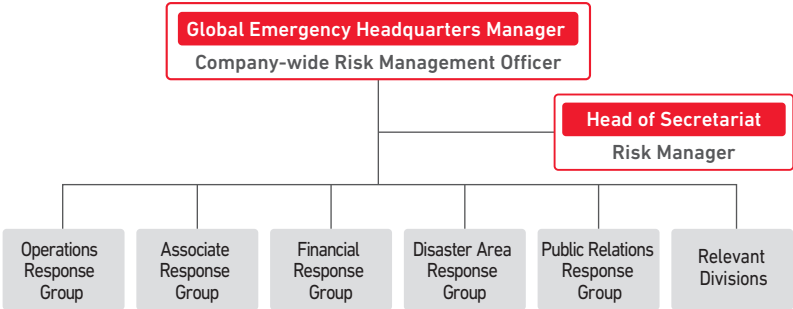
Since the Kumamoto earthquakes that occurred in April 2016, the activities of Honda’s Global Emergency Headquarters strive to strengthen functions.

As the first step, to share information and discuss activities on a daily basis, group leader meetings were newly established that convene the group leaders essential for crisis responses. By holding these meetings, Honda is striving to raise the level of its crisis response capabilities as well as create a culture that enables effective cooperation when a crisis occurs.

Next, Honda regularly holds Emergency Headquarters drills as a verification of its crisis response capabilities. In FY2018, Honda implemented drills aimed at verifying the effectiveness of the response manual used since the Kumamoto earthquakes. In FY2019, to further improve effectiveness, Honda held drills for making crisis responses spanning multiple business bases on the assumption that a large earthquake occurs directly under the Tokyo metropolitan area.

Also with regard to disaster drills, besides ensuring the safety of human life and procedures to account for its associates, from FY2017 Honda has continuously held training from a business continuity planning (BCP) viewpoint on procedures to share information for the purpose of identifying the impact on business at an earlier stage.

Global Emergency Headquarters Structure



## 6 Governance

Corporate Governance ..... 25

Compliance ..... 33

— Risk Management ..... 36

Governance Data ..... 39

## Risk Management

## Information Management

To ensure the protection of the personal information of its customers, associates and others, the proper handling of company information, and in response to the increase in the handling of high-level, confidential information globally such as 3D blueprint data, Honda formulated the Global Confidentiality Policy (GCP) in FY2015. At the same time, the Company also established the Global Confidentiality Committee, with the Chief Officer of the Human Resources and Corporate Governance Operations as its chairperson. At the Global Confidentiality Committee held in FY2018, Honda confirmed that the establishment of an information management system has been completed in each region. At a meeting of the Global Confidentiality Committee, Honda determined the global confidentiality action policies and initiatives for the next three years starting from FY2019 and is implementing various activities.

In addition to the already implemented Global Privacy Policy (GPP) and the Electronic Conferencing Policy, the Global Document Management Policy was decided at a Global Confidentiality Committee meeting held in December 2016 and the formulation of all GCP-related regulations has been completed.

In Japan, in response to the determination of the policies of the Global Confidentiality Committee, Honda promotes initiatives to strengthen information management throughout the year, led by the Japan Confidentiality Committee.

The Global Confidentiality Committee is collaborating with the Japan Confidentiality Committee in responding to cyberattacks that have become increasingly sophisticated and complex in recent years and is implementing initiatives for strengthening information security.

## Protection of Personal Information

In each department subject to Honda's personal information management policy, the Company appoints persons to handle information, supervise information and manage information and requires all of them to receive training on the protection of personal information.

Also, restrictions are placed on access to digital data containing personal information and an access log is kept. Personal information in print form is stored with rigorous security, including in cabinets with locks. The Company conducts a review of personal information at least once each year and any unnecessary personal information is deleted.

Honda has completed its responses to the Amended Act on the Protection of Personal Information (Japan), which took effect in May 2017, as well as to the General Data Protection Regulation (GDPR) in Europe, which went into effect in May 2018. In addition, at the FY2019 Global Confidentiality Committee, all regions formed a consensus regarding the approach toward personal information protection laws in each country that are expected to be continually strengthened in the future. Accordingly, Honda is coordinating responses company-wide.

In FY2019, no complaints were filed with Honda globally concerning any leak of personal information.

## 6 Governance

Corporate Governance ..... 25

Compliance ..... 33

Risk Management ..... 36

— Governance Data ..... 39

## Governance Data

Overview of corporate governance (as of June 19, 2019)

Form of organization Company with Audit and Supervisory Committee

- Number of Directors (excluding Audit and Supervisory Committee Members) ..... 8
  - Number of Outside Directors ..... 2
  - Number of Specified Independent Directors ..... 2
  - Number of Female Directors ..... 1
- Term of Directors (excluding Audit and Supervisory Committee Members) ..... 1
- Number of Directors serving as Audit and Supervisory Committee Members ..... 5
  - Number of Outside Directors ..... 3
  - Number of Specified Independent Auditors ..... 3
  - Number of Female Outside Directors ..... 1
- Terms of Directors Serving as Audit and Supervisory Committee Members ..... 2

Status of the meetings of the Board of Directors (FY2019)

- Number of meetings held (no. of times) ..... 10
- Attendance rate of Directors (excluding Directors who are Audit and Supervisory Committee Members) (%) ..... 100
  - Attendance rate of Outside Directors (%) ..... 100
- Attendance rate of Directors who are Audit and Supervisory Committee Members (%) ... 100
  - Attendance rate of Outside Directors (%) ..... 100

Status of meetings of the Audit and Supervisory Committee (FY2019)

- Number of meetings held (no. of times) ..... 9
- Attendance rate of Directors who are Audit and Supervisory Committee Members (%) ... 100
  - Attendance rate of Outside Directors (%) ..... 100

Total amount of remuneration for Directors and Corporate Auditors

| Category of directors                                                                                               | Total amount of remuneration and bonuses (millions of yen) | Total amount by type of remunerations (millions of yen) |                                 |                   | Number of eligible directors (Number of persons) |
|---------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|---------------------------------------------------------|---------------------------------|-------------------|--------------------------------------------------|
|                                                                                                                     |                                                            | Fixed remuneration                                      | Performance-linked remuneration |                   |                                                  |
|                                                                                                                     |                                                            |                                                         | Bonus                           | Stock compenation |                                                  |
| Directors<br>(excluding Directors who are Audit and Supervisory Committee Members)<br>(excluding Outside Directors) | 687                                                        | 390                                                     | 172                             | 125               | 7                                                |
| Outside Directors<br>(excluding Directors who are Audit and Supervisory Committee Members)                          | 33                                                         | 33                                                      | -                               | -                 | 2                                                |
| Directors<br>(Directors who are Audit and Supervisory Committee Members)<br>(excluding Outside Directors)           | 141                                                        | 141                                                     | -                               | -                 | 2                                                |
| Outside Directors<br>(Directors who are Audit and Supervisory Committee Members)                                    | 50                                                         | 50                                                      | -                               | -                 | 3                                                |
| Total                                                                                                               | 912                                                        | 614                                                     | 172                             | 125               | 14                                               |

- Remuneration is limited to JPY 1,160 million per year for Directors (excluding Audit and Supervisory Committee Members) and JPY 270 million per year for Directors (Audit and Supervisory Committee Members).
- These amounts indicate remuneration paid to Directors for the fiscal year ended March 31, 2019 and include remuneration paid to three Directors who ended their tenure as of the closing of the Ordinary General Meeting of Shareholders held on June 19, 2019, comprising one Director who is neither Audit and Supervisory Committee Member nor Outside Director, one Outside Director who is not Audit and Supervisory Committee Member, and one Outside Director (Audit and Supervisory Committee Member).
- Bonuses to Directors (excluding Audit and Supervisory Committee Members) are included in the previously mentioned maximum amount for remuneration to Directors (excluding Audit and Supervisory Committee Members), and the amount shown was decided by the meeting of the Board of Directors held on May 8, 2019.
- The total amount of stock-based remuneration is the amount recorded as expenses related to the share delivery points granted during the fiscal year ended March 31, 2019 in connection with the directors' remuneration BIP (Board Incentive Plan) trust.

Annual total remuneration and bonuses of highest - paid individual (President and Representative Director, Chief Executive Officer) (Japan)

|                                                                                                                                                     |       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Annual total remuneration and bonuses of highest-paid individual (President and Representative Director, Chief Executive Officer) (millions of yen) | 174   |
| Ratio to median annual total remuneration for all associates (%)                                                                                    | 1,854 |

Rate of increase in annual total remuneration and bonuses of highest-paid individual (President and Representative Director, Chief Executive Officer) (Japan)

|                                                                                                                                                           |     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| Rate of increase in annual total remuneration and bonuses of highest-paid individual (President and Representative Director, Chief Executive Officer) (%) | 113 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-----|

## 6 Governance

|                      |    |
|----------------------|----|
| Corporate Governance | 25 |
| Compliance           | 33 |
| Risk Management      | 36 |

## — Governance Data 39

### Governance Data

#### Honda Tax Policy

##### 1. Purpose of Policy

The Honda Tax Policy prescribes the basic stance and thinking regarding taxes for Honda Motor Co., Ltd. (hereafter HM) and its consolidated subsidiaries (HM and its consolidated subsidiaries collectively referred to as Honda). The Policy aims to contribute to society as well as maintain and increase corporate value by complying with the tax laws and regulations of each country and region where Honda undertakes business activities and by making proper tax payments.

Tax systems of each country and region and international taxation rules are frequently changed. In this environment, to ensure proper the undertaking of its business in a stable manner Honda carries out accurate and high-quality tax affairs and responds to tax risks associated with its businesses in accordance with the Tax Policy described below.

##### 2. Tax Policy

###### (1) Compliance

Honda complies with laws, regulations and rules in countries and regions where it undertakes business, tax convention, international standards such as OECD guidelines, internal regulations that include tax-related regulations encompassing this Tax Policy adopted by Honda as well as Honda Corporate Governance (HCG), and makes proper tax payments in line with the actual state of business.

###### (2) Prohibition of tax avoidance

Honda shall not engage in any transactions such as the use of tax havens aimed at tax avoidance but make proper tax payments in line with the actual state of business in keeping with the concept of “returning profits to the communities where profits are earned,” which has been Honda’s basic stance.

###### (3) Transfer pricing

Honda shall establish proper pricing (Arm’s Length Price (ALP)) by giving sufficient consideration to transfer pricing taxation systems for transactions carried out within Honda to ensure the proper payment of taxes corresponding to the value created by business activities.

###### (4) Ensuring transparency

Honda recognizes the importance of fulfilling accountability to tax authorities and other tax-related stakeholders through the timely and proper disclosure of tax-related information and properly responds by disclosing tax-related information based on laws and regulations.

###### (5) Relationships with governments and tax authorities

Honda shall make efforts to ensure transparency and continuously build relationships of trust through sincere responses to governments and tax authorities in the countries and regions where it does business by ensuring timely and proper provision of tax-related information based on laws and regulations and requests from governments and tax authorities.

###### (6) Corporate governance

Honda strives to enhance corporate governance as one of the most important tasks for its management, based on the Company’s basic principle, in order to strengthen the trust of our shareholders/investors, customers and society; encourage timely, decisive and risk-considered decision-making; seek sustainable growth and the enhancement of corporate value over the mid- to long-term; and become “a company that society wants to exist.” In the same manner, Honda shall establish governance on taxation based on this concept, framework and management policy.



# 7 Environment

## Material Issues

- Responding to climate change and energy issues
- Ensuring clean air
- Advancing powertrain electrification
- Utilizing resources efficiently
- Conserving water resources
- Preserving biodiversity
- Managing chemical substances and preventing pollution



7 Performance Report

— Environment ..... 41

— Basic Approach

Global Management

Material Issues in the Environmental Dimension

Responses to Climate Change and Energy Issues

Efficient Utilization of Resources

Preservation of Clean Air

Other Important Issues

Environmental Data

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

Basic Approach

Honda Environmental and Safety Vision/  
Honda’s Environment Statement

Ever since the 1960s, Honda has actively endeavored to solve environmental issues. In the 1970s, Honda developed the low-pollution CVCC\* engine that successfully reduced carbon monoxide, hydrocarbon and nitrogen oxide (NOx) emissions, making Honda the world’s first automaker to comply with the U.S. Clean Air Act – a regulation thought at the time to be the most stringent in the world.

In 1992, Honda’s Environment Statement was released to serve as the Company’s guideline for all environmental initiatives. The statement articulates the basic stance developed until then to reduce environmental impact at every stage in the life cycle of its products, from product procurement to design, development, production, transportation, sale, use and disposal stages.

In addition, for Honda to further promote the above-mentioned environmental initiatives and continue to be a company that society wants to exist, the Honda Environmental and Safety Vision was established in 2011. Aimed at the realization of the joy and freedom of mobility and a sustainable society where people can enjoy life, as is declared in this vision, each of Honda’s global business sites is engaging in the reduction of an array of environmental impacts from the aspects of both production-based and corporate activities. Such environmental impacts include Greenhouse Gas (GHG) emissions, which are considered to be a cause of climate change; use of resources, including water and minerals; and suitable processing and reduction of waste.

Honda will conduct these activities while sharing Honda’s Environment Statement with everyone associated with Honda—including suppliers and distributors in addition to Honda Group companies—in order to realize this vision.



Honda Environmental and Safety Vision

Realizing the joy and freedom of mobility and a sustainable society where people can enjoy life

Honda’s Environment Statement

As a responsible member of society whose task lies in the preservation of the global environment, the Company will make every effort to contribute to human health and the preservation of the global environment in each phase of its corporate activities. Only in this way will we be able to count on a successful future not only for our company, but for the world.

We should pursue our daily business under the following principles:

1. We will make efforts to recycle materials and conserve resources and energy at every stage of our products’ life cycle—from research, design, production and sales, to services and disposal.

2. We will make every effort to minimize and find appropriate methods to dispose of waste and contaminants that are produced through the use of our products, and in every stage of the life cycle of these products.

3. As both a member of the company and of society, each associate will focus on the importance of making efforts to preserve human health and the global environment, and will do his or her part to ensure that the company as a whole acts responsibly.

4. We will consider the influence that our corporate activities have on the regional environment and society, and endeavor to improve the social standing of the company.

Established and announced in June 1992 Honda’s Environment Statement

\* CVCC: Compound Vortex Controlled Combustion

7 Performance Report

— Environment ..... 41

Basic Approach

— Global Management

Material Issues in the Environmental Dimension

Responses to Climate Change and Energy Issues

Efficient Utilization of Resources

Preservation of Clean Air

Other Important Issues

Environmental Data

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

Global Management

## Environmental Management Promotion Structure and Management Cycle

Honda recognizes that environmental issues such as climate change and energy/resource issues, which require global responses, are material issues that impact Honda's business operations. Based on this recognition, the Environmental Committee was established in 1991, chaired by the President and CEO and comprised of members of company management. In 1995, the Committee became the World Environmental Committee and assumed responsibility for discussing and formulating plans for environmental protection activities worldwide. Since then, it had continued to meet every year as the World Environment and Safety Strategy Committee. From FY2018, environmental issues have been incorporated as items to be considered at the Sustainability Strategy Committee (⇒ p. 18). for integrated discussions under a single committee.

Medium- and long-term environmental policies and plans at the global level are formulated at the Meeting of the World Environment and Safety Strategy Committee on the basis of company-wide direction and medium- and long-term business plans. All committee members are involved in the meeting's decision-making.

Following the decisions made at the above meeting, the World's Six Region Environmental Committee, made up of the environmental divisions of each regional headquarters, also meets every year. Once the information sharing process at these meetings concludes, these divisions formulate concrete action plans and then implement policy.

In terms of the progress of Honda's environmental initiatives and the themes applicable worldwide, the Corporate Planning Supervisory Unit collects information from Regional Operations and reports it at the Meeting of the Sustainability Strategy Committee. The Company is striving to continuously enhance environmental management through the reflection of the above information in the medium-term business plan and policy for the following term and the implementation of the plan-do-check-act (PDCA) cycle by each Regional Operation and environmental division.

## Environmental Management System

Honda's existing global vehicle assembly and product assembly plants have acquired ISO14001, an international certification for environmental

management systems (as of March 2019). Honda is in the process of obtaining certification for newly built plants. Therefore, coverage of environmental management systems is virtually 100%.

## Current Status of Compliance with Environmental Regulations

In accordance with Honda's Environment Statement, the Company has introduced environmental management systems at all business sites and in each division. Along with promoting continuous efforts to improve environmental performance, it strives to comply with its own voluntary environmental standards, which are more stringent from an environmental perspective than any national or local regulations.

In the last five years, Honda has not committed any serious noncompliance with environmental laws and regulations, paid substantial fines/sanctions in breach thereof, or recorded any major chemical releases.

In addition, no environment-related complaints were received through the official complaint resolution program.

## Environmental Accounting

### Environmental Accounting in Japan

To facilitate efficient environmental management, Honda tabulates the cost reduction and profit attributable to its environmental protection activities, thus working to keep abreast of their economic impact.

Going forward, Honda is committed to continuing improvement of the accuracy of this data, which it sees as an indicator of corporate value, and as a tool for making environment-related management decisions.

| DATA                                                          | DATA                                               |
|---------------------------------------------------------------|----------------------------------------------------|
| Cost of environmental conservation activities and investments | Economic benefits (Effect on revenue and expenses) |
| > p.65                                                        | > p.65                                             |



7 Performance Report

— Environment ..... 41

Basic Approach

Global Management

— Material Issues in the Environmental Dimension

Responses to Climate Change and Energy Issues

Efficient Utilization of Resources

Preservation of Clean Air

Other Important Issues

Environmental Data

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

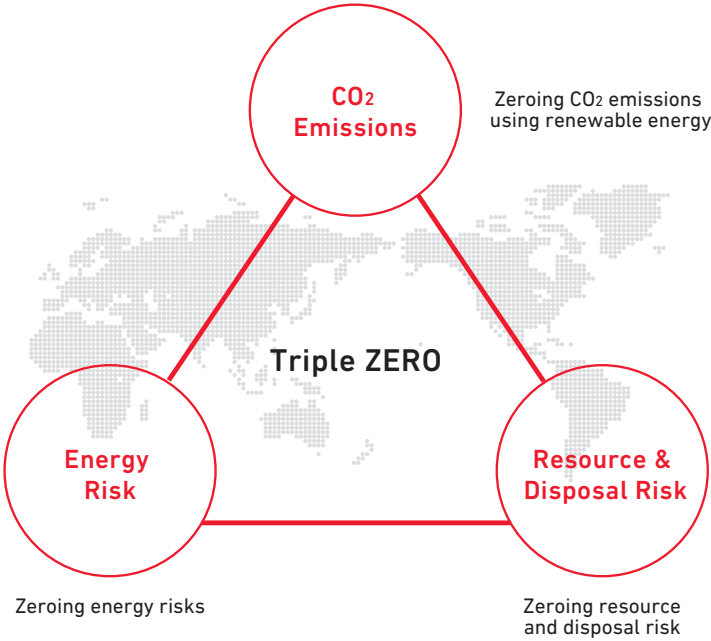
Social Contribution Activities ... 135

Material Issues in the Environmental Dimension

Honda's Material Issues

Through Honda's proprietary technologies and business activities, the Company will work to deal with climate change issues, energy issues, effective utilization of resources and preservation of clean air, which are outlined as challenges in the materiality matrix, with an aim to realize a zero-environmental impact society in the future. In particular, Honda believes that dealing with climate change and energy issues and the effective utilization of resources are priority challenges in the environmental field.

Triple ZERO approach



Triple ZERO

Honda has introduced the Triple ZERO concept to unify its three “zeroing” efforts addressing “climate change issues,” “energy issues” and “efficient utilization of resources,” our most important challenges. The Company is striving to realize a society with an environmental impact of zero by engaging in its business activities based on this approach.

Zeroing CO<sub>2</sub> emissions using renewable energy

To address “climate change issues,” Honda is striving to eliminate CO<sub>2</sub> emissions in products and business activities in the future by utilizing renewable energy.

Zeroing energy risks

To address “energy issues,” Honda is striving to eliminate energy risks in the future, such as those caused by a dependence on fossil fuels.

Zeroing resource and disposal risk

To address the need for “efficient utilization of resources,” Honda is striving to eliminate risks across the entire product life cycle, from the resource procurement stage to the used product recovery and disposal stages.



## 7 Performance Report

## Material Issues in the Environmental Dimension

## Dealing with Climate Change and Energy Issues

## Mitigating Climate Change and Energy Risk

Honda is moving forward with its response to climate change through initiatives that link Honda's business strategy with its environmental strategy. With the vision of a zero impact society, in 2014 the Company announced its aim to cut total corporate CO<sub>2</sub> emissions in half by 2050 (compared with 2000 levels). Going forward, Honda will continue with activities to reduce CO<sub>2</sub> using science-based target setting using the latest information. As an interim objective, Honda is currently working to achieve its 2020 Product CO<sub>2</sub> Emissions Reduction Targets to lower CO<sub>2</sub> emissions intensity from the use of motorcycles, automobiles and power products worldwide by 30% from the 2000 base year level.

In North America, Honda conducts credit trading with the portion exceeding the amount set forth in GHG and Corporate Average Fuel Economy (CAFE) laws and regulations and is working efficiently to reduce GHG while keeping an eye on the impact of this on business. The Company believes this is also connected to risk management in terms of rising fuel prices due to carbon pricing expected to come in effect in the future.

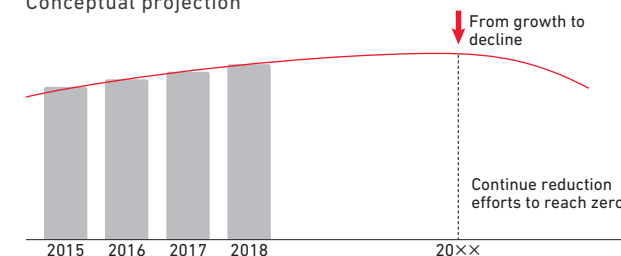
As automobiles account for approximately three quarters of Honda's sales revenue, in pursuing the reduction of CO<sub>2</sub> emitted from its products, Honda considers that reputational risk and potential penalties arising from failure to comply with fuel economy regulations can have a significant impact on its business. Accordingly, Honda has taken efforts to mitigate risks by applying a system called "SED" in which products are developed jointly by the Sales (S), Engineering (E) and Development (D) functions. In addition, operations such as Honda R&D Co., Ltd., Automobile Operations and the Certification & Regulation Compliance Division coordinate research on trends in fuel economy regulations around the world, while the Certification & Regulation Compliance Division publishes the results as regulatory information. Regular meetings are held to provide a forum for sharing the contents and interpretation of new regulations, as well as for discussing the responses to them. Also, Honda has built an organizational structure for developing technologies that always anticipate future fuel economy regulations through engagement with policy makers.

In recent years, stakeholders have become increasingly conscious of fuel efficiency, CO<sub>2</sub> emissions and other environmental performance indices when choosing mobility products. Honda recognizes these changes in consumer values and market demands as critical matters to focus on, and it is actively expanding the lineup of products that it offers powered by Earth Dreams Technology\*. Through these initiatives, Honda is meeting customers' needs and generating additional profit.

The Company believes that climate change, resource depletion and other issues are compelling society, which is heavily dependent on fossil fuels, to face up to energy risks. Energy issues have a very significant business impact on the mobility business sector. As such, Honda's concern is that unless it proceeds with energy diversification, for example, through the utilization of renewable energy, it will become difficult to sustain the Company's business.

Honda is addressing energy issues by diversifying the energy sources used in its products and business activities, with the aim of completely eliminating energy risk from heavy dependence on fossil fuels, etc. The Company has set an interim target for 2020 and aims to establish technologies that diversify home energy sources and reduce CO<sub>2</sub> emissions from personal mobility and home living to zero. Honda is developing the Honda Smart Home System (HSMS) to help it realize this goal. In addition, in the fields of its business activities Honda plans to introduce solar power generation of 11.4 MW in FY2020 for the use of renewable energy. As mentioned above, Honda is promoting energy diversification by actively introducing large-scale solar and wind power generation at Honda's facilities.

Honda's total GHG emissions:  
Conceptual projection



\* A collective term to refer to a group of innovative technologies that greatly enhances both driving performance and fuel economy, building on advancements in environmental performance to pursue a joy of driving unique to Honda

7 Performance Report

— Environment ..... 41

Basic Approach

Global Management

— Material Issues in the Environmental Dimension

Responses to Climate Change and Energy Issues

Efficient Utilization of Resources

Preservation of Clean Air

Other Important Issues

Environmental Data

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

Material Issues in the Environmental Dimension

Advancing Powertrain Electrification

Honda views transition risk induced by energy diversification as key challenges and actively promotes electrified products. Honda has set a target to electrify two-thirds of its global automobile sales by 2030. To achieve this goal, the Company is seizing all new business opportunities by pushing forward with the development of plug-in hybrid electric vehicles (PHEV), electric vehicles (EV) and fuel cell vehicles (FCV), while entering into partnerships with other companies for the preparation of a hydrogen infrastructure involving the likes of hydrogen stations. To give an example of the Company’s efforts to develop such products and the infrastructure supporting their proliferation, American Honda Motor Co., Inc. installed 60 new EV charging stations on its Torrance, California campus, while the Honda Clarity series was launched in the United States, in which FCV, EV and PHEV powertrains are built on the same platform. Honda is also working to promote electrification company-wide including the delegation of its Yorii assembly plant in Japan as its flagship production site for electrified vehicles as well as establishing a development and production structure that meets market needs worldwide.

As for motorcycles, Honda is selling and conducting demonstration experiments for the PCX Electric/Hybrid. Regarding power products, the Company has expanded product selection in line with customer needs by accelerating product electrification. This includes the LiB-AID E500, a handy storage battery that can be used as a portable power source, and the Miimo HRM520 robotic lawn mower.



7 Performance Report

Environment ..... 41

Basic Approach

Global Management

Material Issues in the Environmental Dimension

Responses to Climate Change and Energy Issues

Efficient Utilization of Resources

Preservation of Clean Air

Other Important Issues

Environmental Data

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

Material Issues in the Environmental Dimension

Efficient Utilization of Resources

The difficulty or depletion of obtaining rare earth metals and other resources used in the Company’s products poses a significant risk to our business continuity in terms of the procurement of components and raw materials necessary for manufacturing.

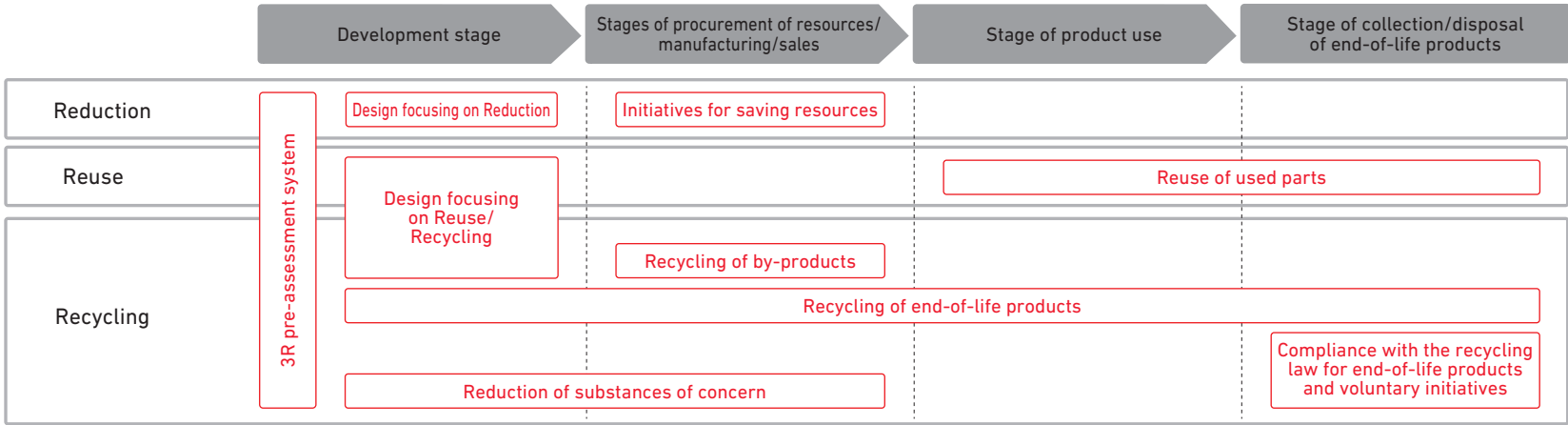
Therefore, Honda considers the efficient utilization of resources one of the material issues and is actively promoting 3R (Reduction/Reuse/Recycling) activities as well as ensuring proper processing when disposing of end-of-life products.

First of all, Honda is focusing on corporate activities. The Company is engaging in waste reduction initiatives with the goal of keeping cost-incurring waste generated from corporate activities under 240,000 tons (FY2020).

As for water resources, Honda is giving consideration to water supply risks. Accordingly, Honda is making an effort to reduce water intake with an aim of keeping water intake in corporate activities under 29 million m<sup>3</sup> (FY2020).

Aiming at the elimination of risks related to resources and disposal that occur in various stages ranging from resource procurement to disposal, Honda is tackling this issue through cooperation/partnership with internal/external stakeholders.

Initiative for the elimination of risks related to resources and disposal





7 Performance Report

— Environment ..... 41

Basic Approach

Global Management

— Material Issues in the Environmental Dimension

Responses to Climate Change and Energy Issues

Efficient Utilization of Resources

Preservation of Clean Air

Other Important Issues

Environmental Data

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

Material Issues in the Environmental Dimension

Preservation of Clean Air

Honda recognizes that air pollution has been a critical issue since the 1960s and believes that worsening air pollution in cities has a negative effect on people’s health. The Company, therefore, has sought to resolve this issue through the development of technologies that clean the gas emitted from its products.

This began with the announcement in 1972 of the CVCC engine, which cleared exhaust gas regulations under the U.S. Clean Air Act of 1970, sometimes called the “Muskie Act” that was deemed to be the toughest in the world at the time. Since then, Honda has announced a series of developments that include high-efficiency combustion technology and exhaust emissions purification technology using a catalyst. This has resulted in a reduction in the level of exhaust emissions from automobiles to one-thousandth of that registered prior to the enactment of the Muskie Act over the 40-year period.

Honda has also enhanced the combustion efficiency of engines and cleaned exhaust emissions by promoting conversion from two-stroke to four-stroke engines in motorcycles and power products as well as shifting from a carburetor to the Honda Programmed Fuel Injection (PGM-FI) system.

Through advanced development of exhaust emission cleaning technologies such as these, Honda avoids risks associated with business continuation caused by increasing costs to deal with tighter environmental regulations.

In addition, this enables products with exceptional environmental performance to be supplied at a reasonable price, and as a result, Honda leads the industry in cleaning exhaust emissions and addressing air pollution issues, which also leads to major business opportunities.



## 7 Performance Report

## — Environment ..... 41

Basic Approach

Global Management

## — Material Issues in the Environmental Dimension

Responses to Climate Change and Energy Issues

Efficient Utilization of Resources

Preservation of Clean Air

Other Important Issues

Environmental Data

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Material Issues in the Environmental Dimension

## TOPICS

Research on Algal Biomass\*<sup>1</sup> System in the United States

Honda R&D Americas, Inc. (HRA) is undertaking research on an algal biomass system. This research involves exhaust emitted from dynamometers ("dynos") used for vehicle testing. The CO<sub>2</sub> is first affixed\*<sup>2</sup> through the photosynthesis of Ohio-native algae. The by-product, or biomass, can then be converted into liquid fuel, soil conditioners, fertilizers and animal feed. The generator used for generating electric power to capture and compress the CO<sub>2</sub> utilizes waste vegetable oil from HRA's cafeteria. The same generator also charges the Honda Fit EV, which supplies power to run the algal biomass system.

HRA is also collaborating with Ohio University, renowned for algal research. The project involves converting wastewater, which would normally be a pollutant, into a fertilizer for algal farming. This research has received a US\$200,000 grant from the Ohio Water Development Authority.

Research on the algal biomass system started out as a New Honda (NH) Circle activity\*<sup>3</sup> with the aim of reducing CO<sub>2</sub> emitted during business activities. This mechanism not only reduces CO<sub>2</sub> but also reduces environmental loads such as waste oil and wastewater. It also enables the creation of new energy sources. In other words, this truly represents Honda's "Triple Zero" initiative (⇒p. 44).

HRA set up an algal farm in May 2018. Since the farm is still in a pilot phase, the annual amount of captured CO<sub>2</sub> is 1t so far. Going forward, HRA will promote research to utilize other HRA waste streams with the goal of improving the overall cost efficiency of the algal farm, with a view toward its potential.

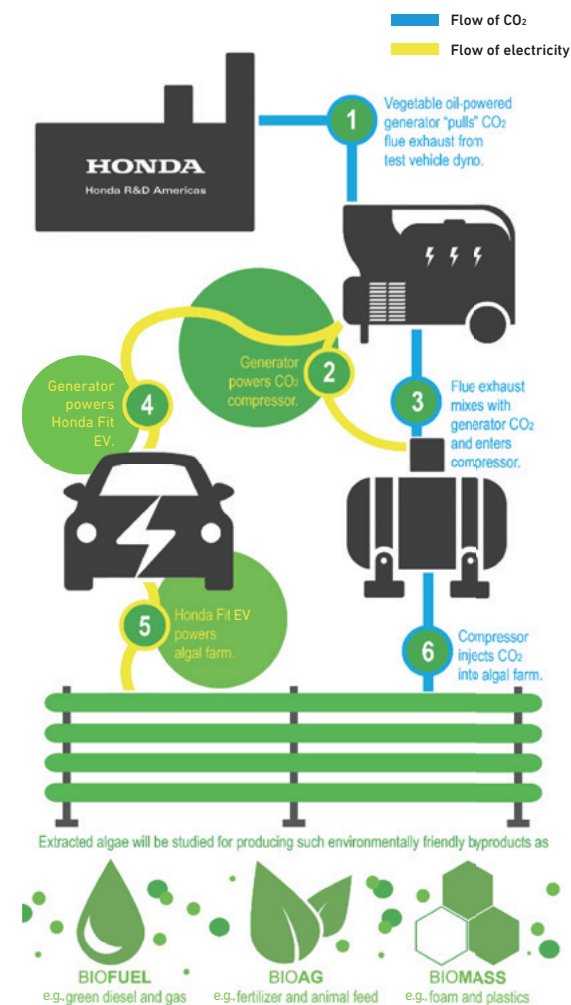


HRA's algal farm in its entirety, outside a dynamometer for product testing

A close-up view of the algal farm, which collects CO<sub>2</sub> from a test dynamometer at HRA

From left, project leaders Joel Agner, Dan Sellars, and Dan Wells by their "cargo container" laboratory

## Algal System Flow



\*1 Biomass: Renewable biologically derived organic resources

\*2 CO<sub>2</sub> fixation: Plants and algae absorb CO<sub>2</sub> in the atmosphere, convert it into organic matter and then store it internally.

\*3 NH Circle activity: An original Honda small team activity in which associates voluntarily work together to achieve continuous improvement

## 7 Performance Report

## — Environment ..... 41

Basic Approach

Global Management

Material Issues in the  
Environmental Dimension— Responses to Climate Change and  
Energy Issues

Efficient Utilization of Resources

Preservation of Clean Air

Other Important Issues

Environmental Data

Safety ..... 67

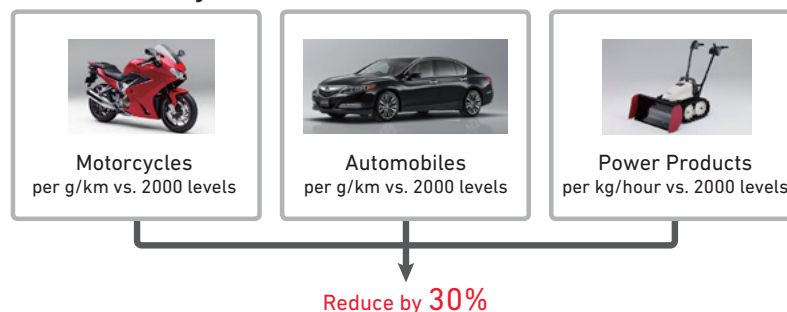
Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Responses to Climate Change and Energy Issues

Goal to Reduce CO<sub>2</sub> Emissions Intensity in  
Products by 2020\* Global average CO<sub>2</sub> emissions from Honda products

Honda believes in the necessity of reducing CO<sub>2</sub> emitted from products in response to climate change and energy issues, which it views as key environmental challenges.

Therefore, to ultimately realize zero CO<sub>2</sub> emissions in product usage, Honda has formulated and is promoting initiatives under a goal to reduce CO<sub>2</sub> emissions intensity of motorcycles, automobiles and power products by 30% from 2000 levels by 2020.

The scope of the above compilation includes Japan, North America, South America, Europe, Asia & Oceania and China, and it covers approximately 90% of units sold by Honda worldwide for each of motorcycles, automobiles and power products.

## DATA

Current status of achievement vs. 2020 product  
CO<sub>2</sub> emissions intensity reduction targets

&gt; p.65



## 7 Performance Report

### — Environment ..... 41

Basic Approach  
Global Management  
Material Issues in the Environmental Dimension

### — Responses to Climate Change and Energy Issues

Efficient Utilization of Resources  
Preservation of Clean Air  
Other Important Issues  
Environmental Data

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Responses to Climate Change and Energy Issues

### TOPICS

#### Honda Begins Lease Sales of Electric Scooter PCX ELECTRIC

Honda commenced lease sales of the electric motorized scooter “PCX ELECTRIC” in November 2018 in response to climate change and energy diversification.

The PCX ELECTRIC, based on the PCX, is powered by a newly developed compact electric power unit. Two removable “Honda Mobile Power Pack” units enable the PCX ELECTRIC to travel up to 41 km\*1 on a single charge. For convenience, the mobile power packs can be charged while connected to the PCX ELECTRIC by using the supplied connector\*2, or by an optional external charger.

To collect a wide range of customer opinions and requirements regarding electric scooters, the PCX ELECTRIC will be monitored. In addition, feasibility tests

commenced in Japan for a bike-sharing service in the Tokyo metropolitan area and bike-rental service in tourist resorts.

Honda also plans to lease-sell the PCX ELECTRIC to corporate clients in Southeast Asia. In the Philippines, a feasibility test is underway for a surplus power utilization system using the PCX ELECTRIC.

Through monitoring as well as rental and sharing services, Honda will gauge electric scooter usability from the perspectives of business and personal use. The acquired data will be used in development to bring electric scooters even closer to customers.



PCX ELECTRIC



Honda Mobile Power Pack



\*1 60 km/h steady state test  
\*2 Compatible with 100 V/AC plug

7 Performance Report

— Environment ..... 41

Basic Approach

Global Management

Material Issues in the Environmental Dimension

— Responses to Climate Change and Energy Issues

Efficient Utilization of Resources

Preservation of Clean Air

Other Important Issues

Environmental Data

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135



Responses to Climate Change and Energy Issues

Three Initiatives to Achieve Environmental Performance Targets

Emissions from “use of products” account for approximately 80% of CO<sub>2</sub> emissions from Honda’s entire product life cycle. In light of this, Honda works to reduce CO<sub>2</sub> emissions during usage in all of its products, and manufactures and sells items that can be supplied with confidence as environmentally friendly products.

In addition, Honda is pushing ahead with the following three initiatives to realize its 2020 Product CO<sub>2</sub> Emissions Reduction Targets with a view to halving total CO<sub>2</sub> emissions by 2050 compared with 2000 levels while expanding production and sales globally.

- ① Reducing CO<sub>2</sub> emissions through efficiency improvements of internal combustion engines
- ② Reducing CO<sub>2</sub> emissions by introducing environmentally innovative technologies and diversifying energy sources
- ③ Eliminating CO<sub>2</sub> emissions through the use of renewable energy and total energy management

By implementing these in phases, Honda is steadily reducing CO<sub>2</sub> emissions with the aim of ultimately eliminating them.

By setting unique product guidelines at an advanced level for these three initiatives and making Honda products compliant with them, Honda is aiming to achieve this goal. The guidelines are articulated in the Honda Environmental Performance Standard (HEPS) formulated in 2011.

As a result of certification of products that were launched in FY2019, 27 motorcycle models, 1 automobile models and 2 power product models — a total of 30 models — were HEPS-certified. Cumulatively, this brings the number of HEPS-compliant products to 188 motorcycle models, 93 automobile models and 49 power product models, or 330 models in total.

In addition, there were no violations in product and service information or labeling in general.

DATA

|                                        |
|----------------------------------------|
| Global number of HEPS-compliant models |
|----------------------------------------|

> p.66

DATA

|                                           |
|-------------------------------------------|
| Number of HEPS-compliant models by region |
|-------------------------------------------|

> p.66





## 7 Performance Report

## — Environment ..... 41

Basic Approach

Global Management

Material Issues in the  
Environmental Dimension— Responses to Climate Change and  
Energy Issues

Efficient Utilization of Resources

Preservation of Clean Air

Other Important Issues

Environmental Data

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Responses to Climate Change and Energy Issues

## Corporate Activities Initiatives

With the aim of ultimately achieving zero CO<sub>2</sub> emissions and zero energy risk, Honda is focusing on the reduction of energy consumption and CO<sub>2</sub> emissions while expanding production/sales globally. In the future, Honda will aim at sustaining reduction until the rate of reduction of energy consumption exceeds the rate of increase of energy use for the manufacturing of products.

Toward the realization of the above-mentioned target, when building or renovating its plants Honda aggressively introduces the latest energy-saving technologies and know-how at plants, including the Saitama Factory's Yorii assembly plant that achieved a 30% reduction in per unit energy use compared with other Honda plants\*. To support the energy-

saving initiatives of various business sites operating around the world, the Company has built a mechanism for promoting information sharing among business sites and regions, and at the same time, it is enhancing technical support from Japan.

In addition, Honda is actively introducing renewable energy around the world. In FY2019, Honda utilized a total of 300 GWh of electricity generated through renewable energy such as solar and wind power.

Going forward, Honda will continue to use renewable energy befitting local conditions.

Although indirect energy consumption increased in fiscal 2018 due to increased production, the Company was able to reduce indirect GHG emissions through the utilization of renewable energy. (⇒ p. 62)



## TOPICS

## Sundiro Honda Completed New Plant in Taicang, Jiangsu Province

Sundiro Honda Motorcycle Co., Ltd., Honda's motorcycle production and sales joint venture in China, completed a new plant in Taicang, Jiangsu Province, China and operations commenced in August 2018.

Sundiro Honda has been working on a plan to relocate its plant from Shanghai to Taicang to enhance environmental friendliness, improve production efficiency and strengthen development functions. The Taicang plant implements the latest in production technology, such as pursuing the automation of various processes, and also includes development functions and a test course. In addition, it has enhanced initiatives for environmental friendliness by incorporating Honda's Green Factory concept. This includes not just zero emissions of water used at the plant through the recycling and evaporation system of wastewater. It also encompasses the adoption of LED lights as standard lighting and the installation of solar panels jointly with Taicang City. Together with this development, the Shanghai plant ceased production at the end of June 2018.

Forecasted to be approximately seven million units in 2018, China's motorcycle market is one of the largest markets in the world. The Taicang plant has the same

level of production capacity as that of the Shanghai plant (approximately 500,000 units per year). It will be one of the most important production bases for global exports, supplying motorcycles and parts to not only the local market but also more than 50 countries and regions around the world.



Taicang plant completed in 2018

\* Comparison with Saitama Factory's  
Sayama assembly plant

## 7 Performance Report

## — Environment ..... 41

Basic Approach

Global Management

Material Issues in the  
Environmental DimensionResponses to Climate Change and  
Energy Issues

## — Efficient Utilization of Resources

Preservation of Clean Air

Other Important Issues

Environmental Data

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Efficient Utilization of Resources

## Initiatives in the Development Stage

## 3R Pre-Assessment System

Honda introduced the 3R pre-assessment system, which assesses the 3R elements of each model to be newly developed in the stage of product development, for motorcycles in 1992 and for automobiles in 2001. The Company is striving to improve the level of 3R elements.

## Design Focusing on Reduction

Honda is making efforts in downsizing and weight reduction by considering alternative structures and materials for all components in each product, such as the body framework, engine and bolts. For example, the Company used thinner structural bumpers in the N-WGN as part of a reduction-oriented design geared toward creating a lighter product. The availability of materials with higher rigidity and fluidity along with advances in manufacturing technologies allowed Honda to reduce the weight of the previous design by approximately 20%, which had an average thickness of 3.0 mm, by using less resin in bumper production.

In Japan, Honda is progressively expanding the use of these enhanced structural bumpers in new models launched after the N-WGN. Overseas, it has begun rolling it out globally with the 2016YM Civic. The Company expects to further reduce material use by applying the new design worldwide.

## Design Focusing on Reuse/Recycling

Honda is engaging in structural design that takes into account easier recycling and maintenance, use of easily recyclable materials and recycled resins, and display of contents of materials for resin/rubber components, etc. For automobiles, the Company uses easily recyclable materials for a wide array of exterior/interior components, such as inner weather-stripping and the outer surface of instrument panels, and at the

same time has enabled the use of recycled materials for air conditioner ducts. In addition, we label resin and rubber parts with their constituent materials wherever possible to facilitate recycling.

As a result of the activities mentioned above, with regard to the recyclable rate\*<sup>1</sup> for all new and redesigned vehicles sold in FY2019, Honda is maintaining more than 90% for automobiles and more than 95% for motorcycles, as well as a recoverability rate of more than 95% for components/materials\*<sup>2</sup> used in power products.

## Initiatives at the Product Use Stage

## Recycling of End-of-Life Components

Honda collects and recycles end-of-life components generated from repair, replacement, etc., from dealers nationwide. In FY2019, the Company collected and recycled approximately 160,000 end-of-life bumpers. Collected bumpers are recycled and used for splash guards and other components of the Freed model.

Honda will continue the recycling of end-of-life components, including the collection/recycling of end-of-life hybrid vehicle drive batteries.

\*1 Index based on "Definition of Recyclable Rate for New Vehicles and Guidelines on Calculation Method" issued by Japan Automobile Manufacturers Association, Inc. (JAMA)

\*2 Recyclable rate that includes the thermal energy recovered; in accordance with calculation methods of recyclable rate for cars in ISO22628, etc.





7 Performance Report

— Environment ..... 41

Basic Approach

Global Management

Material Issues in the Environmental Dimension

Responses to Climate Change and Energy Issues

— Efficient Utilization of Resources

Preservation of Clean Air

Other Important Issues

Environmental Data

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

Efficient Utilization of Resources

Initiatives in the Disposal Stage

Initiative for Automobiles

The Act on Recycling, etc., of End-of-Life Vehicles (automobile recycling law) requires automakers to collect and properly treat three items: fluorocarbons, airbags and shredder dust (Automobile Shredder Residue (ASR)).

In FY2019, the number of Honda automobiles collected was approximately 480,000 for fluorocarbons (-2% from the previous fiscal year), approximately 470,000 for airbags (+2%) and approximately 520,000 for ASR ( $\pm 0\%$ ). Recycling rates for gas generators and ASR were 94.2% and 97.3%, respectively, which satisfy the recycling rates specified by ordinance of the relevant ministry (at least 85% for gas generators and at least 70% for ASR).

Initiative for Motorcycles

Honda joined hands with other motorcycle manufacturers in Japan and participating motorcycle importers and started to implement the voluntary recycling of motorcycles in October 2004. With the cooperation of related dealers, various companies in the motorcycle industry started this scheme for providing a safety net for the treatment of end-of-life motorcycles, the world's first of its kind. End-of-life motorcycles are collected at the dealers and the designated points of collection free of charge and are properly recycled at recycling facilities.

Regarding end-of-life motorcycles collected at designated points of collection, there were 1,368 Honda products in FY2019, which accounted for 65.0% of all units collected. The recycling rate of Honda products came to 97.4% on a weight basis, enabling us to achieve the target recycling rate of 95% since FY2014.

Corporate Activities Initiatives

Honda is making efforts to reduce the volume of waste generated through business activities.

The Company is stepping up 3R efforts that include resource reduction initiatives, such as the reduction of by-products through an increase in throughput yields. Honda does not import or export waste deemed hazardous under the terms of Annexes I, II, III, or VII of the Basel Convention. In addition, the Company is striving to eliminate all use of ozone-depleting substances (ODS) at business sites in accordance with the Montreal Protocol and local laws and regulations in the countries in which it operates, and there are no major emissions from any of its operations.



7 Performance Report

— Environment ..... 41

Basic Approach

Global Management

Material Issues in the Environmental Dimension

Responses to Climate Change and Energy Issues

Efficient Utilization of Resources

— Preservation of Clean Air

Other Important Issues

Environmental Data

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

Preservation of Clean Air

With the aim of preserving clean air, Honda is working to eliminate harmful substances in exhaust emissions from the tailpipe in the usage phase.

The engines of all commercial motorcycles have been switched to four stroke, with fuel injection (PGM-FI) being applied to at least 80% of models sold worldwide.

With regard to automobiles, Honda has gradually expanded models that are LEV\*1 3- SULEV\*2 30 emissions compliant, beginning with the Accord Hybrid released in 2013, thus meeting the California exhaust emissions standard, deemed to be the toughest in the world. The Accord Plug-in Hybrid was the first in the world to achieve SULEV20 status. Amid application and strengthening of exhaust emissions regulations in emerging countries, Honda is promoting response early on in various countries in Asia and the Middle East.

As for power products, Honda has cleared compliance of United States Environmental Protection Agency Phase 3 regulations, the most stringent in the world, through engine enhancement technology.

In addition, Honda is pushing ahead with initiatives in production, the process with the largest impact on the air, in an effort to preserve clean air.

In the production of automobiles, solvents found in paint and thinner used mainly in paint processes can generate Volatile Organic Compounds (VOC), the cause of photochemical oxidants. Honda's production activities in the past have sought to reduce VOC emissions such as through the introduction of a highly efficient paint process using robots; overhaul and increased recovery rate of thinners used for cleaning; and installation of equipment to incinerate and purify VOC. In addition to these initiatives, the Company introduced Honda Smart Ecological Paint that eliminates a middle coating process from a commonly used 4-coat/3-bake auto body painting process to realize a 3-coat/2-bake water-based painting process, thus reducing the generation of VOC. The technology was rolled out at the Yorii assembly plant, which sets the benchmark for environmental initiatives. Honda is working to bring in the state-of-the-art technology to all automobile plants worldwide.

In Japan, Honda set FY2011 VOC emissions intensity as the control value pursuant to the goal established by the Japan Automobile

Manufacturers Association and introduced voluntary efforts aimed at reduction from there. The Company has cleared this value every year since 2010. Honda will continue with these voluntary efforts going forward.



\*1 Low Emission Vehicle  
\*2 Super Ultra Low Emission Vehicle

7 Performance Report

— Environment ..... 41

Basic Approach

Global Management

Material Issues in the Environmental Dimension

Responses to Climate Change and Energy Issues

Efficient Utilization of Resources

Preservation of Clean Air

— Other Important Issues

Environmental Data

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

Other Important Issues

Conserving Water Resources

Cognizant of the potential for business activities to impact upstream and downstream water resources, Honda is also focusing on the conservation of water resources.

Since Honda seeks out communities where harmonious coexistence with nearby water sources is viable as potential plant locations, and builds plants in compliance with host countries’ environmental assessment laws and regulations, no water sources are significantly impacted by the Company’s water use. In addition, no water sources are affected by wastewater from Honda facilities since it treats wastewater and discharges treated water in accordance with applicable laws and regulations. Under these circumstances, Honda appropriately manages the amount of water used and works to manage and provide information on wastewater, which includes thorough quality control and disclosure of water quality test findings.

In addition, to minimize water use, various business sites are implementing initiatives based on regional circumstances, such as the utilization of recycled water and water conservation. The Company is also working to recycle and reuse water in manufacturing processes, which utilize about 4.8 million cubic meters of water each year, or about 20% of all water use by Honda. This ongoing effort includes consideration of installing full recycling systems that allow reuse of almost 100% of all water at Honda Engineering Co., Ltd. (Japan), the No.2 Plant at Honda Automobile (Thailand) Co., Ltd. (Thailand) and the No.2 Plant at Guangqi Honda Automobile Co., Ltd. (China).

Honda strives to reduce environmental impact during product usage. The Company’s lineup of engines for outboard motors consists solely of 4-stroke engines with the aim of reducing water contamination in the outboard motors being used around the world.

Besides promoting the conservation of water resources on its own accord, Honda manages a water conservation fund in North America under the Honda Marine Science Foundation, which supports the improvement and preservation of coastal areas for future generations through initiatives for marine ecosystem restoration and promoting resilience to climate change. Around US\$200,000 is provided as support every year, which contributes to the preservation of the local

environment. (Please refer to the link below.)

Honda has undertaken conservation activities for forest watersheds continuously since 1999 as part of its social contribution program. Production sites protect and manage the forest watersheds that they benefit from and strive to keep them optimized for each region. Aware of the fact that water is an indispensable resource supporting its business, Honda will continue implementing this activity. (Please refer to the link below.)

WEB

“Honda Marine Science Foundation”

> <https://www.honda.com/environment/marine-science-foundation>

WEB

“Forest watersheds”  
(Japanese only)

> <https://www.honda.co.jp/philanthropy/forest/about/>

## 7 Performance Report

## Other Important Issues

## Biodiversity Conservation

Recognizing that its business activities can have an impact on biodiversity, Honda has long been putting a great deal of effort into activities that have led to the conservation of biodiversity. The Company carried out tree-planting and water-recycling initiatives at its plants in the 1960s and launched the Community Forest program in 1976.

In 2011, the Company established the Honda Biodiversity Guidelines. As the basic statement, it stipulates as follows: "We recognize, under Honda's Environment Statement, that biodiversity conservation initiatives are an essential part of our commitment to the preservation of the global environment. We will continue to work toward harmony between this commitment and our activities."

Honda believes that minimizing the environmental impact resulting from its products and business activities represents the greatest contribution the Company can make to biodiversity conservation. The guidelines specify the priorities, including the development of environmental technology, initiatives based on corporate activities and initiatives for living in harmony with local communities, and Honda is actively promoting them.

Honda recognizes the emissions of GHGs and various other pollutants as two of the greatest impacts of business activities that threaten biodiversity. Consequently, the Company has set priorities under the Guidelines and is working systematically to minimize both impacts. Each of Honda's key business sites in Japan also conducts a survey on the actual conditions of biodiversity and is promoting various activities that are appropriate for the applicable species, such as thinning, pruning and eradication of non-native species. Moreover, Honda continues to carry out fixed-point observation and reporting on ecosystems in collaboration with "Monitoring Sites 1000" (a project for promoting the monitoring of survey sites of important ecosystems) implemented by the Japanese government as a member of the International Union for Conservation of Nature and Natural Resources (IUCN), which creates an annual Red List.

## PDF

Honda Biodiversity Guidelines

> [https://global.honda/content/dam/site/global/about/cq\\_img/sustainability/environment/report/report-biodiversity-en.pdf](https://global.honda/content/dam/site/global/about/cq_img/sustainability/environment/report/report-biodiversity-en.pdf)

## Management and Reduction of Chemical Substances

Honda works to ensure the appropriate management and reduction of chemical substances contained in automotive components from the product design and development stages in order to reduce those materials that impact the environment.

Laws and regulations have been introduced in each country to ensure the appropriate management of chemical substances and the reduction of harmful substances contained in automotive components. These legislations are based on a goal set by the United Nations in 2002 of minimizing the impact of chemical substances on people and the environment by 2020.

The International Material Data System (IMDS), a mechanism for collecting information throughout the supply chain on materials and chemical substances contained in components making up the vehicle, was developed in response to this trend largely by the German Association of the Automotive Industry. Honda is also tabulating and managing chemical substances via our independently developed global management system called the Management System of Chemical Substances (MoCS), which collects information based on IMDS.

Honda is moving ahead with the reduction of four types of heavy metals (lead, mercury, hexavalent chromium and cadmium) that are considered to have negative impacts on the environment while promoting management of chemical substances via MoCS. As an example, for all new and redesigned vehicles sold in Japan in FY2019, components that do not use mercury were chosen for combination meters. The Company is striving to eliminate the use of mercury on a voluntary basis.



## 7 Performance Report

## Environmental Data

## — Environment ..... 41

Basic Approach

Global Management

Material Issues in the  
Environmental DimensionResponses to Climate Change and  
Energy Issues

Efficient Utilization of Resources

Preservation of Clean Air

Other Important Issues

## — Environmental Data

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Scope of Consolidation

Environmental data are provided on pages 61 to 64 for the year ended March 31, 2019 from Honda Motor Co., Ltd. and 435 consolidated subsidiaries and affiliated companies in Japan and outside Japan (as of December 31, 2018).

## Honda GHG Emissions in FY2019

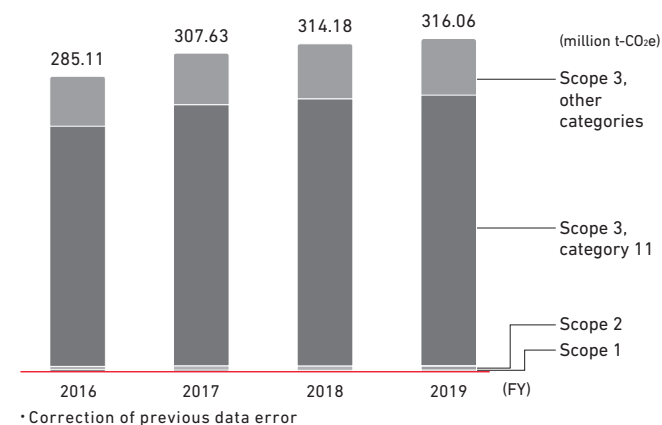
As a responsible company operating in the mobility industry, Honda believes in the importance of calculating and disclosing GHG emissions in order to drive progress in initiatives to reduce global emissions.

As the first milestone in this endeavor, in August 2012 Honda disclosed estimates of all FY2012 GHG emissions from its entire value chain in conformity with the GHG Protocol\*, currently the world's most widely used GHG emissions accounting standard. The Company became the world's first mobility company to release estimates of emissions not only from its own business activities (Scopes 1 and 2) but also from all upstream and downstream activities (Scope 3), extending from the procurement of raw materials to the transportation and customer use of Honda products and ending with the treatment of end-of-life products.

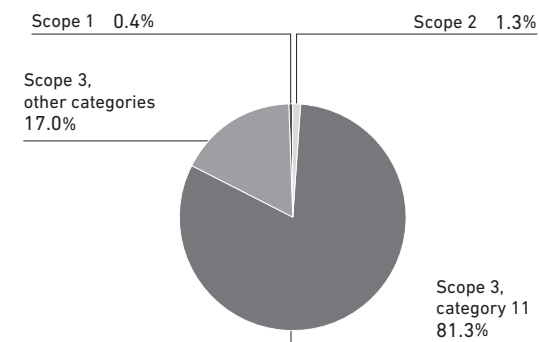
Honda continues to calculate and report its GHG emissions from its entire value chain and is making improvements to get a more accurate reading of emissions. The Company is doing this in Scope 3 (other indirect emissions), for example, by widening the boundaries of data collection for categories that account for the largest proportion of estimated emissions, and by improving the accuracy of calculation methods.

The calculations for FY2019 show that GHG emissions from Honda business activities were 5.47 million t-CO<sub>2</sub>e, and total emissions from the value chain, including other indirect emissions, were 316.06 million t-CO<sub>2</sub>e. Honda will continue to monitor and manage data and utilize this information in the actual implementation of emissions reduction measures.

Total GHG emissions



Breakdown of total FY2019 GHG emissions



\* The Greenhouse Gas Protocol: Development of the GHG Protocol was led by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI).

7 Performance Report

— Environment ..... 41

Basic Approach

Global Management

Material Issues in the Environmental Dimension

Responses to Climate Change and Energy Issues

Efficient Utilization of Resources

Preservation of Clean Air

Other Important Issues

— Environmental Data

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

Environmental Data

Reducing GHG Emissions from Use of Sold Products

Scope 3, category 11 emissions (emissions from use of products sold to Honda customers) account for more than 80% of GHG emissions from Honda’s entire value chain. This means finding ways to reduce emissions related to customer use of Honda products is of primary importance in reducing emissions from Honda’s value chain. To this end, the Company has established the target of reducing global average product CO<sub>2</sub> emissions intensity by 30% by 2020 (compared with 2000 levels), and is working to improve the fuel efficiency of our products.

Promoting Life-Cycle Assessment (LCA)

Honda has been developing its own methods to reduce the environmental impacts of its business activities and across product life cycles, from production through disposal.

In March 2002, the Company built the Honda Life-Cycle Assessment (LCA) Data System, a system for quantitatively measuring CO<sub>2</sub> emissions from all business activities. Since then Honda has been making focused efforts to meet reduction targets set for each business area including production, purchasing, sales and service, administration and transportation.

Honda is also calculating and assessing CO<sub>2</sub> emissions across product life cycles, from raw material procurement to product disposal for the entire vehicle, and making use of this information in its efforts to reduce CO<sub>2</sub> emissions for each model. This approach is also important when considering applications for the next-generation technologies that will become more diverse further in the future. Accordingly, the Company will utilize the above information further to develop low-carbon solutions at the development stage, for instance.



## 7 Performance Report

## — Environment ..... 41

Basic Approach

Global Management

Material Issues in the Environmental Dimension

Responses to Climate Change and Energy Issues

Efficient Utilization of Resources

Preservation of Clean Air

Other Important Issues

## — Environmental Data

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Environmental Data

Honda's total GHG emissions

|                                                 |                                              |                             | FY2016                        | FY2017 | FY2018 | FY2019                                     |
|-------------------------------------------------|----------------------------------------------|-----------------------------|-------------------------------|--------|--------|--------------------------------------------|
|                                                 |                                              |                             | (million t-CO <sub>2</sub> e) |        |        |                                            |
| GHG emissions from the entire Honda value chain |                                              | (Scopes 1, 2, and 3)        | 285.11                        | 307.63 | 314.18 | 316.06                                     |
| Breakdown                                       | Direct emissions from business activities    | (Scope 1)                   | 1.31                          | 1.28   | 1.35   | 1.38 <input checked="" type="checkbox"/>   |
|                                                 | Indirect emissions from energy use           | (Scope 2)                   | 3.84                          | 4.00   | 4.17   | 4.09 <input checked="" type="checkbox"/>   |
|                                                 | Emissions from Honda business activities     | (total of Scopes 1 and 2)   | 5.15                          | 5.28   | 5.52   | 5.47                                       |
|                                                 | Emissions from customer use of sold products | (Scope 3, category 11)      | 231.77                        | 252.59 | 255.56 | 256.87 <input checked="" type="checkbox"/> |
|                                                 | Other emissions                              | (Scope 3, other categories) | 48.19                         | 49.76  | 53.10  | 53.72                                      |
|                                                 | Other indirect emissions                     | (total of Scope 3)          | 279.96                        | 302.35 | 308.66 | 310.59                                     |

● Scope 1: Direct GHG emissions from business activities, as defined by the GHG Protocol (e.g., Combustion of fuel oil at a manufacturing plant, emissions from work vehicles and company cars). The Scope 1 figures presented in this report include all GHGs emitted directly by Honda Motor Co., Ltd. and its consolidated subsidiaries and affiliated companies worldwide (excluding relatively small-scale companies). In Japan, Honda uses the emission factor based on the Act on Promotion of Climate Change Countermeasures and in each region except Japan, emission factors from the 2006 IPCC Guidelines for National GHG Inventories. Figures for climate change potential coefficient are derived from the IPCC's Fourth Assessment Report (2007).

● Scope 2: Indirect GHG emissions from a company's use of energy, as defined by the GHG Protocol (e.g., electrical energy used by a manufacturing plant or office). The Scope 2 figures presented in this report include all GHGs emitted directly by Honda Motor Co., Ltd. and its consolidated subsidiaries and affiliated companies worldwide (excluding relatively small-scale companies). Honda adopts to the GHG Protocol's standard market-based method. In Japan, Honda uses electricity utilities emission factors based on the Act on Promotion of Global Warming Countermeasures. In each region except Japan, Honda uses electricity utilities emission factors and latest regional emission factors, and if unavailable, national emission factors from the IEA's Emissions from Fuel Combustion.

● Scope 3: Other indirect GHG emissions not included in Scope 1 and Scope 2, as defined by the GHG Protocol. Scope 3 is systematically broken down into 15 categories (e.g., category 11 includes emissions arising from the use of sold products; category 12 includes emissions arising from the end-of-life treatment of sold products).

● The "Scope 3, category 11" figures presented in this report represent the cumulative amount of GHGs that will have been emitted by products sold by Honda in the applicable fiscal year (automobiles, motorcycles, power products and aircraft) as a result of their use by customers from the time they received those products until they dispose of them in the future. Calculations cover the emission of approximately 90% of all motorcycles, automobiles, power products and aircraft sold worldwide under the Honda brand name. These emissions are calculated using the following formula for each model and adding the results: CO<sub>2</sub> emissions intensity x Annual distance traveled or Annual usage in hours x Product lifetime in years x Annual unit sales.

● CO<sub>2</sub> emissions intensity: Average annual mileage of each model set at same value per region or Annual consumption of each model and Average annual used time distinguish general business from business use.

● Annual mileage / Lifetime years of use: Referring to IEA estimation model, "SMP Model" etc.

● CO<sub>2</sub> emission factor: Referring to the GHG calculation guidelines that public authorities in each region issued. If there are no appropriate guidelines, reference from the ones of Japanese.  
 • Correction of previous data error

● The "Scope 3, other categories" figures presented in this report are the sum of emissions from categories 1, 2, 3, 4, 5, 6, 7, 9, 10, 12 and 15. As per the GHG Protocol, Honda excludes categories 8, 13 and 14 from its calculations, as these categories are either not part of Honda business activities or emissions from these categories are accounted for in other categories.

Data indicated with ☒ are scheduled to be reviewed for the independent practitioner's assurance.





## 7 Performance Report

## — Environment ..... 41

Basic Approach

Global Management

Material Issues in the  
Environmental DimensionResponses to Climate Change and  
Energy Issues

Efficient Utilization of Resources

Preservation of Clean Air

Other Important Issues

## — Environmental Data

Safety ..... 67

Quality ..... 79

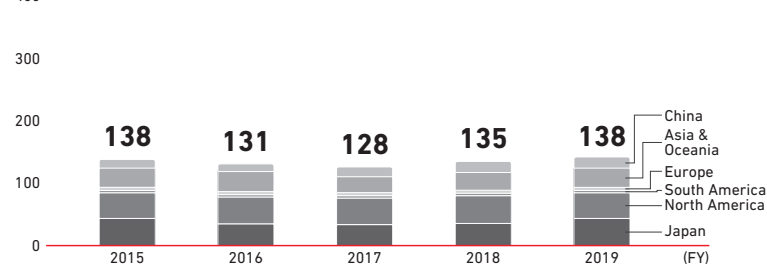
Human Resources ..... 96

Supply Chain ..... 118

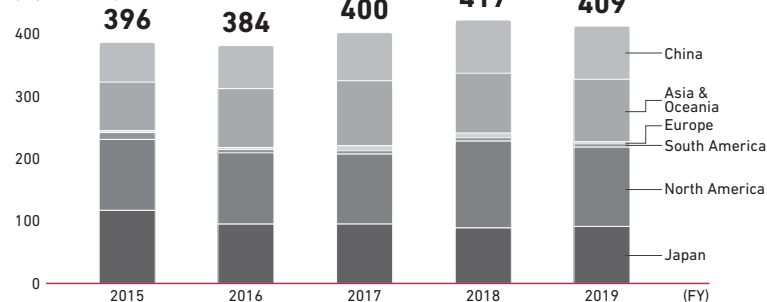
Social Contribution Activities ... 135

## Environmental Data

## GHG emissions

Direct emissions (Scope1) ☒(10,000 t-CO<sub>2</sub>e)

Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)  
 Calculation method: Emissions amount =  $\sum$  [Volume of fuel usage x CO<sub>2</sub> emission factor] + CO<sub>2</sub> emissions from non-energy sources +  $\sum$  [Volume of non-CO<sub>2</sub> GHG emissions x Global warming factors]  
 Emission factors  
 Japan: Emission factors based on the Act on Promotion of Global Warming Countermeasures  
 Regions outside of Japan: Emission factors from 2006 IPCC Guidelines for National GHG Inventories Figures for global warming potential coefficient: The IPCC's Fourth Assessment Report (2007)  
 • Figures of GHG emissions from non-energy source include some estimated values.  
 • Calculations are mainly based on emissions from stationary combustion sources.  
 • Expressed in three significant digits  
 • Correction of previous data error

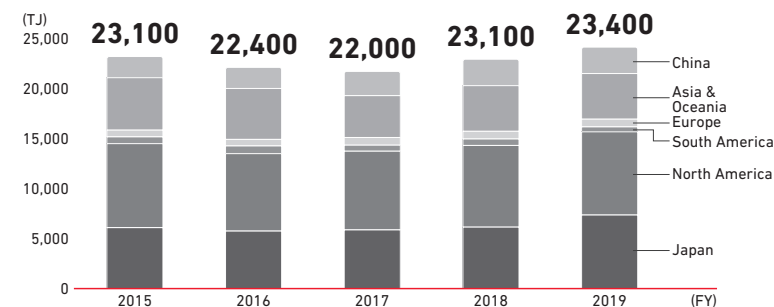
Indirect emissions (Scope2) ☒(10,000 t-CO<sub>2</sub>e)

Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group  
 Calculation method: Emissions amount =  $\sum$  (Purchased electricity consumption, etc.\*1 x emission factor)  
 Honda adopts to the GHG Protocol's standard market-based method.  
 Emission factor:  
 Japan: Electricity utilities emission factors based on the Act on Promotion of Global Warming Countermeasures  
 Regions outside of Japan: Electricity utilities emission factors and latest regional emission factors, if unavailable, national emission factors from the IEA's Emissions from Fuel Combustion.  
 \*1 Other includes steam and hot water, the emission factors is based on the Act on Promotion of Global Warming Countermeasures.  
 • Expressed in three significant digits  
 • Correction of previous data error

## Energy consumption

Direct energy consumption ☒

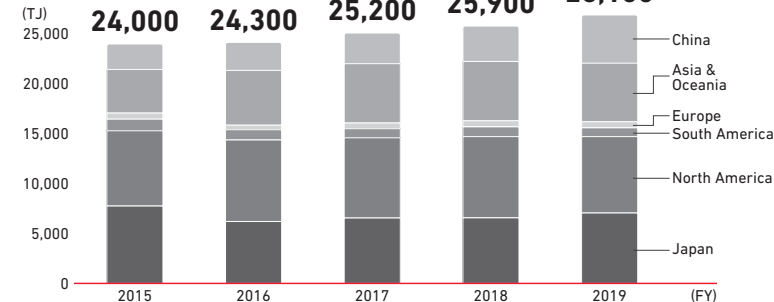
(TJ)



Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)  
 Calculation method: Consumption amount =  $\sum$  (Fuel consumption x unit calorific value)  
 Unit calorific value:  
 Japan: Unit calorific value from Reporting and Disclosure System based on the Act on Promotion of Global Warming Countermeasures  
 Regions outside of Japan: Derived from 2006 IPCC Guidelines for National GHG Inventories  
 • Calculations are mainly based on energy consumed by stationary exhaust sources.  
 • A terajoule (TJ) is a unit of energy, "tera" meaning 10<sup>12</sup>.  
 • Expressed in three significant digits  
 • Correction of previous data error

Indirect energy consumption ☒

(TJ)



Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)  
 Calculation method: Consumption amount =  $\sum$  (Purchased electricity consumption etc.\*1 x unit calorific value)  
 Purchased electricity has been converted to joules using the international standard 3.6 GJ/MWh.  
 \*1 Other  
 Unit calorific value:  
 Japan: Unit calorific value from Reporting and Disclosure System based on the Act on Promotion of Global Warming Countermeasures  
 Regions outside of Japan: 2006 IPCC Guidelines for National GHG Inventories  
 • Expressed in three significant digits



## 7 Performance Report

## — Environment ..... 41

Basic Approach

Global Management

Material Issues in the Environmental Dimension

Responses to Climate Change and Energy Issues

Efficient Utilization of Resources

Preservation of Clean Air

Other Important Issues

## — Environmental Data

Safety ..... 67

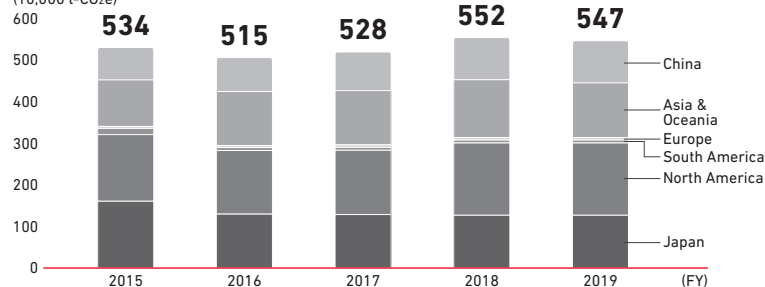
Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Environmental Data

Total GHG emissions (Scope 1 and 2) ☒(10,000 t-CO<sub>2</sub>e)

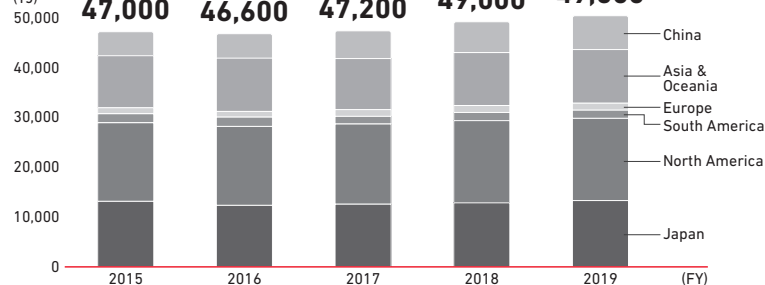
Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)

Calculation method: Total GHG emissions (Scope 1 and 2) = Direct GHG emissions + Indirect GHG emissions

- Expressed in three significant digits
- Correction of previous data error

Total energy consumption ☒

(TJ)

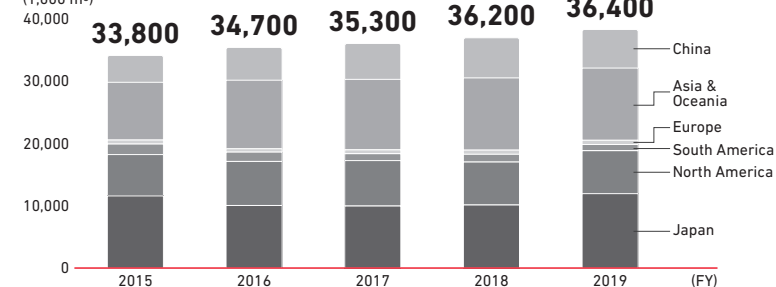


Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)

Calculation method: Total energy consumption = Direct energy consumption + Indirect energy consumption

- Expressed in three significant digits

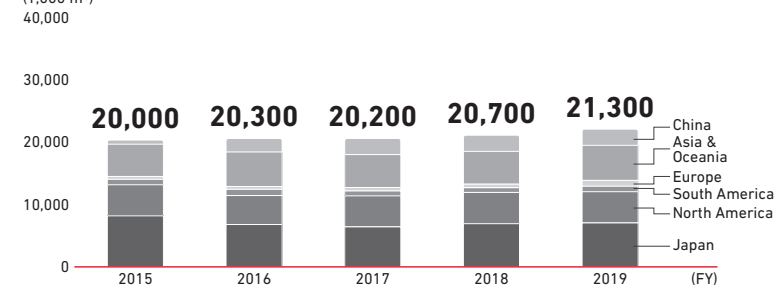
## Water intake/wastewater volume

Amount of water intake ☒(1,000 m<sup>3</sup>)

Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)

Calculation method: Amount of water intake =  $\Sigma$  (Purchased from the water facilities + Groundwater intake + Rainwater utilization amount + Surface such as rivers water intake)

- Expressed in three significant digits

Wastewater volume ☒(1,000 m<sup>3</sup>)

Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)

Calculation method: Volume amount =  $\Sigma$  (Wastewater processed by other companies + Discharge directly into public waters)

- Figures include some estimated values.
- Expressed in three significant digits



## 7 Performance Report

## Environmental Data

## — Environment ..... 41

Basic Approach

Global Management

Material Issues in the  
Environmental DimensionResponses to Climate Change and  
Energy Issues

Efficient Utilization of Resources

Preservation of Clean Air

Other Important Issues

## — Environmental Data

Safety ..... 67

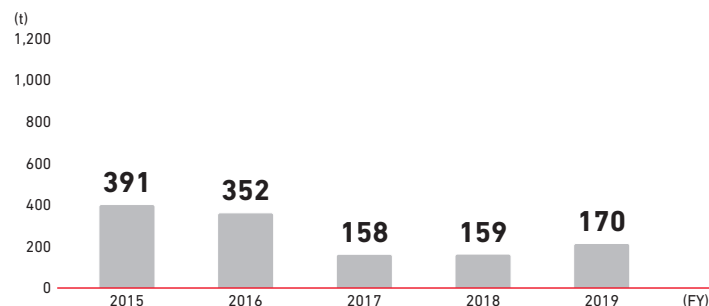
Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Atmospheric pollutants

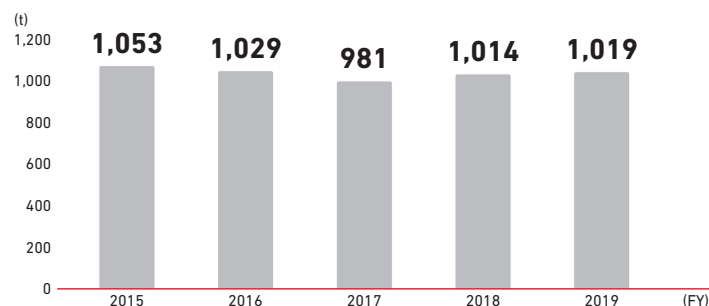
SOx emissions ☒

Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)

Calculation method: Emissions amount =  $\Sigma$  (Fuel consumption x Density x Sulfur content x 64/32)

• Calculations are based on fuel consumption.

Density: Derived from the translation coefficient list in Statistics Information by Petroleum Association of Japan  
Sulfur content: Derived from Act on the Quality Control of Gasoline and Other Fuels or the standard of LP gas (JIS K 2240)

NOx emissions ☒

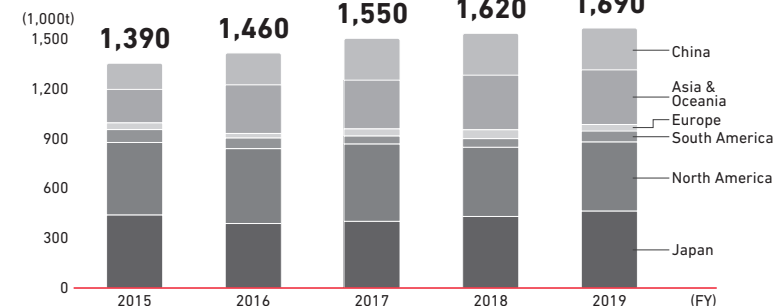
Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)

Calculation method: Emissions amount =  $\Sigma$  (Fuel consumption x Emission factor for each fuel)

• Calculations are based on fuel consumption.

Emission factor for each fuel: Derived from NOx emissions calculation table (combustion facilities that do not measure the amount of exhaust gas, etc.) on Environmental Activity Evaluation Program (Ministry of the Environment).

## Waste generated

Waste generated ☒

Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)

Calculation method: Emissions amount =  $\Sigma$  (Industrial waste + general administrative waste + valuable resources emission)

• However, regions outside of Japan are beyond the scope of data for industrial waste (excluding harmful waste defined in accordance with regulations in respective countries) and general administrative waste.

• Expressed in three significant digits



## 7 Performance Report

## — Environment ..... 41

## Basic Approach

## Global Management

## Material Issues in the Environmental Dimension

## Responses to Climate Change and Energy Issues

## Efficient Utilization of Resources

## Preservation of Clean Air

## Other Important Issues

## — Environmental Data

## Safety ..... 67

## Quality ..... 79

## Human Resources ..... 96

## Supply Chain ..... 118

## Social Contribution Activities ... 135

## Environmental Data

## Cost of environmental conservation activities and investments in FY2019

| Category                       | Major activities and investments                                                                                                                                                                                                                                                                                                                                                        | Investments (millions of yen) | Expenditures (millions of yen) |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|--------------------------------|
| Business area costs            | Pollution prevention costs <ul style="list-style-type: none"> <li>● Air, water, and soil pollution prevention</li> </ul>                                                                                                                                                                                                                                                                | 101                           | 218                            |
|                                | Global environmental conservation costs <ul style="list-style-type: none"> <li>● Global warming mitigation, ozone depletion prevention and other conservation activities</li> </ul>                                                                                                                                                                                                     | 1,558                         | 3,393                          |
|                                | Recycling costs <ul style="list-style-type: none"> <li>● Waste processing, treatment, reduction, elimination and recycling</li> </ul>                                                                                                                                                                                                                                                   | 108                           | 433                            |
| Upstream/downstream costs      | <ul style="list-style-type: none"> <li>● Collection, recycling, resale and proper disposal of products manufactured and sold</li> <li>● Industry organization and other membership fees</li> </ul>                                                                                                                                                                                      | 111                           | 144                            |
| Management costs               | <ul style="list-style-type: none"> <li>● Installation, operation and acquisition of certification for environmental management systems</li> <li>● Environmental impact monitoring and measurement</li> <li>● Management and training of associates and organizations responsible for environmental conservation (expenses for environment-related communications activities)</li> </ul> | 31                            | 1,695                          |
| Research and development costs | <ul style="list-style-type: none"> <li>● Research, development, planning and design for impact reductions across product life cycles (R&amp;D costs for advanced eco-cars, including EVs and PHVs)</li> </ul>                                                                                                                                                                           | 3,827                         | 110,668                        |
| Local conservation costs       | <ul style="list-style-type: none"> <li>● Environmental improvement measures, including ecosystem protection, cleanups, green space development and natural landscape conservation</li> <li>● Local conservation and communication activities (beach cleanups and watershed conservation activities)</li> </ul>                                                                          | 0                             | 307                            |
| Environmental damage costs     | <ul style="list-style-type: none"> <li>● Remediation of polluted soil</li> </ul>                                                                                                                                                                                                                                                                                                        | 0                             | 2                              |
| Total                          |                                                                                                                                                                                                                                                                                                                                                                                         | 5,736                         | 116,860                        |

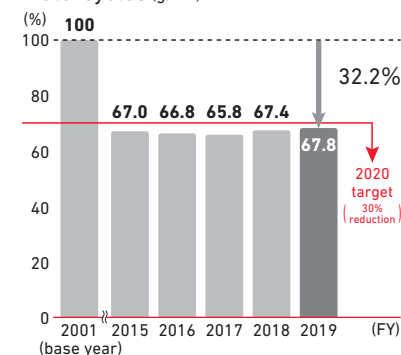
- Companies covered: Honda Motor Co., Ltd., Honda R&D Co., Ltd., Honda Engineering Co., Ltd. and Honda Access Corporation
- Accounting period: April 1, 2018 to March 31, 2019
- Some figures are estimated values.
- Guidelines, guidebooks and other environmental accounting publications by Japan's Ministry of the Environment were used as references.
- Figures were calculated on a cash-flow basis with depreciation and amortization expenses excluded.

## Economic benefits (Effect on revenue and expenses)

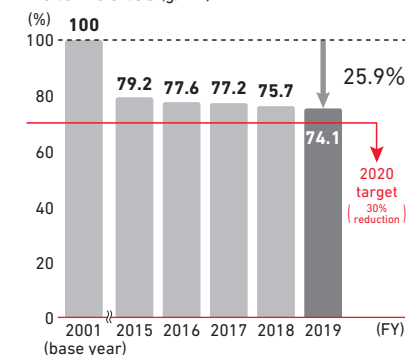
|                                              | FY2019 (millions of yen) |
|----------------------------------------------|--------------------------|
| Income from sale of valuable waste materials | 6,383                    |
| Cost reductions from saved energy            | Installed technologies   |
|                                              | Behavioral changes, etc. |
| Total                                        | 6,594                    |

Current status of achievement vs. 2020 product CO<sub>2</sub> emissions intensity reduction targets

## Motorcycles (g/km)

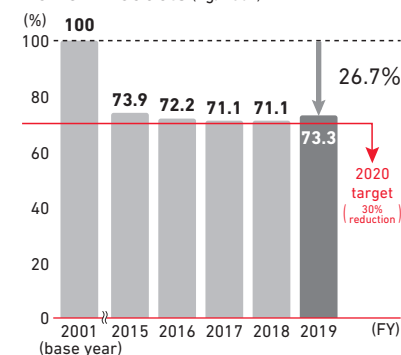


## Automobiles (g/km)



• Correction of previous data error

## Power Products (kg/hour)



## 7 Performance Report

### Environment ..... 41

Basic Approach

Global Management

Material Issues in the  
Environmental Dimension

Responses to Climate Change and  
Energy Issues

Efficient Utilization of Resources

Preservation of Clean Air

Other Important Issues

### Environmental Data

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

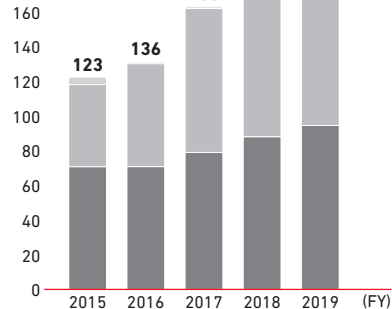
Social Contribution Activities ... 135

## Environmental Data

Global number of HEPS-compliant models

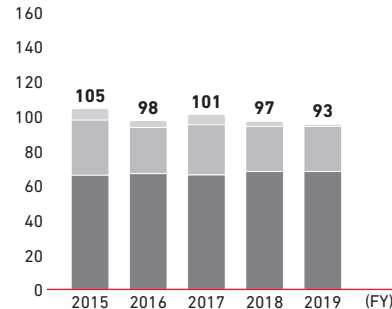
### Motorcycles

(Models)



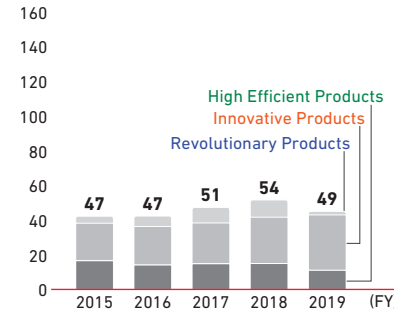
### Automobiles

(Models)



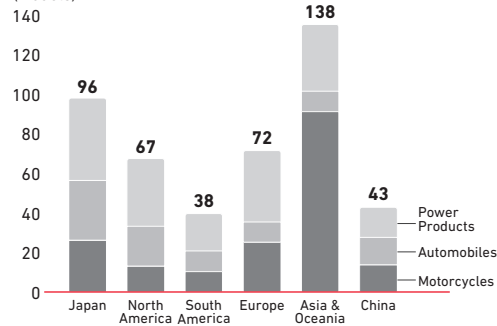
### Power Products

(Models)



Number of HEPS-compliant models by region (FY2019)

(Models)



# Safety



## Material Issues

- Reducing traffic fatalities
- Applying automation and information technologies to everyday life

7 Performance Report

Environment ..... 41

— Safety ..... 67

— Basic Approach

Safety Initiatives

Third-Party Evaluations

Quality ..... 79

Human Resources ..... 96

Supply Chain .....118

Social Contribution Activities ... 135

Basic Approach

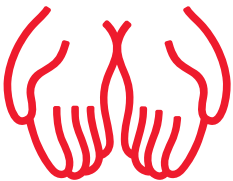
Toward a Collision-Free Mobile Society

As exemplified by the words of the Company’s founder Soichiro Honda that “as long as we are handling a mode of transportation, we are entrusted with human lives,” Honda is, on the basis of the concept of “Safety for Everyone,” aiming at a collision-free mobile society, where not only drivers and riders, but indeed everyone sharing the road, can safely and confidently enjoy the freedom of mobility.

Honda has a long history of engagement in safety initiatives dating back to the 1960s. Back then, in the period of development of motorization in Japan when there was not even a clear concept of “driving safety,” Honda started driving safety promotion activities, the first of their kind for motorcycle/automobile manufacturers. Later, the Company developed various technologies including the driver-side SRS airbag, the world’s first pedestrian dummies\*1 and the Advanced Compatibility Engineering (ACE) body structure\*2 that helps to protect occupants of both vehicles in a collision. In 2000, Honda built the world’s first indoor crash test facility, making it possible to conduct tests that better reflect real-world crash configurations.

Safety technologies developed as described above have been aggressively applied to various products. As for pedestrian dummies, in order to enhance safety for the traffic society as a whole, their use is not only limited to the development of Honda’s products. They are also leased to other companies and research institutions, widely contributing to studies on pedestrian protection.

Honda is actively working on traffic safety, giving attention to the actual conditions of traffic issues that exist in each period and regions.



Global Safety Slogan

Safety for Everyone

Honda dreams of a collision-free mobile society where our customers, and everyone sharing the road, can safely and confidently enjoy the freedom of mobility.



\*1 Anthropomorphic models used to reproduce the human body’s kinematics during vehicle-to-pedestrian collision with the aim of identifying parts of the vehicle body most often resulting in injuries and reducing pedestrian head injuries during the collision with a vehicle. The current third-generation dummies have more “realistic” neck, back and thighs in addition to the head, thus offering more accurate pedestrian kinematics after a collision and allow realistic collision analysis.

\*2 A safety body structure that efficiently distributes and absorbs frontal crash energy through the engine room. It offers significantly greater occupant protection and reduces damage to the other impacted vehicles.



## 7 Performance Report

Environment ..... 41

## — Safety ..... 67

## — Basic Approach

Safety Initiatives

Third-Party Evaluations

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Basic Approach

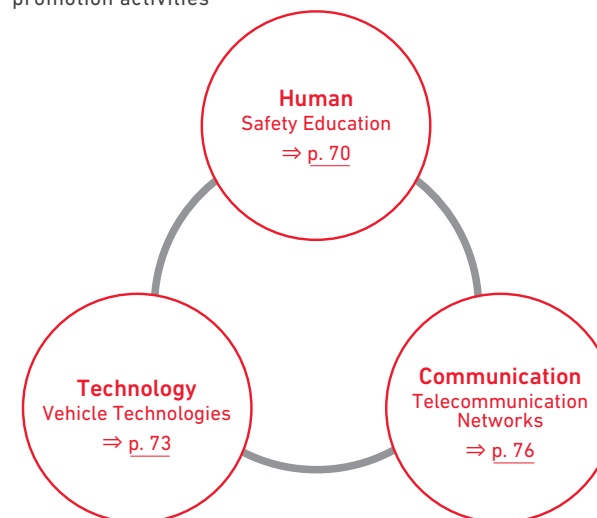
## Direction of Activities

Honda is conducting safety promotion activities in three areas: “Human (Safety Education),” “Technology (Vehicle Technologies)” and “Communication (Telecommunication Networks)” with the aim of realizing a collision-free mobile society.

However, issues concerning the traffic environment are diverse and vary from region to region, such as the over-concentration of traffic or poor infrastructure. Against this backdrop, Honda is rolling out initiatives that combine the three areas of “Human,” “Technology” and “Communication” in line with the actual conditions existing in each region.

In Thailand, for example, safety measures are an urgent challenge due to the high percentage of motorcycle riders among the number of traffic fatalities in particular compared with other parts of Asia. In response, Honda decided to conduct a detailed investigation from 2016 to 2020 to collect and analyze information on around 1,000 traffic accidents in Thailand. The investigation, still ongoing as of the end of FY2019, first pinpoints the fundamental cause of each accident. Based on the knowledge accumulated, Honda plans to develop activities to promote more suitable safe driving practices in the area of “Human” and connect this to the development of more effective safety-related technology in the area of “Technology.” This initiative is being expanded gradually in the respective regions of Asia and Oceania.

Three areas of safety promotion activities



## 7 Performance Report

Environment ..... 41

## — Safety ..... 67

Basic Approach

## — Safety Initiatives

Third-Party Evaluations

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Safety Initiatives

## Human (Safety Education)

## Honda's Approach

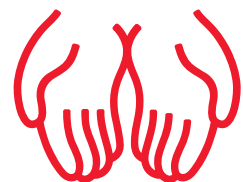
In 1970, Honda established the Driving Safety Promotion Center. Since then, through cooperation with Honda Traffic Education Centers\*, motorcycle/automobile/power product dealers, local corporations and schools, we have provided traffic safety education and training for drivers and riders to more than 6.47 million customers in Japan.

The basic ideas behind Honda's activities are based on "To pass on safety education from person to person," which focuses on people, and "To provide participatory hands-on education," in which people can experience hazards in a safe environment. These activities are based on three pillars. The first pillar is "Instructor Training," which nurtures instructors who will be responsible for traffic safety

education. The second is "Opportunity Creation," which provides people with opportunities to think and learn about traffic safety. The third is "Software Development," in which educational programs and equipment are developed to help increase learning effectiveness.

With regard to overseas activities, since Honda started driving safety promotion activities in Brazil in 1972, it has carried out activities in 39 countries and regions throughout the world including Japan, establishing Traffic Education Centers in various countries and cooperating with local dealers. Of those countries, emerging countries in particular contain areas where regulations, traffic rules and road infrastructure are not yet ideal despite the fact that motorization is rapidly progressing. As such, an increase in the number of fatal traffic accidents has become a social issue. Therefore, Honda is strengthening its activities in coordination with the applicable countries and the relevant people in local governments.

Countries and regions where traffic safety education and driving training are conducted



\* Honda facilities where internal and external instructors on traffic safety are trained and driving safety education is provided to corporations, schools and individual customers

## 7 Performance Report

Environment ..... 41

## — Safety ..... 67

Basic Approach

## — Safety Initiatives

Third-Party Evaluations

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Safety Initiatives

## FY2019 Activities

In FY2019, toward the realization of a “collision-free mobile society” as stated in the 2030 Vision, Honda evolved its activities in accordance with changes and the needs of traffic society in a new era on the basis of “passing on safety education from person to person” and “providing participatory hands-on education.”

“Honda Sensing” is a suite of advanced safety and driver-assistive technologies encompassing the Collision Mitigation Braking System (CMBS) and the False Start Prevention Function. In order to increase its use, it is crucial for customers to correctly understand its abilities and limitations. In 2018, as one effort in this area, Honda started providing advanced safety coordinator training for automobile dealers mainly at its Traffic Education Centers. The staff members who have participated in the training now host test-ride events for customers in their respective regions.

The Suzuka Circuit Traffic Education Center has been providing a program that checks the driver’s driving habits since 2017. Using Honda’s original driving evaluation system called Honda Driving Style Proposal (HDSP), the program is provided as part of safe driving training held at the Center for corporate and other customers. Honda also developed a simplified USB-type measuring device to collect pre- and post-training driving data and started verifying improvements in participants’ driving behavior in 2018.

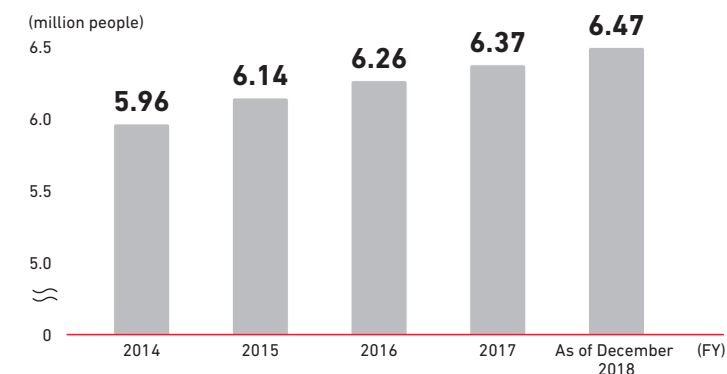
For protecting children from pedestrian accidents, Honda developed an educational program for early elementary school students in 2017, which has since been providing the program nationwide.

In 2018, Honda also developed a new program for the parents and guardians of small children to help them recognize the importance of traffic safety education at home. The program aims to enable parents of preschoolers to think about what they should do to protect their children. By asking them how to walk safely on a street and why it is important to wear a helmet when riding a bicycle and use a child seat when driving a car, the program is designed to facilitate recognition and understanding among parents.



Program for the parents and guardians of small children and the training using the program

Participation in traffic safety promotion activities in Japan (total)



## 7 Performance Report

Environment ..... 41

## — Safety ..... 67

Basic Approach

## — Safety Initiatives

Third-Party Evaluations

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Safety Initiatives

Additionally, Honda's Safety Map integrates three types of information collected through its "Internavi" car navigation system: areas prone to emergency braking; high-accident locations based on traffic accident data; and online posts on road hazard information by local residents. The Map has been used by the police and road management authorities, actually leading to road improvements and contributing to lower traffic accidents. In 2018, an agreement relating to the promotion of traffic accident prevention measures was concluded with Shiga Police Headquarters.

As one of the ongoing efforts to help people with higher cerebral dysfunction to resume driving, Honda provided support for collaboration between the Authorized Drivers School Association and Association of Occupational Therapists in the respective prefectures of Kumamoto and Kagoshima in 2018. Honda has been supporting each region in Japan to autonomously enhance their help toward people trying to resume driving.

In the area of devices for traffic safety education, Honda fully revamped its Riding Simulator in 2017. The updated, lightweight and compact simulator with an improved representational ability to provide better hazard prediction education has been well received and used by many driving schools.

Overseas, Honda Motor (China) Investment Co., Ltd. (HMCi), a Honda subsidiary in China, started internal training to nurture motorcycle chief instructors with the aim of reducing traffic accidents in China.

A.P. Honda Co., Ltd, a Honda affiliate responsible for distributing Honda motorcycle products in Thailand, has posted Accident Prediction Training (APT) animation on its website as a new initiative to help more people learn about hazard prediction. Honda provided advice on the APT animation production based on its accumulated know-how on hazard prediction training.

## TOPICS

## Launching Development of a New Educational Program for Elderly Drivers

The most common cause of traffic accidents involving elderly drivers is inappropriately performed driving operations, such as confusing the gas pedal for the brake pedal. In response, Honda started developing a new educational program targeting this age group. The program encourages them to look at their everyday safety awareness and driving behavior and to recognize the importance of safety actions that are necessary to prevent accidents. Honda conducted the program on a trial basis at its car dealers in 2018, and after repeated testing, intends to launch and increase the use of the program in and after April 2019.



Program sessions with elderly drivers at a car dealer

## Conducting Training in Japan to Nurture Instructors in China

Honda Motor (China) Investment Co., Ltd. (HMCi), a Honda subsidiary in China, started holding training to nurture motorcycle chief instructors to help reduce traffic accidents in China at the Active Safety Training Park within the Twin Ring Motegi circuit in Japan. The program aims to have these chief instructors provide training for dealer staff to cultivate safe riding instructors.



Training to nurture chief instructors



## 7 Performance Report

Environment ..... 41

## — Safety ..... 67

Basic Approach

## — Safety Initiatives

Third-Party Evaluations

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Safety Initiatives

## Technology (Vehicle Technologies)

## Honda's Approach

Honda has engaged in the development of safety technology focusing on real traffic and collisions involving multiple types of road users. The Company is dedicated to developing safety technology, consistently setting higher targets often exceeding requirements in a spirit that “if it does not exist, we will make it.”

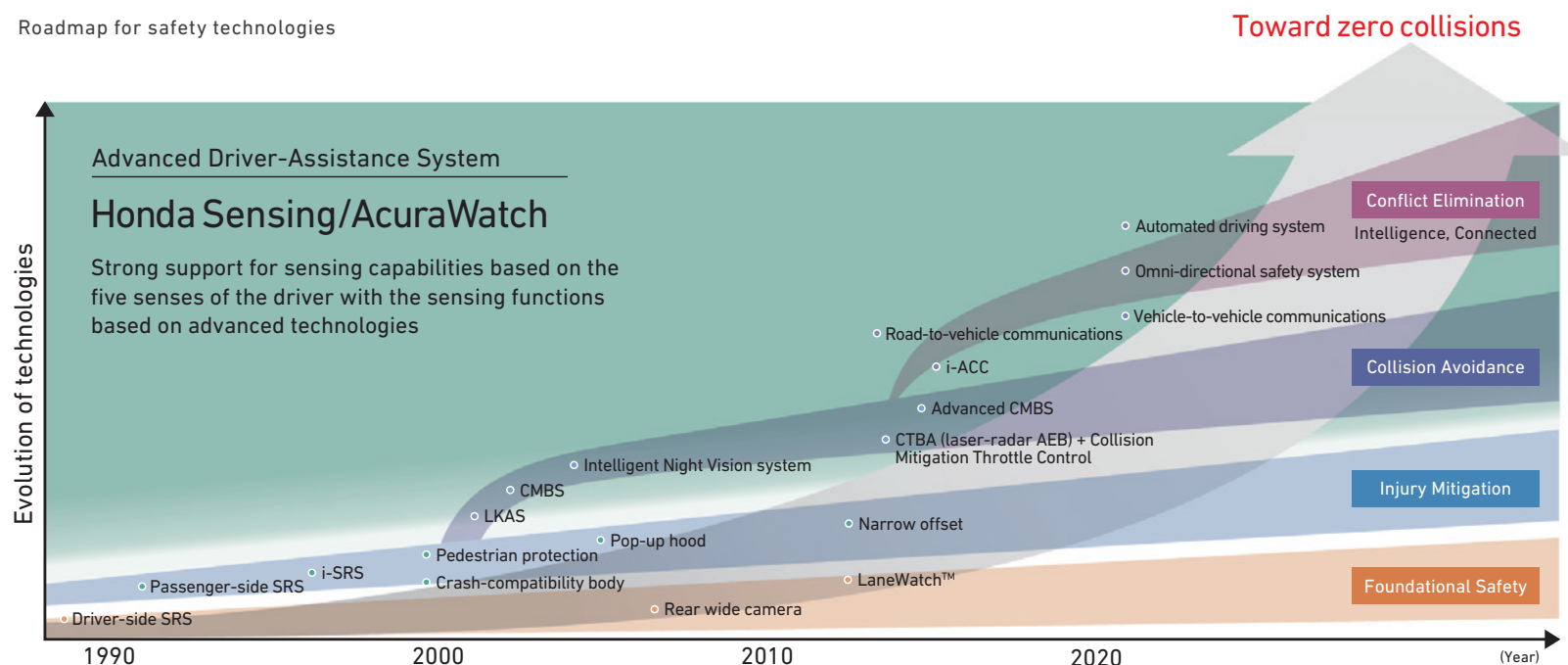
The Company has been developing and commercializing safety technologies one after the other. In 1998, Honda developed the world's first pedestrian dummies, while it built the world's first indoor, all-weather omni-directional crash test facility in 2000. In 2003, Honda developed the

crash-compatibility body and the world's first Collision Mitigation Brake System (CMBS).

In 2014, the Company announced “Honda Sensing/AcuraWatch,” new advanced safety and driver-assistive technologies. “Honda Sensing/AcuraWatch” is a general term for advanced safety technologies that will lead to automated driving technologies in the future. It assists the driver from normal driving to collision avoidance based on information on the surroundings of the vehicle, collected through the use of sensors and other elements.

Honda will steadily continue to develop technologies as indicated in the roadmap for safety technologies for automobiles (see the diagram below), with an aim to realize “a collision-free mobile society” where anybody using the road can do so in safety.

Roadmap for safety technologies



## 7 Performance Report

Environment ..... 41

## — Safety ..... 67

Basic Approach

## — Safety Initiatives

Third-Party Evaluations

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Safety Initiatives

## FY2019 Activities

The “Honda Sensing/AcuraWatch” advanced safety and driver-assistive system continues to be used in an increasing number of models since its launch in the three regions of Japan, the United States and Europe in 2015.

In Japan, Honda has installed this system in more models in the mini-vehicle and compact vehicle categories, such as the N-BOX, Grace and Shuttle, and has been increasing the number of models offering the system as a standard feature. The N-VAN, released in July 2018, is the first model among Honda’s van-type mini-vehicles to adopt “Honda Sensing” as standard in all available models\*.

In the United States, almost all models are now offered with Honda Sensing, including the Fit and HR-V (Vezel in Japan) in the compact vehicle category. In April 2018, accumulated sales of vehicles equipped with the system reached the one-million mark. Honda aims to install Honda Sensing in all vehicles sold in the United States by 2022.

Also, Honda has been increasing the use of the system by equipping it on the Jazz (Fit in Japan) and HR-V in Europe, Fit in China and CR-V in Thailand.



\* A version without Honda Sensing is also available in some types.



## 7 Performance Report

Environment ..... 41

## — Safety ..... 67

Basic Approach

## — Safety Initiatives

Third-Party Evaluations

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Safety Initiatives

## TOPICS

## Participated in the ITS Asia-Pacific Forum Fukuoka 2018 in May 2018

An Intelligent Transport System (ITS)\*1 helps to resolve problems related to road traffic by connecting roadside infrastructure, vehicles and drivers. Under its global safety slogan, "Safety for Everyone," Honda has been working to realize an ITS to provide safety and security to all road users.

From May 8 to 10, 2018, Honda participated in the 16th ITS Asia-Pacific Forum Fukuoka 2018, the largest ITS promotion event in the Asia-Pacific region.

At the event, held for the second time in Japan in 22 years, Honda presented its efforts concerning technology development for an autonomous safety and driver-assistive system as well as its commercialization and promotion of widespread use. The exhibition also included its technologies for automated highway driving.

An on-road test-ride event was also held in Fukuoka City. The event used the Accord, the world's first Traffic Signal Prediction System (TSPS)\*2 compatibility car on the market, and provided visitors an opportunity to experience Honda's safety and driver-assistive system.

Through academic conferences, technology exhibitions and other opportunities, Honda will continue to present its safety efforts to a broad audience, including policymakers and experts both in and outside Japan. Such efforts include the development of vehicle-infrastructure cooperative support systems and safety initiatives using telematics. While collaborating with external partners involved in road traffic, Honda intends to gain a greater understanding of its activities that aim to create a better traffic environment.

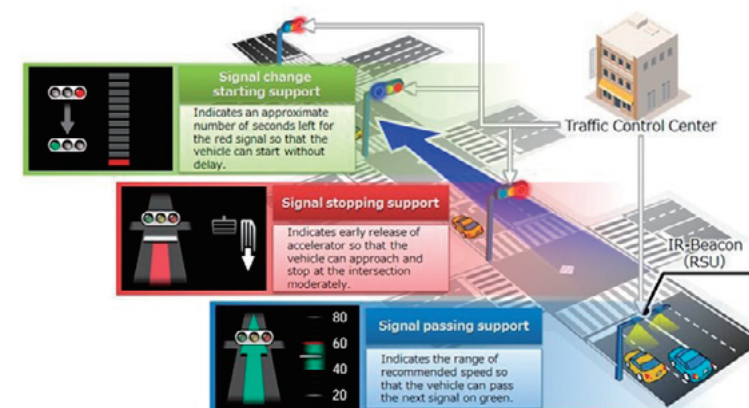


Advanced infrared (IR) beacons installed in Fukuoka City



Multi-information display to show guidance to drivers to maintain speed or slow down based on traffic signal data

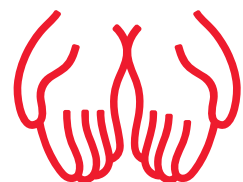
## TSPS operation



Honda's exhibition booth



TSPS test-ride



\*1 A system to pass information between drivers, roadside infrastructure and vehicles to resolve issues related to road traffic, such as accidents, traffic jams and environmental measures

\*2 A system to provide drivers with appropriate information based on traffic signal timing data from advanced IR beacons installed along the road. It helps to facilitate crossing an intersection and prompt starting as the signal changes to green.



7 Performance Report

Environment ..... 41

— Safety ..... 67

Basic Approach

— Safety Initiatives

Third-Party Evaluations

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

Safety Initiatives

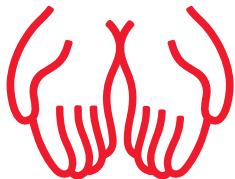
Communication  
(Telecommunication Networks)

Honda's Approach

In 1998, Honda started to offer “Internavi,” a car navigation system equipped with communication functions that provides information on traffic congestion through the use of driving data gathered from Honda vehicles. In addition to the usefulness mentioned above, Honda started to offer weather information in 2004 and disaster information in 2007. By utilizing the telematics service that integrates communication and information, the Company has started to provide drivers with information that will help them drive more safely and more comfortably.

In Japan, as one form of progress from these initiatives, Honda has created a “Safety Map” currently used by many people. Various information, such as emergency braking applied by cars, information on traffic accidents provided by the police and local governments, traffic information provided by local residents and other relevant information, is integrated and analyzed to generate the Safety Map. The Map tells local residents and drivers in advance about places on the road that require special caution.

In addition, Honda is currently focusing on building a system to integrate Honda Sensing/AcuraWatch technologies and the telematics service. The system will provide information on traffic conditions and traffic accidents risks on a real-time basis using wireless communication such as Wi-Fi to connect vehicles equipped with sensors or GPS and smartphones carried by people in the surrounding areas. Honda is striving to realize “a collision-free mobile society” where everyone sharing the road can safely and confidently enjoy the freedom of mobility.



## 7 Performance Report

Environment ..... 41

## — Safety ..... 67

Basic Approach

## — Safety Initiatives

Third-Party Evaluations

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Safety Initiatives

## TOPICS

## Feasibility Testing of Smart Intersection Technology in Marysville, Ohio

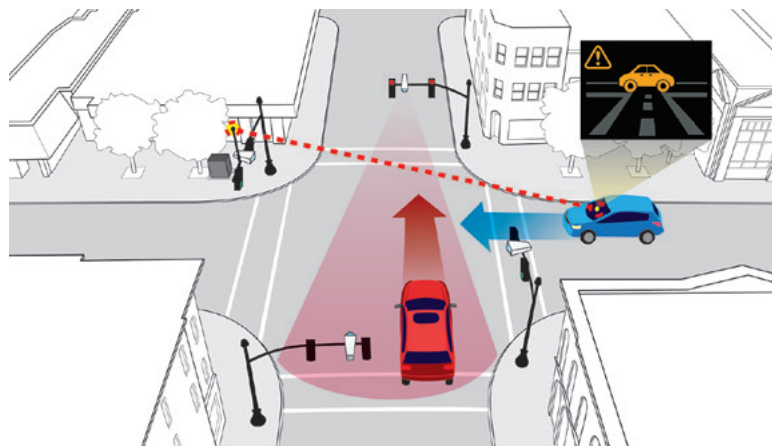
Since October 2018, Honda R&D Americas, Inc. (HRA), Honda's research and development subsidiary in the United States, has been carrying out a feasibility test of V2X communication to reduce traffic collisions at an intersection in Marysville, Ohio. The test has been promoted in partnership with the City of Marysville as part of the 33 Smart Mobility Corridor Project, to which the City and the State of Ohio had applied and been accepted by the Department of Transportation.

In the feasibility test, HRA has set up a "Smart Intersection" system, consisting of advanced cameras and dedicated short-range communications (DSRC) devices, at an intersection in Marysville and installed DSRC devices and driver displays in 20 of its vehicles. HRA plans to further increase the number of connected vehicles in the future.

One notable characteristic of the Smart Intersection system is that it is capable of providing connected vehicles with location and alert information on both connected and unconnected vehicles. It detects approaching objects, such as emergency vehicles and pedestrians, and warns the driver through an cooperative network. The system is designed to help prevent traffic accidents, including collisions at roadway intersections.

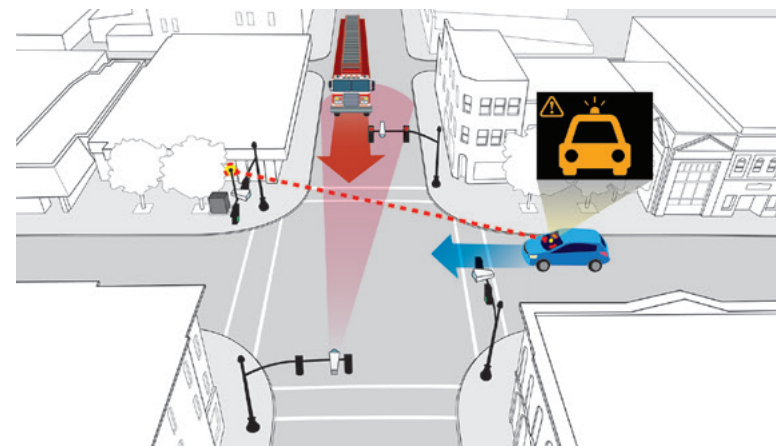
Intersection collisions account for roughly 50% of all collisions and 20% of traffic fatalities in the United States. Honda believes that V2X technology will play a key role in realizing a zero-collision society and that their evolution will provide a safer traffic society.

Detecting a Red-Light Runner

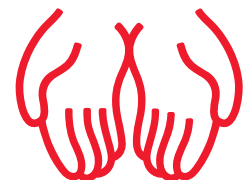


The system senses the speed and direction of vehicles approaching the intersection from all directions. A connected vehicle can warn the driver of a potential collision if likely to occur, such as in a red-light-runner scenario.

Detecting an Emergency Vehicle



The system visually detects when an emergency vehicle's light bar is activated and broadcasts that status. Nearby connected vehicles can warn the driver before the driver may see or hear the emergency vehicle.



7 Performance Report

Environment ..... 41

— Safety ..... 67

Basic Approach

Safety Initiatives

— Third-Party Evaluations

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

\*1 This refers to New Car Assessment Program. This is a program that tests and evaluates the safety performance of cars, which is performed by public organizations in various regions. Testing and evaluation methods are different for each region. Ratings range from 0★ to 5★ (5★ is the highest rating in some regions).

\*2 This refers to Advanced Safety Vehicle. Advanced safety performance, which includes the technology for automatic braking when a collision is not avoidable, is tested and evaluated. The four levels of ASV, ASV+, ASV++ and ASV+++ are used to assess the vehicles.

\*3 This refers to China Insurance Automotive Safety Index. It tests and assesses the safety performance of vehicles, in which the four grades of G (excellent), A (good), M (general) and P (poor) are used. The purpose of the assessment is to improve the safety of vehicles and reduce the insurance premium.

\*4 The organization conducts the car assessment that tests and evaluates the safety performance of various cars. IIHS only awards TSP and TSP+ to vehicles that achieved excellent test results. TSP refers to Top Safety Pick.

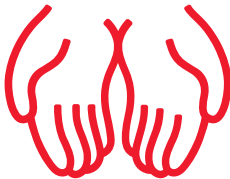
Third-Party Evaluations

Honda's Approach

Many of Honda's models have achieved high safety assessments from NCAP\*1 in various regions. In Japan, the N-VAN was evaluated as "ASV+++"\*2, the highest rank, in the JNCAP's preventive safety assessment.

Results of key third-party evaluations (tests conducted in FY2019)

| Country / Region | Third-party evaluation |        | Model                               |
|------------------|------------------------|--------|-------------------------------------|
| Japan            | JNCAP                  | 5 ★    | Odyssey                             |
|                  |                        | ASV+++ | N-VAN / CR-V / Insight              |
| Europe           | Euro NCAP              | 5 ★    | CR-V                                |
| China            | C-NCAP                 | 5 ★    | CR-V                                |
|                  | C-IASI*3               | GGG    | Accord                              |
| U.S.A.           | NCAP                   | 5 ★    | Insight / RDX                       |
|                  |                        | IIHS*4 | TSP+    Insight / RDX               |
|                  |                        |        | TSP      HR-V / Pilot               |
| Australia        | ANCAP                  | 5 ★    | Performance not evaluated in FY2019 |
| Southeast Asia   | ASEAN NCAP             | 5 ★    | Performance not evaluated in FY2019 |
| Latin America    | Latin NCAP             | 5 ★    | Performance not evaluated in FY2019 |



TOPICS

N-VAN Receiving the Highest Rating in the JNCAP's Preventive Safety Assessment

The N-VAN achieved the highest rating in the JNCAP's FY2019 Preventive Safety Assessment (ASV+++). The N-VAN earned a perfect score in the test for a collision damage mitigation brake system that detects pedestrians (at night with street lighting), a new category added to the FY2019 assessment.



N-VAN

Honda CR-V Sold in the United States Receiving the Highest Pedestrian Detection and Crash Prevention Ratings from IIHS

The Honda CR-V earned the highest rating in the Insurance Institute for Highway Safety's (IIHS) pedestrian detection and crash prevention assessment of small sports utility vehicles (SUV).

IIHS performed the testing for the first time with the goal of reducing pedestrian crashes. The result was announced in February 2019.

According to IIHS, pedestrian fatalities in the United States has increased by 45% compared with 2009 when the number reached the lowest point, and 5,977 people were killed in car crashes in 2017. IIHS believes that "autobrake systems that can detect and brake for pedestrians are one important countermeasure to address the problem."



Honda CR-V undergoing a pedestrian dummy test (photo courtesy of IIHS)

# Quality



## Material Issues

— Assuring outstanding product quality

7 Performance Report

Environment ..... 41

Safety ..... 67

— Quality ..... 79

— Basic Approach

Global Management

Quality Initiatives

Third-Party Evaluation

Human Resources ..... 96

Supply Chain .....118

Social Contribution Activities ... 135

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, that would seem like a pretty good record. However, the customers who become the 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. That’s 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 taking new initiatives to reach high product quality standards.

Honda offers products founded on safety and a new level of outstanding quality to strengthen customer trust. To this end, Honda has created a quality cycle (⇒ [p. 84](#)) that continuously enhances quality at every stage encompassing design, development, production, sales and 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 stated that being the number one in customer satisfaction in all points of contact is a primary objective of activities. 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 Honda products and services.

## Offering a New Level of Outstanding Quality

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

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

Honda seeks to create new value through open innovation, with examples including accelerating introduction of powertrain electrification as well as driver-assistive technologies to eliminate traffic accidents. Honda also aims to team up with other companies, including from other industries, to challenge new forms of mobility that incorporate the Internet of Things (IoT).

Moving ahead, Honda aims to reduce trouble at all points of customer contact alongside evolution in mobility and living in addition to ensuring the utmost quality in products and services provided to customers. The pursuit of quality in each domain allows the evolution of activities that realize a new level of outstanding quality.



quality

## 7 Performance Report

|                                    |           |
|------------------------------------|-----------|
| Environment .....                  | 41        |
| Safety .....                       | 67        |
| <b>— Quality .....</b>             | <b>79</b> |
| Basic Approach                     |           |
| <b>— Global Management</b>         |           |
| Quality Initiatives                |           |
| Third-Party Evaluation             |           |
| Human Resources .....              | 96        |
| Supply Chain .....                 | 118       |
| Social Contribution Activities ... | 135       |

## Global Management

### Quality Management System and Quality Enhancement Promotion System

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

As Honda's production and parts and materials sourcing expand globally, a shared global quality management system is essential to ensure that all Honda facilities continue to generate 120% product quality consistently. G-HQS established in April 2005 serves as the foundation of this system.

G-HQS is a set of fundamental standards supporting quality assurance and improvement activities in all sections based on Honda's Quality Cycle. The aim is to improve the quality of Honda brand products manufactured and sold around the world. Each facility complies with G-HQS to enable the horizontal development of a quality assurance system across the board and contribute to quality assurance not only in production activities but also in logistics and services.

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

Based on ISO9001\* criteria to which Honda production facilities in Japan and around the world have been certified, G-HQS represents the accumulation of knowledge Honda has gathered independently in producing quality products and thoroughly preventing previous issues from recurring. As such, it is able to conform with ISO certification standards.

As of the end of March 2019, 62 of the 67 Honda facilities had acquired ISO9001 certification.

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



## 7 Performance Report

Environment ..... 41

Safety ..... 67

### — Quality ..... 79

Basic Approach

#### — Global Management

Quality Initiatives

Third-Party Evaluation

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Global Management

### 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 the challenges found in different regions with countermeasures formulated for them. The management of this initiative and information-sharing are conducted regularly at the Global Quality-related Meetings. Each of the Honda businesses (i.e., Automobile, Motorcycle and Power Products) holds its own Global Quality-related Meetings.

In the area of customer service, Honda has devised an action policy focused on each customer so that it can create value through service and provide a feeling of joy in continuing to use Honda products. Persons responsible for departments involved in quality from the headquarters and regions hold joint Global Aftersales Business Meetings to share this policy and measures globally. Productive measures and initiatives shared at the 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 (CIE) Meeting | 2          |
|                     | Automobile     | Global Automobile Quality Meeting              | 3          |
|                     |                | Global CIE Meeting                             | 1          |
| Aftersales business | Power Products | Power Product CIE Meeting                      | 1          |
|                     | Motorcycle     | Global Aftersales Business Meeting             | 2          |
|                     | Automobile     |                                                |            |
|                     | Power Products |                                                |            |



Global Automobile Quality Meeting



Global Chief Inspecting Engineer Meeting (Motorcycle)



**quality**



## 7 Performance Report

|                                    |           |
|------------------------------------|-----------|
| Environment .....                  | 41        |
| Safety .....                       | 67        |
| <b>Quality .....</b>               | <b>79</b> |
| Basic Approach                     |           |
| <b>Global Management</b>           |           |
| Quality Initiatives                |           |
| Third-Party Evaluation             |           |
| Human Resources .....              | 96        |
| Supply Chain .....                 | 118       |
| Social Contribution Activities ... | 135       |



## Global Management

### Quality Management Education

Honda offers quality management training based on in-house qualifications and the level of quality control responsibilities with the aim of improving associates' quality assurance skills.

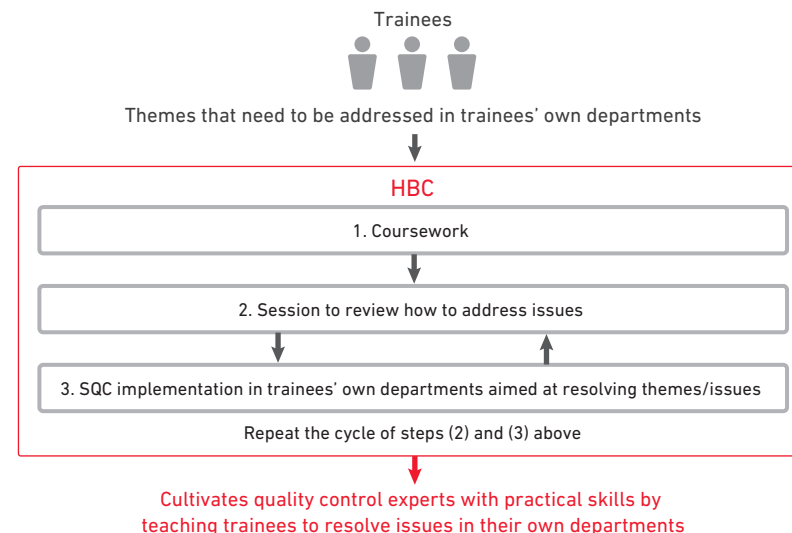
In Japan, Honda offers a training curriculum with four courses divided into basic training and specialized training. As part of this, the Honda QC Basic Course (HBC) is open not only to Honda associates but also to suppliers and focuses on training experts in all aspects of Honda quality management.

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



Providing education on quality control

HBC flow



Training curricula content

| Category             | Course name                              | Course content                                                                                                                                                                                           | Period           |
|----------------------|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Basic training       | QC Junior (QC J) Course                  | Targets associates six months to one year after joining Honda to learn the basics of quality control techniques.                                                                                         | 1 day            |
|                      | QC Foreman (QC F) Course                 | Targets associates engaged in production and quality duties to learn the quality control techniques and approaches required for quality assurance activities.                                            | Total of 2 days  |
| Specialized training | Statistical Quality Control (SQC) Course | Targets associates whose principal responsibility is quality control and quality improvement activities to learn professional quality control techniques and approaches.                                 | Total of 2 days  |
|                      | Honda QC Basic Course (HBC)              | Targets associates who are responsible for the core of quality control activities to learn skills that allow them to resolve difficult problems/issues with the aim of becoming quality control experts. | Total of 22 days |

\*SQC Course and HBC are held in Japan.

### Best Quality Award

The CQO presented awards for themes that generate outstanding results through quality-related measures based on policy management with the aim of elevating quality awareness. Divisions in line for recognition include development, production, production technology, purchasing, certification, quality, parts/service and IT. Awards for divisions overseas were introduced in 2012, with the CQO presenting awards on-site. Over the seven-year period from FY2013 to FY2019, a total of 52 sites were visited around the world enabling direct communication with associates.



The CQO visits sites around the world to directly present awards.

## 7 Performance Report

Environment ..... 41

Safety ..... 67

### — Quality ..... 79

Basic Approach

Global Management

#### — Quality Initiatives

Third-Party Evaluation

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Quality Initiatives

### Honda's Quality Cycle

Honda has created the Honda Quality Cycle that continuously enhances quality at every stage, encompassing design, development, production, sales and after-sales service in order to realize products offering a new level of outstanding quality.

Honda's Quality Cycle



quality

## 7 Performance Report

|                                    |           |
|------------------------------------|-----------|
| Environment .....                  | 41        |
| Safety .....                       | 67        |
| <b>Quality .....</b>               | <b>79</b> |
| Basic Approach                     |           |
| Global Management                  |           |
| <b>Quality Initiatives</b>         |           |
| Third-Party Evaluation             |           |
| Human Resources .....              | 96        |
| Supply Chain .....                 | 118       |
| Social Contribution Activities ... | 135       |



## Quality Initiatives

### Design/Development and Production (Mass Production)

To ensure high quality, Honda conducts comprehensive quality assurance activities from the dual perspectives of design 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 to the dimensions specified on the relevant drawings as part of a given production process, there are inevitably small variations in the item's finished dimensions.

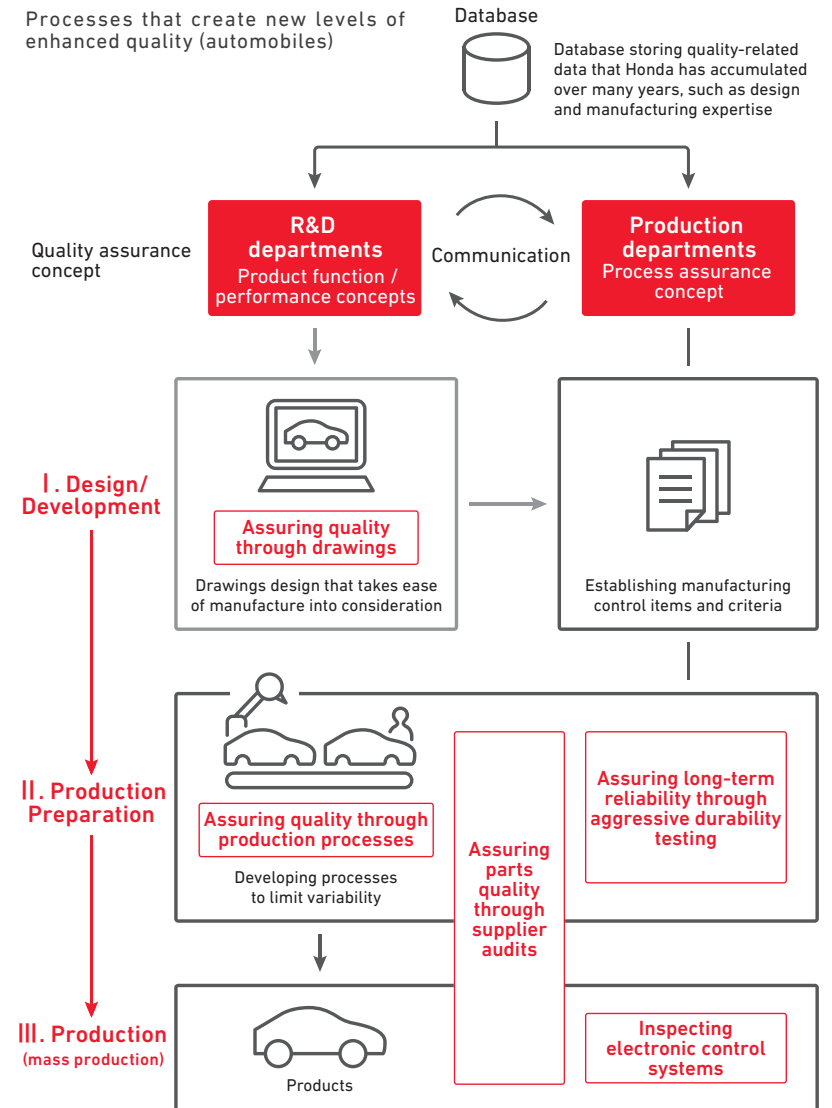
To address this fact, R&D departments consider not only function and performance but also the ease of manufacture and minimization of variations when designing drawings. For their part, production departments implement manufacturing controls to keep variability within applicable standards based on drawings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

#### Strengthening Activities to Improve Design and Development

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

To prevent specification-related issues, Honda identifies the impact of previous changed and changing points. It then implements improvements through a review committee that examines changing points and works through pending issues.

Honda has also been evolving design and development procedures. Honda is strengthening its design review to enhance the accuracy of planning in the initial stages of new technology development. The Company has also formulated evaluation conditions and standards to minimize deviation from expected values demanded by customers and society and sets aside a sufficient timeframe for verification.



## 7 Performance Report

|                                    |           |
|------------------------------------|-----------|
| Environment .....                  | 41        |
| Safety .....                       | 67        |
| <b>— Quality .....</b>             | <b>79</b> |
| Basic Approach                     |           |
| Global Management                  |           |
| <b>— Quality Initiatives</b>       |           |
| Third-Party Evaluation             |           |
| Human Resources .....              | 96        |
| Supply Chain .....                 | 118       |
| Social Contribution Activities ... | 135       |

## Quality Initiatives

### I. Design/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 our quality assurance efforts.

Specifically, engineers utilize a database of measures and techniques previously used to prevent market quality issues and other information. They communicate closely with manufacturing departments during the initial development stage and put product function, performance and quality assurance initiatives in writing. These are shared to ensure efforts are coordinated with production departments' process assurance activities and to coordinate quality assurance initiatives.

#### Establishment of Development Procedures with Suppliers

For many years, Honda has been committed to development that consists of "purchasing components with guaranteed performance." This involves presenting requirements to a supplier, who then designs and tests the component before Honda procures it. Honda's R&D departments, purchasing departments and other related departments have initiated a project to reduce critical quality issues in such components, producing a manual for development based on "purchasing components with guaranteed performance." The manual is revised annually.

In the planning phase of advance development, technical challenges to component development are first organized. Accordingly, roles and responsibilities are determined depending on the development experience and technical know-how of Honda and its suppliers. A decision is then made on which areas of the development plan should focus on, 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 channel 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.

Should a quality-related issue arise by monitoring quality product defects applying the aforementioned procedures, an investigation into the cause is conducted to ensure continuous improvement in development procedures.

### II. Production Preparation

#### Assuring Quality through Production Processes

Besides design drawings, Honda's production departments establish manufacturing control items and criteria for each part, process and operation to prevent product quality issues. Engineers use these manufacturing control items and criteria to verify manufacturing variability as they work to prevent quality issues. Furthermore, Honda develops processes that limit variability by soliciting suggestions for enhancement from the sites where work is actually performed and determining manufacturing control methods for each process.

#### Assuring Parts Quality through Supplier Audits

Assuring the quality of procured parts is an important element 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 and conduct audits of suppliers' quality control systems and their implementation.

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



quality



## 7 Performance Report

|                                    |           |
|------------------------------------|-----------|
| Environment .....                  | 41        |
| Safety .....                       | 67        |
| <b>Quality .....</b>               | <b>79</b> |
| Basic Approach                     |           |
| Global Management                  |           |
| <b>Quality Initiatives</b>         |           |
| Third-Party Evaluation             |           |
| Human Resources .....              | 96        |
| Supply Chain .....                 | 118       |
| Social Contribution Activities ... | 135       |

## Quality Initiatives

### Assuring Long-Term Reliability through Rigorous Durability Testing

Honda subjects new and redesigned models to rigorous long-distance durability testing before beginning mass production to verify that there are no quality issues.

Honda also disassembles vehicles used in the test drives into every single part and verifies that there are no quality issues through a process consisting of several thousand checks. By accumulating data on the issues discovered through these test drives and detailed inspections as well as associated countermeasures, the Company is able to ensure a high level of quality and reliability.



Verification of parts following durability testing

## III. Production (Mass Production)

### Using Line End Tester (LET) System to Inspect Electronic Control Systems

Equipping electronic control systems in vehicles has grown dramatically in recent years as part of an effort to achieve more environmentally friendly designs and improve driver and passenger convenience and comfort. This has created a need for efficient inspection methods to assure the quality of these components.

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. Honda subsequently extended the capabilities of the device to accommodate the recent evolution of electronic control systems, allowing its use in shipping quality inspection of all electronic control systems, from switches and instruments to air conditioner, audio, engine and transmission operations. Thanks to these innovations, inspections that have traditionally depended on the human senses of smell, sight and hearing can now be performed quantitatively through communications with electronic control components, dramatically increasing the precision and efficiency with which inspections can be conducted.

Honda is continuing to quantify shipping quality assurance for electronic control systems by working to implement further enhancements in the precision and efficiency of sensory inspections.



Inspection using LET system



## 7 Performance Report

Environment ..... 41

Safety ..... 67

### — Quality ..... 79

Basic Approach

Global Management

#### — Quality Initiatives

Third-Party Evaluation

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Quality Initiatives

### IV. Sales and Service

Honda has established Customer First Operations to realize optimal service operations in markets worldwide. The division 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 creation 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 division aims to be No.1 in customer satisfaction by providing exciting experiences that exceed expectations.

### Customer Satisfaction Survey

Honda conducts a survey around the world on customer satisfaction related to service operations for customers who have received after-sales service from a dealer. In FY2019, the survey was conducted in 26 countries, including Japan and countries in North America, South America, Europe, Asia and Oceania, Africa and the Middle East. The survey method enabled minute measurements of satisfaction for each part of the service process at a dealer, with the survey findings used to provide guidelines for each dealer. While comparing these guidelines with quality-related initiatives 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 comparing with other manufacturers and brands that are the benchmarks in each country, and the results are used as a reference to maintain and improve customer satisfaction at an industry-leading level. In FY2019, Honda attained top-level customer satisfaction in 17 countries\*.



\* Internal survey by Honda; as of March 2019

**quality**

## 7 Performance Report

Environment ..... 41

Safety ..... 67

### — Quality ..... 79

Basic Approach

Global Management

#### — Quality Initiatives

Third-Party Evaluation

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Quality Initiatives

### Customer Relations Center

The Customer Relations Center in Japan has a very straightforward slogan: “For the customer.” Its mission is to handle inquiries from Honda customers politely, clearly and quickly, delivering the same high quality in Honda communications as is found in Honda products. The center also responds to survey requests from the Japanese government and inquiries from consumer advocacy organizations.

The center receives feedback in the form of customer questions, suggestions, requests and complaints 365 days a year, and during FY2019 it processed 241,453 inquiries. To ensure that this valuable information is put to good use in Honda’s operations, the facility shares it 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 feedback during training at the Kumamoto Factory

### Honda Total Care

Honda is providing Honda Total Care in Japan as a membership service comprehensively supporting automobile lifestyles for car users and providing a sense of security.

Members can access information that is useful for car maintenance and management and make appointments for inspections via a dedicated Honda Total Care membership website. 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 the members in trouble such as a road collision or vehicle breakdown. This service thereby relieves members from the burden and confusion of making various contacts to insurance companies and car dealers. The Center is in service 24 hours a day, seven days a week, and it makes smooth arrangements for roadside assistance for members in need and provides 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 service.

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



\* Survey by Honda; as of December 2018



## 7 Performance Report

Environment ..... 41

Safety ..... 67

### — Quality ..... 79

Basic Approach

Global Management

#### — Quality Initiatives

Third-Party Evaluation

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Quality Initiatives

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

Honda has established a Quality Center to bring together the various components of its organization concerned with product market quality information to enhance the functions of “preventing quality issues” and “quickly detecting and resolving quality issues when they occur” on a global scale. The facility gathers quality-related information from dealers in Japan and overseas through service departments and customer relation centers. Measures and policies for preventing quality issues are then developed based on the issues identified from this data and provided as feedback to design, production and the development/production sections for suppliers (parts procurement), among others.

From FY2017, Honda has undertaken restructuring of its organization that includes the integration of service sections and the quality assurance section of Automobile Operations to form Customer First Operations. The new structure enhances the link between service and quality assurance and

further strengthens the flow of customer feedback.

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

### Trial of Prediction System

Honda believes in the necessity of a system to provide peace of mind to customers in preparation for new environmental vehicles such as fuel cell and electric vehicles.

With the system, vehicle information is sent to Honda’s data center using telematics technology and analyzed. Potential warning signs are identified from the result prior to any trouble occurring as a precautionary measure for customers.

Honda will continue developing the system to provide further peace of mind to customers.

Market quality enhancement system (automobiles)

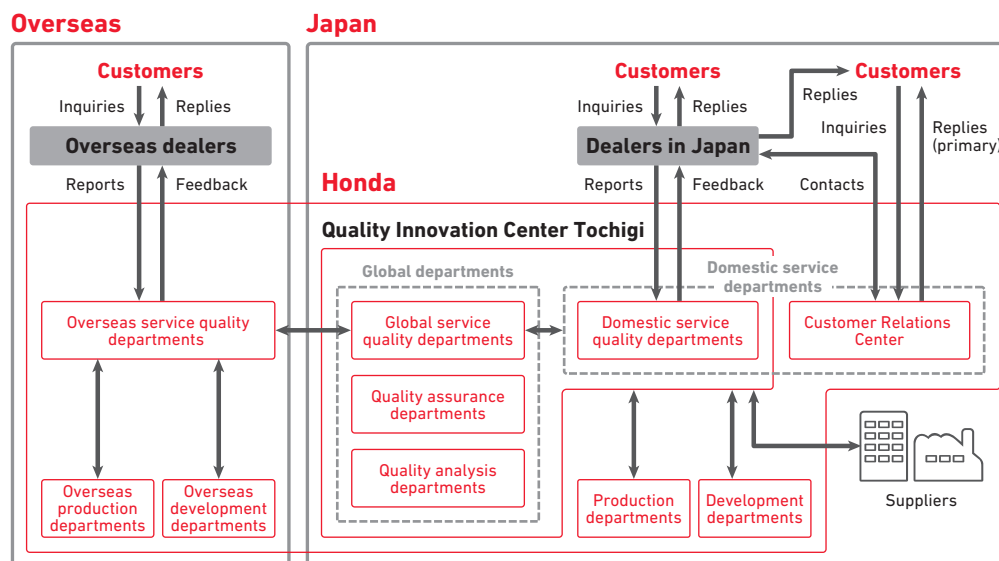
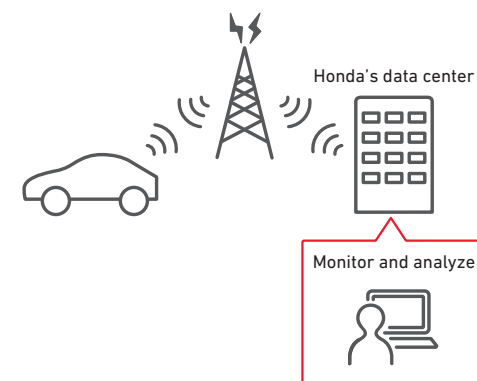


Image of the prediction system



quality

## 7 Performance Report

Environment ..... 41

Safety ..... 67

### — Quality ..... 79

Basic Approach

Global Management

#### — Quality Initiatives

Third-Party Evaluation

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

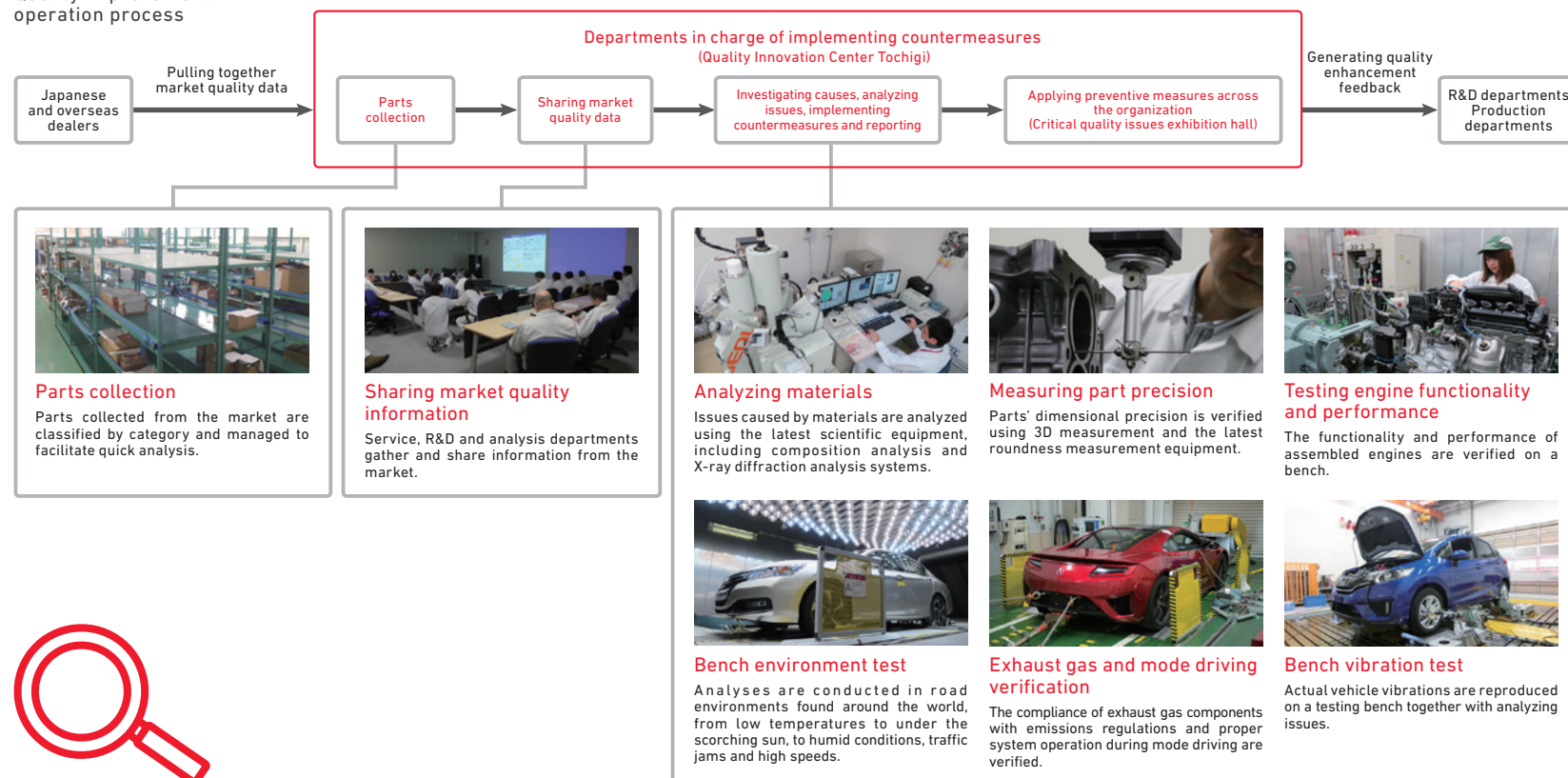
## Quality Initiatives

### Quality Innovation Center Tochigi

The Center brings together into a single facility all the organizational components, which span from collating product quality data and analyzing issues to considering countermeasures and providing quick and precise feedback to development and production departments.

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

Quality improvement operation process



## 7 Performance Report

|                                    |           |
|------------------------------------|-----------|
| Environment .....                  | 41        |
| Safety .....                       | 67        |
| <b>Quality .....</b>               | <b>79</b> |
| Basic Approach                     |           |
| Global Management                  |           |
| <b>Quality Initiatives</b>         |           |
| Third-Party Evaluation             |           |
| Human Resources .....              | 96        |
| Supply Chain .....                 | 118       |
| Social Contribution Activities ... | 135       |

## 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 so that the past experience with market quality issues is not forgotten and to make sure the lessons are passed on by displaying actual items and teaching about the issues.

The hall provides key examples of past market quality issues. Around 2,500 people visit the hall annually for training or as part of a tour. The targets include not only Honda associates but also suppliers, overseas distributors and service division personnel.

In particular, 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 in order to strengthen activities preventing people from forgetting past issues with market quality.



Rust on the body of a Honda Civic made in 1981



Cracked exhaust manifold of Honda Life mini-vehicle made in 1999



Training for members of an overseas factory



## 7 Performance Report

|                                    |           |
|------------------------------------|-----------|
| Environment .....                  | 41        |
| Safety .....                       | 67        |
| <b>Quality .....</b>               | <b>79</b> |
| Basic Approach                     |           |
| Global Management                  |           |
| <b>Quality Initiatives</b>         |           |
| Third-Party Evaluation             |           |
| Human Resources .....              | 96        |
| Supply Chain .....                 | 118       |
| Social Contribution Activities ... | 135       |

## 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 Quality Innovation Center Tochigi.

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



Quality Innovation Center Tochigi, Japan

Working with automotive production plants



quality

## 7 Performance Report

Environment ..... 41

Safety ..... 67

## — Quality ..... 79

Basic Approach

Global Management

## — Quality Initiatives

Third-Party Evaluation

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Quality Initiatives

## Handling of Quality Issues When They Occur

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

A Global Quality Committee is quickly convened in accordance with G-HQS and decisions concerning market actions are made by its chairperson in consultation with overseas members, including experts from departments involved with quality issues who are capable of making objective decisions.

Number of Global Quality Committee meetings (FY2019)

| Segment        | Number of times |
|----------------|-----------------|
| Automobiles    | 77              |
| Motorcycles    | 33              |
| Power Products | 3               |
| Total          | 113             |

&lt;Airbag recalls&gt;

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

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

In light of agreed upon revisions to the consent order between the National Highway Traffic Safety Administration (NHTSA) and Takata in May 2016, Honda has decided to replace serially all Takata ammonium-nitrate based driver and passenger front airbag inflators that do not contain desiccant.

Honda will continue to make its utmost efforts to ensure the sufficient supply of replacement inflators to customers and take other necessary measures as quickly as possible.



## 7 Performance Report

Environment ..... 41

Safety ..... 67

### — Quality ..... 79

Basic Approach

Global Management

Quality Initiatives

#### — Third-Party Evaluation

Human Resources ..... 96

Supply Chain ..... 118

Social Contribution Activities ... 135

## Third-Party Evaluation

Honda's design and development, production, and sales and service departments are working together to win the top ranking in the Initial Quality Study (IQS) for automobiles conducted by J.D. Power, an independent evaluation organization, as an indicator of customer satisfaction, which constitutes the results of the quality cycle.

### Results of the 2018 IQS for automobiles

J.D. Power Asia Pacific

| Country | Brand | Ranking |
|---------|-------|---------|
| U.S.A.  | Honda | No. 23  |
|         | Acura | No. 20  |
| Japan   | Honda | No. 2   |

| Country  | Segment           | Model        | Ranking |
|----------|-------------------|--------------|---------|
| U.S.A.   | Small Premium Car | ILX          | No. 1   |
|          | Compact SUV       | CR-V         | No. 3   |
|          | Midsize Pickup    | Ridgeline    | No. 2   |
| Japan    | Mini-vehicle      | N-WGN        | No. 1   |
|          | Midsize           | Shuttle      | No. 2   |
|          | Minivan           | Step WGN     | No. 3   |
| China    | Midsize Basic     | City Fengfan | No. 1   |
|          |                   | Greiz        | No. 3   |
|          | Large MPV         | Odyssey      | No. 2   |
| India    | Midsize           | City         | No. 2   |
|          | Compact SUV       | HR-V         | No. 1   |
| Thailand | Entry Midsize     | City         | No. 2   |
|          |                   | Jazz         | No. 3   |
|          | Midsize           | Civic        | No. 1   |

• Includes top three vehicles in major markets from January to December 2018

#### Sources:

- J.D. Power and Associates 2018 U.S.
- Initial Quality Study SM (based on responses from more than 75,712 owners who purchased or leased a new vehicle as surveyed from February to May 2018)
- J.D. Power Asia Pacific 2018 Japan
- Initial Quality Study SM (based on responses from more than 22,387 owners who purchased a new vehicle as surveyed from May to June 2018)
- J.D. Power Asia Pacific 2018 China
- Initial Quality Study SM (based on responses from more than 33,404 owners who purchased a new vehicle as surveyed from December 2017 to July 2018)
- J.D. Power Asia Pacific 2018 India
- Initial Quality Study SM (based on responses from more than 7,710 owners who purchased a new vehicle as surveyed from May to September 2018)
- J.D. Power Asia Pacific 2018 Thailand
- Initial Quality Study SM (based on responses from more than 5,106 owners who purchased a new vehicle as surveyed from March to November 2018)



# Human Resources



## Material Issues

- Respecting human rights
- Expanding diversity and development of human resources
- Ensuring occupational health and safety



7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

— Human Resources ..... 96

— Basic Approach

Global Management

Human Resources Initiatives

Human Resources Data

Supply Chain .....118

Social Contribution Activities ... 135

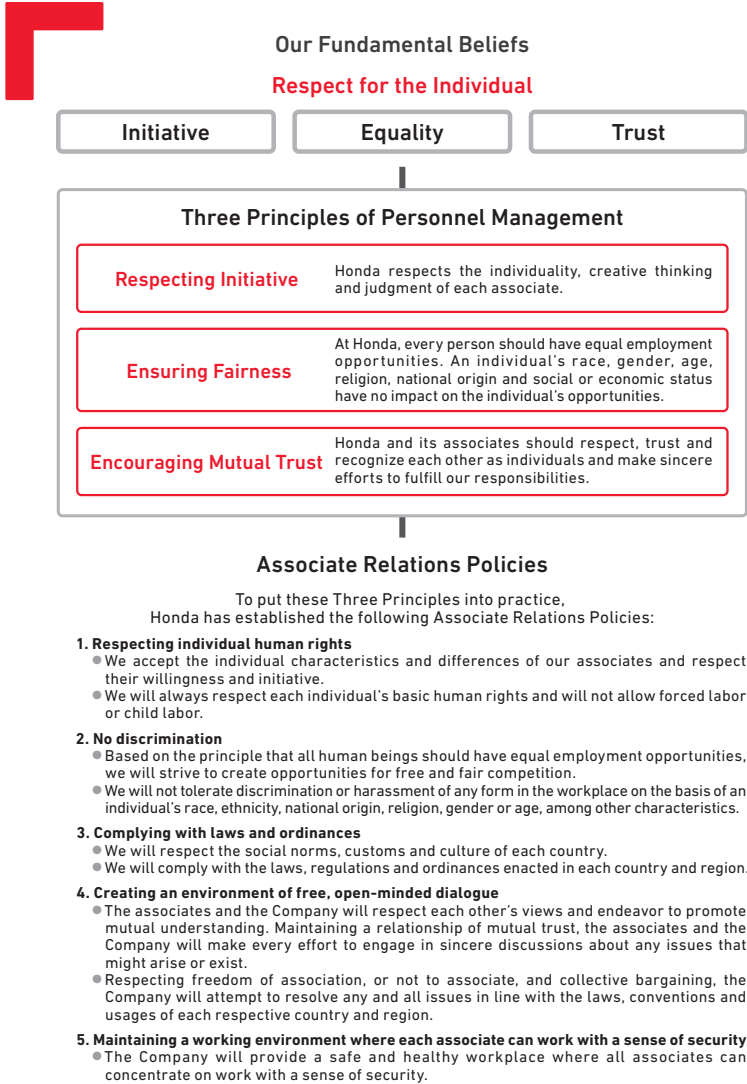
Basic Approach

Basic Policy for Personnel Management

Honda believes that human beings are born as free and unique individuals with the capacity to think, reason and create – and the ability to dream. The Company’s wish is to nurture and promote these characteristics in Honda by respecting individual differences and trusting each other as equal partners.

From this standpoint, Honda adopts Respect for the Individual, consisting of the three elements of initiative, equality and trust, as one of the Company’s Fundamental Beliefs. Honda believes this spirit should permeate all its relationships, not only with those in the Honda Group but with everyone in all companies with which Honda does business. The Company follows the Three Principles of Personnel Management, specifically Respecting Initiative, Ensuring Fairness and Encouraging Mutual Trust, when managing its human resources in areas such as recruitment, training, assignment and utilization, evaluation and treatment. Honda seeks to create an environment in which each associate’s ambitions and abilities can be developed, as well as a workplace where an individual’s potential can be actively exercised.

As Honda’s business activities expand into various parts of the world, it established Associate Relations Policies in March 2012 that are applied to Honda’s daily corporate actions, putting the Three Principles of Personnel Management into practice while taking into account “the Universal Declaration of Human Rights” as well as “the ILO Declaration on Fundamental Principles and Rights at Work.”



7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

— Human Resources ..... 96

Basic Approach

— Global Management

Human Resources Initiatives

Human Resources Data

Supply Chain .....118

Social Contribution Activities ... 135

Global Management

## Human Resources Vision and Strategies

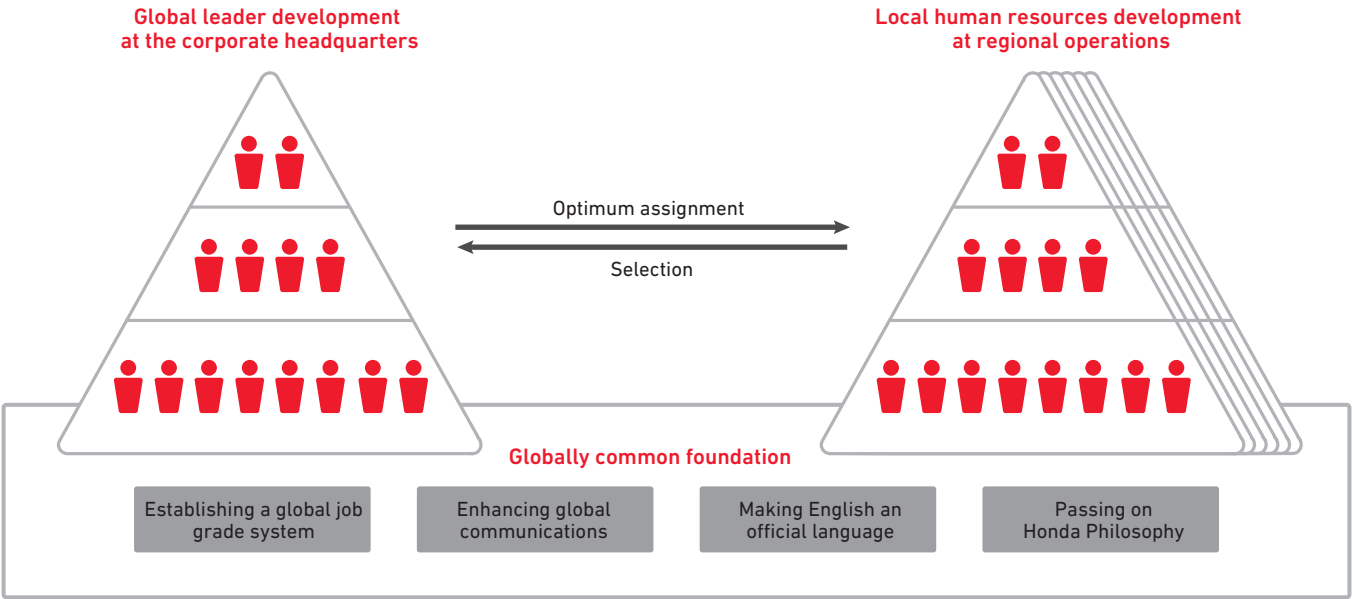
In accordance with its Company Principle, “maintaining a global viewpoint, Honda is dedicated to supplying products of the highest quality yet at a reasonable price for worldwide customer satisfaction,” Honda has been proactively developing business with a view to entering the global markets since its foundation. In regard to its expansion overseas, Honda’s business model has evolved from exporting to local production and then to local development. In recent years, the Company’s production and development functions are being strengthened not only in developed countries but also in emerging countries, where demand for motorization is growing. Honda is striving for autonomy of its regional operations in six regions around the world.

In order to achieve this goal, Honda is pushing ahead with Global Human Resources Management Approaches that facilitate developing

and assigning global personnel who plan, design and develop products that reflect market demand and who deliver quality products in a stable manner.

To be more precise, regional operation bases used to be managed mainly by Japanese expatriates; however, this style of management is being replaced by an approach where management is run by local associates, who are most familiar with the region. By assigning associates with experience in working for local and global operations to global functions, Honda tries to diversify and localize its workforce with multinational people in order to address market changes promptly and flexibly. Honda aims for the establishment of an organization in which it can demonstrate Honda’s total strength by coordinating its operations globally.

Global human resources management approaches



7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

— Human Resources ..... 96

Basic Approach

— Global Management

Human Resources Initiatives

Human Resources Data

Supply Chain .....118

Social Contribution Activities ... 135



Global Management

## Honda's Approaches

Honda takes two approaches to supporting autonomous operations in six global regions and developing and assigning human resources to enhance Honda's total strength.

The Company's approach is to develop and reinforce local human resources. Starting with the Honda Philosophy, Honda core values and competency, Honda aims to share values with Honda Group associates and vitalize communication by creating a communication environment and making English the Company's official language for interregional business operations. Honda provides training programs tailored for each region based on its needs and conditions, while offering at the global level shared training programs to develop global leaders.

Another approach is the Global Job Grade System (⇒ p. 101), which allows these global human resources to be able to play active roles worldwide.

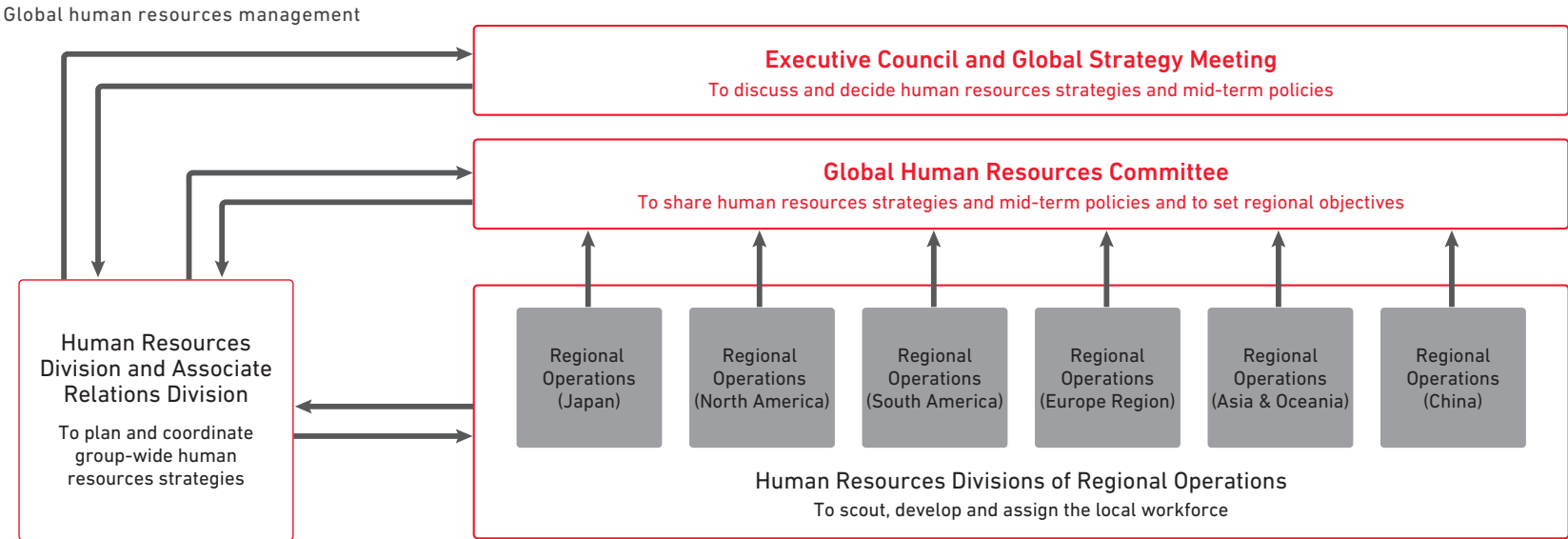
The system defines managerial positions varying from one operation base to another by common grades across the group. The Company aims to realize ideal management-level assignments with competent local

personnel actively demonstrating their abilities in response to the needs of global operation bases.

## Human Resources Management Structure

At Honda, the Human Resources Division and Associate Relations Division at the corporate headquarters in Tokyo draws up global human resources strategies from the mid- to long-term perspective in coordination with operations in each region. Strategies proposed by the division are discussed annually by the management members in the Global Strategy Committee.

The directions for personnel strategies deliberated in this meeting are broken down by theme for further discussion in the Global Human Resources Committee, in which associates responsible for human resources from six regions meet once a year. Once company-wide and regional plans and targets become concrete, activities are launched throughout the Company.



7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

— Human Resources ..... 96

Basic Approach

Global Management

— Human Resources Initiatives

Human Resources Data

Supply Chain .....118

Social Contribution Activities ...135

Human Resources Initiatives

Human Rights

Basic Approach

Honda upholds the idea of “Respect for the Individual” in the Honda Philosophy and includes “Respect of Human Rights” in the Honda Code of Conduct to show its policy to “maintain its stance as a company committed to practicing fairness and sincerity and respect human rights.” Also in the Code, Honda specifically requires its associates to “respect fellow associates, interact with them in a sincere and appropriate manner, and never engage in any form of harassment or unjust, discriminatory behavior in the workplace.”

With the aim of promoting awareness and thorough implementation, Honda provides training on the Honda Philosophy all around the world. The same is ensured for the Honda Code of Conduct by distributing leaflets, posting the relevant information on the corporate intranet and providing training.

Specific Initiatives

Regarding human rights, Honda works to identify potential risks by conducting an annual assessment of Group companies to check if their operations comply with the Associate Relations Policies (⇒p. 97). To make an appropriate response when there is a risk concern, Honda has in place a system to share and discuss the issue through meetings with regional human resources officers. Starting from FY2017, the scope of the assessment was extended to include joint ventures. Additionally, level-specific pre-assignment training is provided to persons stationed overseas to cultivate awareness for the importance of local labor management based on the Associate Relations Policies. In FY2019, there were no incidents identified.

Honda is also striving to create an open organizational culture that allows associates to report any violation related to human rights to their respective superiors or resolve the issue among themselves. At the same time, Honda has set up the Business Ethics Improvement Proposal Line in Japan and other regions overseas to receive consultation in a fair and neutral manner.

Diversification Aimed at Leveraging Total Workforce Strength

For Honda, diversification of the workforce means to enhance its total strength by providing equal opportunities to people regardless of their personal attributes, such as race, nationality, cultural background, age, gender, gender identity, sexual orientation, past career, educational background and having disabilities or not. Honda also encourages them to respect each other’s individual differences and talents while exerting their own abilities to the fullest, based on Honda’s philosophy of Respect for the Individual.

The Company regards these individual differences that are demonstrated by its workforce as one of its strengths in flexibly responding to the ever-changing business environment. Honda globally pursues workforce diversification believing that these individualities evolve into innovation.

Specifically, each of Honda’s six core regions is hiring and developing personnel by setting a target for increasing the proportion of women and minority groups (in terms of race and nationality, etc.) in management and job assignments in accordance with the conditions of each region. In addition, Honda has been implementing a variety of initiatives for all associates worldwide such as facilitating the understanding of the importance of diversity and continually carrying out enlightenment activities.



**7 Performance Report**

Environment ..... 41

Safety ..... 67

Quality ..... 79

**— Human Resources ..... 96**

Basic Approach

Global Management

**— Human Resources Initiatives**

Human Resources Data

Supply Chain ..... 118

Social Contribution Activities ... 135

**Human Resources Initiatives****An Approach Based on On-the-Job Training**

Honda's approach to personnel education is built around on-the-job training (OJT), specifically, building specialized skills and professional capabilities through direct experience. In order to facilitate effective OJT, Honda has established for every job description and area of expertise training programs with systemized contents and levels for the knowledge and skills required. These programs provide an opportunity to understand each associate's level of expertise and management capabilities, while serving as indicators to know if further development is needed. To supplement these OJT programs, Honda also offers off-the-job training (Off-JT) designed to provide associates with an opportunity to enhance their careers by developing new specialized skills or management capabilities. Specifically, these training programs are level-specific and include specialized training for each job description, entry level training, basic training based on the Honda Philosophy, management training provided for acquisition of new qualifications, quality training and other training.

## Principal Off-JT programs

1. Self-improvement training (career development)
2. Work performance training (skill development)
3. Management leadership training (management training)

**DATA**

|                                                 |
|-------------------------------------------------|
| Annual training hours and cost<br>per associate |
|-------------------------------------------------|

&gt; p.115

**Global Leader Development**

As part of efforts to develop global leaders, Honda provides training to associates chosen from operation bases all around the world, including Japan, who will undertake global management in the future.

The Honda Executive Advanced Development School (HEADS), a combination of the executive leadership training (Off-JT) and an activity to draw up plans to resolve management issues in a cross-functional team, was launched in 2012 in addition to the Leadership Development Training (LDT) program.

**Establishing the Global Job Grade System**

Besides providing training to develop global leaders who undertake global management functions, Honda introduced the Global Job Grade System in 2011 for assigning its associates to the most suitable positions.

Honda utilizes the Global Talent Board that manages key posts and key talent around the world and Regional Talent Board. Through such means, the Company will strive to assign the most appropriate human resources actively to operation bases in the world and utilize them in line with its growth strategies.



## 7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

## — Human Resources ..... 96

Basic Approach

Global Management

## — Human Resources Initiatives

Human Resources Data

Supply Chain ..... 118

Social Contribution Activities ... 135

## Human Resources Initiatives

## Passing on the Honda Philosophy

It is important for progress of management localization to share business judgment and codes of practice to globally share a set of values. At Honda, it means sharing the Honda Philosophy, Honda core values and competency with local associates.

With this awareness in mind, Honda provides a training program to pass on the Honda Philosophy as a part of level-specific training that takes place worldwide. To make the programs as practical as possible, company executives and regional management pick business examples and introduce ones that demonstrate decision-making or managerial judgment that puts into practice the concept of “what to think and do based on the Honda Philosophy.”



## Promoting the Use of English as an Official Language between Regions

Toward the realization of the 2030 Vision, Honda will make effective use of its limited management resources to transform and evolve existing businesses and create new value. To do so, it is important that each region takes a global viewpoint and operates business efficiently while increasing mutual, complementary relationships according to respective roles. Among these regions, Japan in particular is required to lead every aspect of Honda operations globally. For this reason, Honda has been promoting interregional communication by improving the level of English among associates in Japan.

Specifically, Honda in Japan has implemented English learning support programs on a company-wide basis, offering various choices depending on personal goals and purposes. Honda has also been working to reinforce associates' English skills, which are needed for career development and in business operations, by functional group, such as sales, manufacturing, research and development and purchasing. For ensuring speedier and more in-depth interregional information sharing and promoting collaboration with local associates, Honda will steadily and continuously increase the use of English, which is its official language, in meeting materials and general communication, depending on how and by whom particular information is used.

At Honda in Japan, selection of associates to be promoted to managerial positions is carried out by determining their future impact on business. Honda carefully selects candidates befitting a manager in terms of qualification and capabilities. It does so from a comprehensive, multi-faceted standpoint encompassing their capabilities to perform a higher-rank job, their personalities and how Honda plans to utilize them after selection, as well as the growing requirement for particular expertise. As such, Honda has decided not to include English test scores in the selection criteria uniformly across the Company after reviewing the option for some time.

## 7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

## — Human Resources ..... 96

Basic Approach

Global Management

## — Human Resources Initiatives

Human Resources Data

Supply Chain ..... 118

Social Contribution Activities ... 135

## Human Resources Initiatives

## Initiatives Related to Diversity

## Advancement in Workforce Diversification

Since 2015, Honda has been promoting workforce diversification as a company-wide priority task toward demonstrating the total strength of its workforce. “People” play a main role in achieving the 2030 Vision. In addition to the experience and technology that have supported Honda’s growth to date, it is now essential to spur innovation through the fusion of diverse values.

In Japan, Honda first embarked on the expansion of women’s participation. During the period from 2015 to 2017, which the Company regards as a phase to build awareness, Honda has established a foundation to realize a world where people can equally develop their careers regardless of gender.

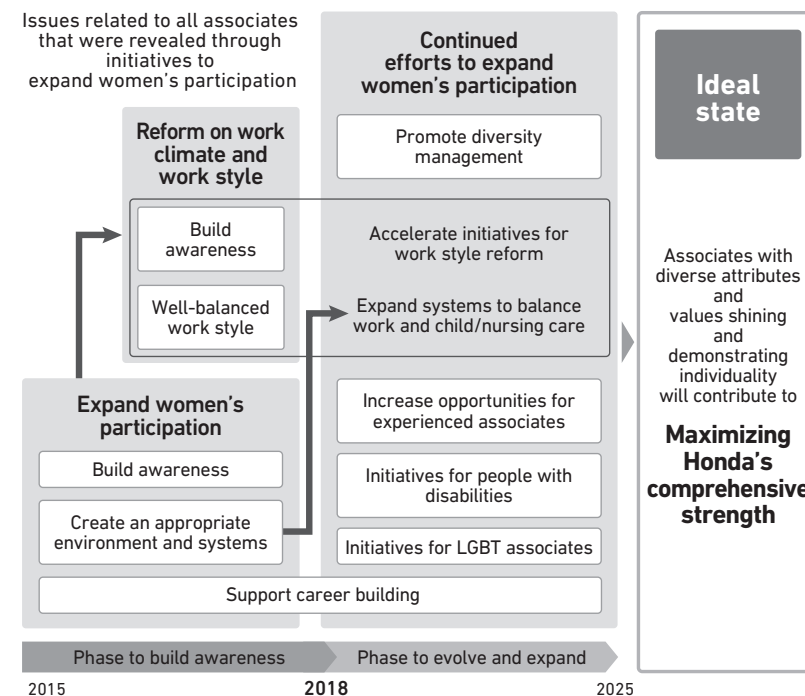
In FY2019, the scope of efforts has extended from female associates to all associates, and Honda is moving on to the next phase of evolution and expansion. It has been exploring ways to strengthen its efforts for all associates, including superiors responsible for managing diverse human resources, experienced associates making up the majority of its workforce, people with disabilities and the LGBT community.

## WEB

Honda Diversity & Inclusion  
(Japanese only)

> <https://www.honda.co.jp/diversity/index.html>

Roadmap for Workforce Diversification at Honda





## 7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

## — Human Resources ..... 96

Basic Approach

Global Management

## — Human Resources Initiatives

Human Resources Data

Supply Chain ..... 118

Social Contribution Activities ... 135

## Human Resources Initiatives

## Meaning of Expanding Women's Participation

In Japan, Honda has been working to expand women's roles since 2007 and offering greater opportunities by building awareness, introducing systems to help women achieve a work-life balance and providing career support programs. As a result, the proportion of female associates in the workforce has increased from 5.0% to 7.6% within the past 14 years.

Honda carries out business operations globally, but the participation of women remains low in Japan compared with other business sites. As part of the Company's efforts to expand women's roles, it has selected the number of women holding management positions as one management indicator and plans to triple the number by 2020 and realize at least nine times the number by 2025, both compared with FY2015.

These targets, however, are not the Company's ultimate goal. What Honda intends to realize is a world where people can develop their careers regardless of gender, with more women taking an active role.

## Honda's Action Plan

## 1. Period of plan

Three years from April 1, 2018 to March 31, 2021

## 2. Issues at Honda

- ① Low percentage of women in management
- ② Although the rate of competition for employment is equal among men and women, there are fewer female associates

## 3. Targets

- ① At least triple the number of women holding management positions by 2020 and realize at least nine times the number by 2025 compared with FY2015
- ② Increase the ratio of new recruits who are women to at least 20% by 2020

## 4. Details of initiatives and period of implementation

&lt;Initiative 1&gt; Continue to foster awareness of the need to embrace diversity

- Continuously disseminate information from top management regarding initiatives aimed at expanding participation of women (January 2015~)

&lt;Initiative 2&gt; Nurture female associates and accelerate their utilization

- Enhance career development support by supervisors based on a career development plan (April 2015~)
- Continue to conduct interviews regarding career path through career advisors (October 2015~)
- Continue to support career development during child care leave (July 2016~)
- Conduct training on career/leader development for female associates (October 2016~)
- Continue to provide seminars on the know-how of balancing work and child care (August 2017~)

&lt;Initiative 3&gt; Constantly strive to create an environment enabling women to build a career

- Establish and increase company nurseries (April 2017~)
- Implement a system of transfer and a system of leave to accompany spouses who are being transferred (April 2018~)

&lt;Initiative 4&gt; Continue to strengthen the employment of women

- Continue to conduct focused publicity for female science and engineering students (March 2015~)
- Continue to participate in events promoting selection in science and engineering for high school students (March 2015~)
- Secure and increase points of contact with and tours of business sites for female associates (March 2016~)



## 7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

## — Human Resources ..... 96

Basic Approach

Global Management

## — Human Resources Initiatives

Human Resources Data

Supply Chain ..... 118

Social Contribution Activities ... 135

## Human Resources Initiatives

## Initiatives for Expanding Women's Participation

In 2015, Honda again recognized that the diversification of its workforce is an important management challenge and has been making renewed efforts. In January 2015, the Company established the Diversity Promotion Office, an organization specialized in diversifying Honda's workforce. In Japan, Honda is promoting its first set of initiatives that focus on expansion of women's participation under three pillars: "Build awareness and foster an appropriate work climate," "Support career building" and "Create an appropriate environment and systems."

Through its efforts undertaken over the three years since 2015, Honda has steadily increased associates' awareness for the idea of workforce diversity and the meaning of expanding women's participation, and is beginning to achieve some concrete results. Additionally, in August 2018, Honda received the second level "L-boshi" certification\* from the Ministry of Health, Labour and Welfare as a female-friendly company. Taking this

opportunity, the Company renewed its determination to step up efforts in the areas of recruitment and career continuation.

Honda also supports the provisions of the Women's Empowerment Principles (WEPs), a set of principles for companies voluntarily promoting women's empowerment. As such, the Company has signed the CEO Statement of Support for the WEPs.

## DATA

Ratio of women in management positions  
in the Honda workplace in Japan

&gt; p.116

## DATA

Percentage of women in the  
Honda workplace: FY2019

&gt; p.116

## DATA

Base salary and ratio of total compensation  
for males and females in Japan

&gt; p.116

## Major Initiatives for Expanding Women's Participation (from 2015)

| Pillars of initiatives                                 | Objective                                                                    | Target                                                             | Description                                                                                                                                                                                                                                                                                                          |                                                                                                                                                             |
|--------------------------------------------------------|------------------------------------------------------------------------------|--------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Build awareness and foster an appropriate work climate | Increase women's participation                                               | Management-level associates                                        | Members of company management                                                                                                                                                                                                                                                                                        | Lecture for increasing women's participation (about 30 participants)                                                                                        |
|                                                        |                                                                              |                                                                    | General, office and plant managers                                                                                                                                                                                                                                                                                   | Lecture for increasing women's participation (total of 8 times; about 230 participants)                                                                     |
|                                                        |                                                                              | Female associates                                                  | Associates in management positions                                                                                                                                                                                                                                                                                   | Lectures and seminars (total of 39 times over the three years since 2015; 3,600 participants)                                                               |
|                                                        |                                                                              |                                                                    | All associates                                                                                                                                                                                                                                                                                                       | Shine at Work – Seminar to Raise Awareness for Self-Reliant Human Resources (total of 31 times over the two years since 2015; 2,300 participants)           |
|                                                        | Hold company-wide diversity exchange events                                  | Female associates                                                  | Associates in management positions                                                                                                                                                                                                                                                                                   | Diversity Forum 2016 (total participation of about 30 associates)                                                                                           |
|                                                        |                                                                              |                                                                    | Chief supervisors                                                                                                                                                                                                                                                                                                    | Diversity Forum (total participation of about 500 associates)                                                                                               |
|                                                        | Foster an appropriate work climate and build work style awareness            | Management-level associates                                        | Members of company management                                                                                                                                                                                                                                                                                        | Work climate and work style lecture (total of 19 times; about 800 participants)                                                                             |
| General, office and plant managers                     |                                                                              |                                                                    | Management support workshop (total of 7 times; about 100 participants)                                                                                                                                                                                                                                               |                                                                                                                                                             |
| Support career building                                | Nurture associates with a focus on the individual                            | Female associates                                                  | Applicants                                                                                                                                                                                                                                                                                                           | Introduction of career development plans. Individual interviews with career advisors with a total of 2,300 female associates over the four years since 2015 |
|                                                        |                                                                              |                                                                    | Other than above                                                                                                                                                                                                                                                                                                     | Career theme training for middle- and higher-level associates and career base training for young associates (total of 31 times; 700 participants)           |
|                                                        | Support associates in child-rearing years                                    | Associates taking maternity leave and/or child care leave          | • Program to support career development during child care leave (used by 220 associates as of January 2019)<br>• Seminar on balancing work with child care (for associates and their spouses) (total of 19 times; 200 participants)                                                                                  |                                                                                                                                                             |
| Create an appropriate environment and systems          | Create an environment to facilitate participation of diverse human resources | Associates engaging in child care or nursing care                  | Half-day paid leave system (for all associates); enhancement of the system of working at home and system of short working hours                                                                                                                                                                                      |                                                                                                                                                             |
|                                                        |                                                                              | Associates in child-rearing years                                  | • System to provide financial support for child care; enhancement of children's nursing care leave (since October 2016)<br>• Company nurseries (opened in the Tochigi district in April 2017 and in the Wako district in April 2018)<br>• Enhancement of the system of temporary nursery services (since April 2017) |                                                                                                                                                             |
|                                                        |                                                                              | Associates leaving their job following a transfer of their spouses | A system of transfer and a system of leave to accompany their spouses introduced (in April 2018) in addition to the career reinstatement program                                                                                                                                                                     |                                                                                                                                                             |
| Strengthen the employment of women                     | Increase the percentage of women                                             | New graduates and mid-career associates                            | Increasing recruitment of women majoring in science and engineering and for administrative positions                                                                                                                                                                                                                 |                                                                                                                                                             |



\*A certification program under the Act on Promotion of Women's Participation and Advancement in the Workplace. Among companies which have created and submitted an action plan, the Minister of Health, Labour and Welfare certifies those showing excellent progress in implementing initiatives for increasing women's participation.

## 7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

## — Human Resources ..... 96

Basic Approach

Global Management

## — Human Resources Initiatives

Human Resources Data

Supply Chain ..... 118

Social Contribution Activities ... 135

## Human Resources Initiatives

## Promoting Diversity Management

A crucial factor in promoting diversity is to accept diversity in addition to recruiting diverse human resources. Honda believes that acceptance will help foster individuality and draw out each person's unique abilities, thus increasing motivation at work.

Honda defines diversity management as the establishment of a framework that makes effective use of diverse members. Accordingly, Honda has been providing support to superiors in order to realize such a framework.

## Increasing Opportunities for Experienced Associates to Expand Their Roles

Honda had sought to increase women's participation over the past three years. In 2018, it moved on to include age-based initiatives, starting with experienced associates. The Company is working to create an environment that provides a sense of security for experienced associates to proactively engage in work and expand their field of activity based on their experience.

Honda believes that its efforts to foster awareness, give more work opportunities and create necessary systems will allow individual associates to achieve personal growth regardless of age. This will in turn lead to the development of human resources capable of exerting themselves for continued growth of Honda and for society.

In terms of the creation of necessary systems, Honda introduced a flexible retirement system in April 2017 to allow associates to choose when to retire (up to the age of 65) according to their plan in order to provide a more suitable working environment for people aged 60 and over. In FY2019, 83.02% of associates who have reached the retirement age of 60 chose to continue working.

As one specific initiative, Honda also launched awareness-raising training for experienced associates in 2018.

As a result of these efforts, re-employed retirees are actively participating in various workplaces while drawing on their extensive experience and specialized knowledge.

## DATA

Number of persons over 60  
employed by Honda in Japan

&gt; p.116

## Employment of People with Disabilities

Honda actively provides jobs to people with disabilities at its business sites in compliance with laws in each country where it does business.

In Japan, based on the idea of normalization, Honda has led society in promoting the employment of people with disabilities.

Honda seeks to enable working people to exert their unique abilities and take an active role in society through their work regardless of the presence or absence of disabilities. Accordingly, the Company has been striving to create an environment that allows associates with and without disabilities to work alongside one another in addition to making adaptations to ensure that workplaces and opportunities are fully accessible.

Honda also established three affiliates in Japan to empower and provide employment opportunities to people with disabilities: Honda Sun Co. Ltd. in 1981, Kibounosato Honda Co., Ltd. in 1982 and Honda R&D Sun Co., Ltd. in 1992.

Employment of individuals with disabilities at Honda Group companies in Japan in FY2019 stands at 2.32%, or 1,055 individuals, which is above the legally mandated level of 2.2%.

## DATA

Number of associates with disabilities and percentage  
of employment of individuals with disabilities in Japan

&gt; p.116



## 7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

## — Human Resources ..... 96

Basic Approach

Global Management

## — Human Resources Initiatives

Human Resources Data

Supply Chain ..... 118

Social Contribution Activities ... 135

## Human Resources Initiatives

## Advancement of Diversification in Employment

As a part of workforce diversification efforts, Honda proactively recruits people with diverse backgrounds, regardless of nationality.

Specifically, Honda has been recruiting foreign exchange students studying at universities and graduate schools in Japan and started a Global Employment Program to hire human resources directly from overseas labor markets.

In the future, Honda will strive to raise the total strength of its global workforce by enabling these diverse human resources to fully demonstrate their abilities.

## DATA

Number of global hires

&gt; p.116

## Direction of Future Initiatives

In addition to recruiting diverse human resources, Honda views the acceptance of diversity as an integral element of its philosophy on diversity. Honda believes that respect of the individual will help foster individuality and draw out each person's unique abilities, thus increasing motivation at work.

Honda will maintain its ongoing initiatives to expand the participation of women. At the same time, it will extend their scope to all associates to further advance and expand diversity in the true sense of the word. The Company believes that these initiatives will enable each and every associate to exercise independence and achieve personal growth, which in turn will maximize Honda's comprehensive strength – the goal of its workforce diversification efforts.

## Building Healthy Working Environments

## Helping Associates Balance the Demands of Work, Parenting and Nursing Care

In Japan's increasingly aging society with a declining birthrate, establishing an environment where people can balance work, parenting and nursing care is a social issue. Under such circumstances, Honda works actively to provide programs that help associates balance the demands of work, parenting and nursing care, and to gain an understanding of these programs by sending information by means of guidebooks and the corporate intranet.

In April 2014, Honda introduced a Selection-based Welfare Program (Cafeteria Plan) giving associates the options of support for nursing care, as well as life events such as childbirth and child care, including babysitter agent services and child-care items rental.

As a result of these initiatives, Honda has been certified as a company that supports child-rearing by the Japanese Minister of Health, Labour and Welfare. Honda has been implementing other initiatives as well to meet diverse needs of individual associates. Specifically, the Company introduced a system of transfer and a system of leave in April 2018 for associates to accompany their spouses being transferred. In April 2019, the Company extended the scope of its existing system of short working hours, system of working at home and half-day paid leave system.

Honda will continue to establish systems and an environment to accelerate initiatives related to diversity (⇒ p. 103) and enable both varied lifestyles and careers desired by individual associates.

## DATA

Number of associates who utilize child/nursing care support in Japan

&gt; p.116

## DATA

Reinstatement rate (%) in Japan after taking child care leave

&gt; p.116



## 7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

## — Human Resources ..... 96

Basic Approach

Global Management

## — Human Resources Initiatives

Human Resources Data

Supply Chain ..... 118

Social Contribution Activities ... 135

## Human Resources Initiatives

## Optimizing Work Hours

While cases of workers working long hours and taking few paid days off are raised as social issues in Japan, Honda has always been an industry leader in introducing shorter workweeks. The Company instituted a five-day workweek on alternating weeks in 1970, followed by a true five-day workweek in 1972.

Other initiatives enjoyed by associates for more than 40 years include the banning of overtime on Wednesdays and Fridays and the introduction of a policy encouraging all associates – both labor and management – to use their allotted vacation time in full\*.

Furthermore, to encourage its associates to take regular annual paid vacations and use their vacation time effectively to refresh themselves and increase motivation, Honda has recently introduced a system whereby associates are accorded blocks of three to five consecutive paid holidays depending on their years of continuous service.

From the viewpoint of work style reform, Honda believes it is essential to evolve its existing culture of making the most effective use of limited time in order to enable diverse human resources to willingly demonstrate their abilities to the fullest. With this goal in mind, Honda has been making efforts to encourage telecommuting and other flexible work styles for increasing output within a limited amount of time and to raise awareness for streamlining work and promoting the delegation of authority.

As a result, total annual working hours averaged 1,909 per associate in FY2019, and associates averaged 19.3 paid vacation days.

## DATA

Total working hours per associate and average vacation days taken in Japan

&gt; p.117

## Counseling Hotlines for Associates

Honda supports associates by operating a variety of counseling hotlines as a way to build a healthier work environment.

## Examples of counseling hotlines in Japan

| Hotlines                                                                                    | Description                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Counseling hotlines dedicated to balancing work, parenting and family life responsibilities | Honda created a counseling hotline at each worksite's human resources and general affairs department to accommodate counseling requests from associates striving to balance work and family responsibilities, and to promote awareness and utilization of the company's support programs. Each hotline is staffed by a pair of male and female counselors, who field counseling requests from associates themselves and from their supervisors. |
| Harassment counseling hotline                                                               | Honda operates a harassment counseling hotline for all associates in order to prevent any harassment in the workplace and to facilitate the rapid and appropriate resolution of incidents.                                                                                                                                                                                                                                                      |
| Life planning seminar hotline                                                               | Honda offers life planning seminars to give associates an opportunity to start thinking about their life purpose, health and economic planning so that they will be able to lead a rich and fulfilling life. Seminars are also open to associates' spouses. In-house seminar instructors and a secretariat offer one-on-one counseling for associates who have participated in the seminar.                                                     |



\*An initiative to prevent vacation days from being lost when the number of annual paid vacation days that can be carried over to the next year is exceeded

## 7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

## — Human Resources ..... 96

Basic Approach

Global Management

## — Human Resources Initiatives

Human Resources Data

Supply Chain ..... 118

Social Contribution Activities ... 135

## Human Resources Initiatives

## Evaluation and Treatment

## Personnel Evaluation System

In accordance with Respecting Initiative, Ensuring Fairness and Encouraging Mutual Trust based on the Three Principles of Personnel Management, Honda has introduced to Regional Operations in the six regions human resources evaluation programs adapted to the needs and conditions of each region.

For example, in Japan, Honda places emphasis on two-way communication with supervisors in associate development and evaluation, and all associates have at least three interviews with their supervisors each year. During the first interview in April, associates come out with a clear vision for the future and their direction going forward through their supervisor's advice. They then work out their individual role based on the organization's business goals for the fiscal year in question. During interviews in June and December, supervisors evaluate associate performance and initiatives during the preceding six months and feed back each associate's strengths and weaknesses. Additionally, by facilitating a discussion of subjects such as future objectives and career directions, the interviews pave the way for associates' skill development and raising motivation.

## DATA

Percentage of associates going through the evaluation programs

&gt; p.117

## Compensation and Incentives

Based on the Three Principles of Personnel Management, Honda gives its associates equal opportunities to make the most of their individual potential and carefully evaluate their abilities and accomplishments at business sites regardless of personal factors. Honda's compensation and evaluation system is built in line with the above approach in consideration of the needs and conditions of each region.

Honda in Japan has adopted a compensation and evaluation system in which performance of general associates is evaluated in two stages: development of abilities and demonstration of abilities. In the former stage, Honda places emphasis more on how associates' abilities evolve, whereas associates' demonstration of abilities and achievement are focused on in the latter stage. An annual salary system is applied to compensation for associates in management positions or higher. The higher their positions are, the more their accomplishments and company performance are taken into consideration.

## DATA

Percentage of performance-based remuneration in Japan

&gt; p.117

## DATA

Starting salary in Japan

&gt; p.117



## 7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

## — Human Resources ..... 96

Basic Approach

Global Management

## — Human Resources Initiatives

Human Resources Data

Supply Chain ..... 118

Social Contribution Activities ... 135

## Human Resources Initiatives

## Establishing a Good Relationship with Associates

## Creating an Environment of Free and Open Dialogue

In accordance with Encouraging Mutual Trust based on the Three Principles of Personnel Management, Honda declares in the Associate Relations Policies that associates and the Company will respect each other's views and endeavor to promote mutual understanding. Maintaining a relationship of mutual trust, associates and the Company will make every effort to engage in sincere discussions about any issues that might arise or exist. In line with the policies, Honda strives to maintain a good relationship and resolve issues that arise through dialogues with its associates.

In addition, an appropriate notification period is set in advance in case of the implementation of important corporate measures that have a marked impact on associates.

## Measurement of Associate Engagement

Honda measures associate engagement in all regions to obtain associate feedback for building a healthier work environment. The measurement is conducted based on the common criteria within each region, with the target of achieving a "very good" engagement level of associates working at Honda. The measurement results are used as basic data in activities to create a work environment in which each associate shines and demonstrates individuality.

In Japan, along with conducting the associate survey every three years, Honda started measuring associates' engagement level in 2018 to monitor changes over time. The results are fed back to each workplace. By encouraging each workplace to undertake initiatives to invigorate people and organizations, Honda aims to create an environment that provides greater motivation at work for diverse human resources.

## DATA

Associate engagement in Japan

&gt; p.117



## Occupational Safety and Health

Honda's efforts to build a safe and secure work environment have their origin in the Company Principle formulated in 1956. They are also based on the Fundamental Beliefs of "Respect for the Individual" and "The Three Joys."

Under the fundamental safety principle of "no safety, no production," which has been passed on since its founding, Honda seeks to realize a work environment that brings the joy that all people can work with a true sense of security.

Based on this principle, Group companies in all parts of the world have established basic policies for occupational health and safety based on respective regional needs and conditions. To eliminate serious industrial accidents in Japan and overseas, Group companies also promote activities aimed at preventing industrial accidents and their recurrence, as well as ensuring the health of associates.

Honda and its associates act in accordance with the Honda Code of Conduct (⇒ p. 33), which outlines the behavior to be practiced by associates around the world. In the field of safety and health, Honda strives to create a safety and health workplace, while each associate works to maintain such a workplace and to prevent accidents from occurring or recurring.

## Excerpt from the Relations with Colleagues / Working Environment (Safety and Health section), Honda Code of Conduct

## Honda's policy

Honda will provide a safe and healthy workplace to maintain a pleasant and safe work environment.

## Required conduct

As a member of Honda, I will comply with laws, regulations and company policies related to safety and health, and strive to maintain a safe and healthy workplace, as well as to prevent and minimize accidents.



## 7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

## — Human Resources ..... 96

Basic Approach

Global Management

## — Human Resources Initiatives

Human Resources Data

Supply Chain ..... 118

Social Contribution Activities ... 135

## Human Resources Initiatives

## Collaboration with Overseas Group Companies

With Honda's global mid-term occupational health and safety policy of realizing a comfortable work environment through the reinforcement of its health and safety management structure, head offices in each region are taking the lead in implementing controls for safety.

For production activities, in particular, Honda aims to increase the effectiveness of safety management in each country and region. To this end, the Company has been proactively carrying out locally based activities, focusing on implementation of an occupational health and safety management system, diffusion and execution of risk assessment and the establishment of explosion and fire prevention measures. Honda also conducts occupational health and safety audits and reviews based on a plan to share recognition of health and safety management, while striving to improve the management system, as well as to develop human resources for safety control in each country and region.

## DATA

Frequency rate of lost workday injuries

&gt; p.117

## DATA

Number of Industry Accident Fatalities (in Japan and Overseas)

&gt; p.117



## Health and Safety Governance Structure

As a workplace health and safety governance structure, Honda has established a Health and Safety Committee, led by the Health and Safety Management Division, to enforce safety and health governance. Issues are shared and discussed jointly among labor and management for establishing a system to realize a safe and comfortable work environment.

Additionally, Honda conducts occupational health and safety audits to check on the operation of an Occupational Safety and Health Management System (OSHMS) and progress in implementing compliance-related matters. These audits follow an OSHMS approach and are conducted by the Company-wide Safety and Health Audit Committee chaired by the officer of Honda in charge of health and safety.

## Occupational Safety and Health Management System (OSHMS)

Honda has implemented an OSHMS in order to ensure continuous and voluntary health and safety management and constantly improve the level of health and safety at its workplaces.

## Activities based on an OSHMS approach

In FY1998, Honda set up a Health and Safety Audit Committee that performs health and safety audits throughout the Company based on the Occupational Health and Safety Assessment Series (OHSAS)\*. Starting from FY2014, these audits have been conducted by using an OSHMS approach.

Safety and health audits check on how an OSHMS is operated in workplaces; safety and accident recurrence prevention measures incorporated into routine safety and health activities; and a system and its operation to ensure continuous horizontal deployment of these measures among workplaces. These audits also check the implementation and management status of various requirements following revisions to relevant laws.

By performing health and safety audits to verify its health and safety activities, Honda works to improve and maintain a high level of safety and health throughout the entire Group.

\* A standard for occupational health and safety formulated by an international consortium

## 7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

## — Human Resources ..... 96

Basic Approach

Global Management

## — Human Resources Initiatives

Human Resources Data

Supply Chain ..... 118

Social Contribution Activities ... 135

## Human Resources Initiatives

## Creating working environment criteria

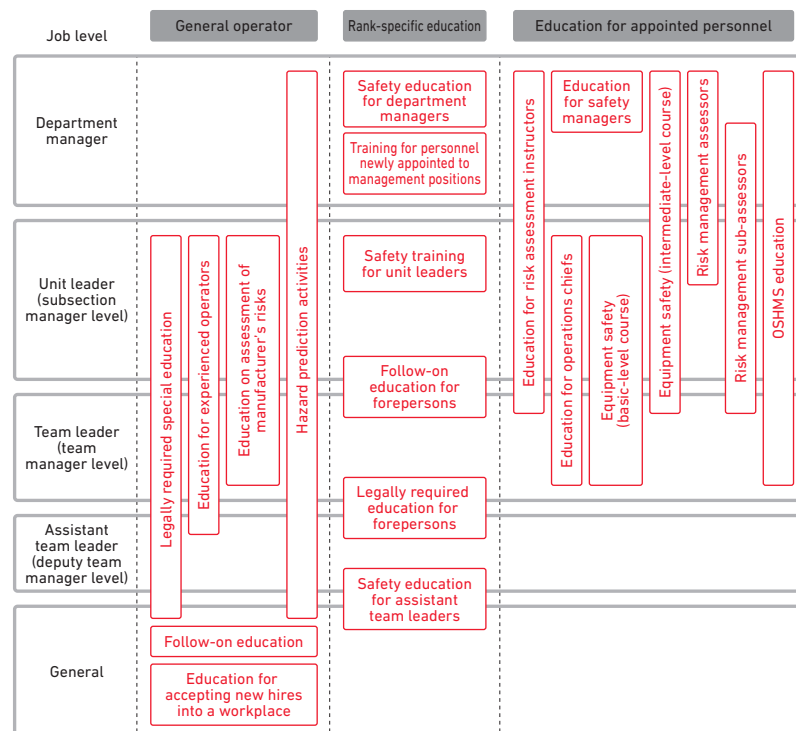
Honda stipulates workshop environmental criteria in its Comfortable Workplace Guidelines and Hazardous Operations Management Regulations. In accordance with the three basic items of work and health management\*, the Company performs periodic inspections and improvements to appropriately maintain and manage its working environments.

## Health and Safety Education and Training

The corporate headquarters, responsible for supervising health and safety activities, provides training to develop health and safety experts both in Honda and in its Group companies. This includes training to nurture company-wide safety and health auditors and health managers.

Each business site also provides various training programs for its associates.

Schematic diagram of Honda's health and safety training scheme (production activities)



## Lifelong Health: Each Associate Working Safely and Energetically While Remaining Healthy Both Physically and Mentally

Honda hopes that all of its associates remain healthy in the same way we strive for safety.

Honda is cultivating the self-awareness that each associate is responsible for managing his or her own physical and mental health in order to establish comfortable work processes and environments.

Toward achieving this goal, Honda has formulated clear policies and has been strengthening various health promotion measures, including raising self-awareness for health, educating managers and supervisors and providing occupational health education.

## DATA

Number of participants in training related to health and safety standards

> p.117

### Medical Checkups

With the aim of maintaining the health of its associates, Honda provides options to receive cancer examinations (stomach, bowel and uterus) in addition to legally mandated periodic health checkups. For associates aged 50 and 55, Honda also provides an opportunity to receive a more thorough medical checkup, which includes detailed brain and lung examinations as desired.

### Measures for Prevention of Adult On-Set Diseases

In order to help associates maintain good lifestyle habits so that each can shine and work with pride, Honda has been undertaking various initiatives matched to the needs and conditions of each workplace, including health awareness events and individual health guidance.



\*Refers to working environment management, work management and health management and constitutes the fundamental approach to work and health management.

7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

— Human Resources ..... 96

Basic Approach

Global Management

— Human Resources Initiatives

Human Resources Data

Supply Chain .....118

Social Contribution Activities ...135

Human Resources Initiatives

Measures against second-hand smoke

Honda is stepping up its efforts to implement measures to prevent undesired secondhand smoke inhalation. As a specific effort, Honda has clarified environment criteria for smoking areas and is ensuring these areas observe these criteria by performing environment measurements. The Company also conducts activities tailored to the needs and conditions of each business site in order to minimize the effects of secondhand smoke. Such activities include prohibiting smoking inside buildings, setting smoking hours and allocating a given day each month as a no-smoking challenge day. Honda also carries out educational activities for smokers and extends support to associates who wish to quit smoking.

Dietary support

At the company cafeteria, associates can choose their meals in a conscious manner according to calories, the amount of vegetables and amount of salt of each meal shown on the menu. The cafeteria also offers nutritionally well-balanced “healthy” meals with fewer calories using less salt.

Collaboration with the Health Insurance Association

Introducing the Healthy Point Program

The Honda Health Insurance Association works under the idea of “realizing a healthy and spiritually-rich life.” Toward this goal, the Association introduced a Healthy Point Program as an incentive scheme to support associates who are making efforts to prevent diseases and improve their lifestyle habits. Additionally, a portal site for individuals, called “Health UP WEB,” went online in January 2018. The aim is to centrally manage and provide individual health information, foster self-awareness for one’s own health and encourage voluntary health promotion efforts. This portal site is accessible from personal computers and smartphones, which allows associates to view their health checkup results of the past five years and keep track of their individual, daily health promotion efforts, including pedometer records, meals and blood pressure. Walking events are also held to provide motivation for associates to start health promotion activities. For reinforcing specific health guidance, the Association and each business site are collaborating to set up a system to make it easier for associates to receive health checkups and guidance.



## 7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

## — Human Resources ..... 96

Basic Approach

Global Management

## — Human Resources Initiatives

Human Resources Data

Supply Chain ..... 118

Social Contribution Activities ... 135

## Human Resources Initiatives

## Measures to Promote Mental Health

In 2009, Honda announced a Mental Health Policy and has since been working on both creating vitality in associates and in the workplace and providing problem-solving support in an organized, systematic and ongoing manner.

## Honda-Wide Mental Health Policy

## Basic approach

Based on its fundamental belief of Respect for the Individual, Honda embraces individual diversity and values communication, and by doing so, will make its utmost efforts to maintain well-being so that all associates dedicate themselves to their jobs with enthusiasm while drawing energy from and taking pride in their work.

## Activity structure

To implement mental health activities, Honda has established a company-wide mental health promotion team specialized in activity planning and management. Each of Honda's business sites has also established its own workplace mental health promotion team.

Honda's major mental health initiatives to promote the mental well-being of its associates include "preventative education," "improving working environments," "checking stress levels," "enhancing counseling programs" and "support for those returning to work after taking time off." The Company also distributes leaflets and pamphlets to associates aimed at facilitating an understanding of mental health care.

## Enhancing a Selection-Based Welfare Program

Under Honda's Selection-based Welfare Program, associates use points (allotted as welfare-related expenses) to freely choose from a diverse menu of services the ones that match their preferences. The purpose of the program is to provide an environment that gives associates a sense of security in their lives and allows them to concentrate on their work. Honda's program offers an enhanced menu of services for health promotion, primarily aimed at "maintaining physical and mental well-being" and "encouraging exercise," to enable associates to enjoy a healthy life well into the future. Services for "maintaining physical and mental well-being" include receiving health checkups, counseling and guidance, as well as vaccinations, using company-owned recreation facilities and enrolling in yoga classes. For "encouraging exercise," the menu offers such services as using fitness and sports facilities and participating in sporting events.



## 7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

## — Human Resources ..... 96

Basic Approach

Global Management

Human Resources Initiatives

## — Human Resources Data

Supply Chain ..... 118

Social Contribution Activities ... 135

## Human Resources Data

## Consolidated number of associates

|                           | FY2017  | FY2018  | FY2019  |
|---------------------------|---------|---------|---------|
| Japan                     | 64,696  | 64,755  | 66,507  |
| North America             | 53,243  | 54,044  | 55,076  |
| South America             | 14,716  | 14,271  | 14,835  |
| Europe/Africa/Middle East | 8,211   | 8,591   | 9,118   |
| Asia & Oceania            | 54,380  | 55,845  | 57,012  |
| China                     | 16,669  | 18,132  | 17,174  |
| Total                     | 211,915 | 215,638 | 219,722 |

## Number of associates by gender

|        | FY2017 | FY2018 | FY2019 |
|--------|--------|--------|--------|
| Japan  | 46,929 | 48,512 | 49,202 |
| Male   | 43,509 | 44,712 | 45,107 |
| Female | 3,420  | 3,800  | 4,005  |

• With the exception of the item “Consolidated number of associates,” HR data for Japan is tabulated from numbers for the following companies: Honda Motor Co., Ltd., Honda R&D Co., Ltd., Honda Engineering Co., Ltd., Honda Racing Corporation, Honda Technical College and Honda Access Corporation.



## Number of new permanent associates

|                           | FY2017 | FY2018 | FY2019 |
|---------------------------|--------|--------|--------|
| Japan                     | 1,009  | 1,372  | 1,529  |
| Male                      | 875    | 1,165  | 1,294  |
| Female                    | 134    | 207    | 235    |
| North America             | 4,789  | 5,037  | 4,456  |
| Male                      | 3,410  | 3,537  | 3,176  |
| Female                    | 1,379  | 1,500  | 1,280  |
| South America             | 412    | 578    | 992    |
| Male                      | 335    | 480    | 820    |
| Female                    | 77     | 98     | 172    |
| Europe/Africa/Middle East | 357    | 819    | 739    |
| Male                      | 268    | 677    | 589    |
| Female                    | 89     | 142    | 150    |
| Asia & Oceania            | 5,415  | 2,776  | 3,042  |
| Male                      | 4,867  | 2,143  | 2,521  |
| Female                    | 548    | 633    | 521    |
| China                     | 3,485  | 5,545  | 8,986  |
| Male                      | 3,199  | 5,208  | 7,972  |
| Female                    | 286    | 337    | 1,014  |

## Number of associates by employment contract and type

|               | FY2017 | FY2018 | FY2019 |
|---------------|--------|--------|--------|
| By contract   |        |        |        |
| Permanent     | 41,001 | 41,741 | 42,550 |
| Non-permanent | 5,928  | 6,667  | 6,475  |
| By type       |        |        |        |
| Full-time     | 46,834 | 48,304 | 48,848 |
| Part-time     | 95     | 104    | 177    |

## Attrition rate (%) (including compulsory retirees)

|                           | FY2017 | FY2018 | FY2019 |
|---------------------------|--------|--------|--------|
| Japan                     | 2.0    | 1.5    | 1.7    |
| Male                      | 1.9    | 1.4    | 1.6    |
| Female                    | 3.0    | 2.5    | 2.9    |
| North America             | 9.6    | 10.5   | 11.7   |
| South America             | 15.8   | 5.9    | 5.1    |
| Europe/Africa/Middle East | 7.2    | 4.7    | 2.9    |
| Asia & Oceania            | 3.9    | 3.9    | 2.2    |
| China                     | 5.1    | 6.9    | 6.3    |

## Percentage of associates from local communities taking upper management positions

|                | Percentage of associates from local communities in entire upper management positions |
|----------------|--------------------------------------------------------------------------------------|
| North America  | 59                                                                                   |
| South America  | 44                                                                                   |
| Europe         | 47                                                                                   |
| Asia & Oceania | 38                                                                                   |
| China          | 3                                                                                    |

## Annual training hours and cost per associate

|                           | Annual training time (hours) | Annual training cost (yen) |
|---------------------------|------------------------------|----------------------------|
| Japan                     | 9.3                          | 40,100                     |
| North America             | 11.1                         | 27,805                     |
| South America             | 20.5                         | 25,520                     |
| Europe/Africa/Middle East | 14.0                         | 25,419                     |
| Asia & Oceania            | 18.0                         | 24,795                     |
| China                     | 38.6                         | 30,411                     |

• Amounts are approximate estimates.

## 7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

## — Human Resources ..... 96

Basic Approach

Global Management

Human Resources Initiatives

## — Human Resources Data

Supply Chain ..... 118

Social Contribution Activities ... 135

## Human Resources Data

Ratio of women in management positions in the Honda workplace in Japan

|                              | FY2015 (base year) | FY2017 | FY2018 | FY2019 |
|------------------------------|--------------------|--------|--------|--------|
| Compared with FY2015 (times) | 1.00               | 1.17   | 1.40   | 1.90   |

Percentage of women in the Honda workplace: FY2019

|                           | Ratio of women in the entire workforce | Ratio of women in management positions |
|---------------------------|----------------------------------------|----------------------------------------|
| Japan                     | 7.6                                    | 1.1                                    |
| North America             | 24.1                                   | 15.0                                   |
| South America             | 12.3                                   | 9.3                                    |
| Europe/Africa/Middle East | 17.1                                   | 11.1                                   |
| Asia & Oceania            | 12.6                                   | 14.9                                   |
| China                     | 12.0                                   | 15.6                                   |
| Total                     | 13.9                                   | 7.9                                    |

Base salary and ratio of total compensation for males and females in Japan

|                      | Base salary (Female : Male) | Total compensation (Female : Male) |
|----------------------|-----------------------------|------------------------------------|
| Management positions | 1 : 1.02                    | 1 : 1.03                           |
| General associates   | 1 : 1.03                    | 1 : 1.35                           |

\* The same pay scale is applied to male and female associates. Gaps are due to differences in factors such as age distribution and the ratio of males and females in pay grades.

Number of persons over 60 employed by Honda in Japan

|                    | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 |
|--------------------|--------|--------|--------|--------|--------|
| Number of persons* | 622    | 711    | 729    | 1,097  | 1,155  |

\*Includes persons who turned 60 and continued employment in each fiscal year

Number of associates with disabilities and percentage of employment of individuals with disabilities in Japan

|                           | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 |
|---------------------------|--------|--------|--------|--------|--------|
| Number of associates*     | 1,089  | 1,094  | 1,073  | 1,041  | 1,055  |
| Percentage of employment* | 2.28   | 2.30   | 2.32   | 2.31   | 2.32   |

\*Laws governing the employment of people with disabilities stipulate that employment of one individual with a serious disability is equivalent to employing two less severely disabled individuals for purposes of calculating the number of associates with disabilities and percentage of employment. Data depicted in the graph are current as of June 1 of each year.

Number of global hires

|                        | FY2018 | FY2019 | FY2020 (Forecast) |
|------------------------|--------|--------|-------------------|
| Number of people hired | 20     | 15     | 19                |

Number of associates who utilize child/nursing care support in Japan

|                                                 |        | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 |
|-------------------------------------------------|--------|--------|--------|--------|--------|--------|
| Short working hours to facilitate child care    |        | 172    | 182    | 219    | 269    | 319    |
|                                                 | Male   | 0      | 5      | 6      | 14     | 22     |
|                                                 | Female | 172    | 177    | 213    | 255    | 297    |
| Administrative leave to facilitate child care   |        | 392    | 397    | 452    | 454    | 459    |
|                                                 | Male   | 17     | 21     | 32     | 50     | 80     |
|                                                 | Female | 375    | 376    | 420    | 404    | 379    |
| Nursing care leave for children                 |        | 971    | 1,116  | 1,356  | 1,797  | 1,662  |
|                                                 | Male   | 593    | 718    | 892    | 1,245  | 1,212  |
|                                                 | Female | 378    | 398    | 464    | 552    | 450    |
| Work at home during child raising               |        | -      | -      | 145    | 249    | 445    |
|                                                 | Male   | -      | -      | 38     | 76     | 192    |
|                                                 | Female | -      | -      | 107    | 173    | 253    |
| Childcare cost subsidy                          |        | -      | -      | 74     | 150    | 180    |
|                                                 | Male   | -      | -      | 1      | 5      | 6      |
|                                                 | Female | -      | -      | 73     | 145    | 174    |
| Short working hours to facilitate nursing care  |        | 3      | 3      | 8      | 5      | 6      |
|                                                 | Male   | 2      | 1      | 5      | 3      | 2      |
|                                                 | Female | 1      | 2      | 3      | 2      | 4      |
| Administrative leave to facilitate nursing care |        | 9      | 11     | 22     | 22     | 25     |
|                                                 | Male   | 9      | 8      | 14     | 13     | 19     |
|                                                 | Female | 0      | 3      | 8      | 9      | 6      |
| Nursing care leave                              |        | 13     | 22     | 11     | 37     | 40     |
|                                                 | Male   | 11     | 17     | 10     | 31     | 30     |
|                                                 | Female | 2      | 5      | 1      | 6      | 10     |
| Work at home during nursing care                |        | -      | -      | 22     | 29     | 47     |
|                                                 | Male   | -      | -      | 12     | 17     | 27     |
|                                                 | Female | -      | -      | 10     | 12     | 20     |

Reinstatement rate (%) in Japan after taking child care leave

|                    |        | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 |
|--------------------|--------|--------|--------|--------|--------|--------|
| Reinstatement rate |        | 99.2   | 98.3   | 96.1   | 96.5   | 98.4   |
|                    | Male   | -      | -      | 100.0  | 100.0  | 100.0  |
|                    | Female | -      | -      | 95.5   | 95.7   | 97.8   |



## 7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

## Human Resources ..... 96

Basic Approach

Global Management

Human Resources Initiatives

## Human Resources Data

Supply Chain ..... 118

Social Contribution Activities ... 135

## Human Resources Data

Total working hours per associate and average paid vacation days taken in Japan

|                                   | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 |
|-----------------------------------|--------|--------|--------|--------|--------|
| Total working hours per associate | 1,890  | 1,964  | 1,954  | 1,932  | 1,909  |
| Average paid vacation days taken  | 19.4   | 18.4   | 19.0   | 18.7   | 19.3   |

Percentage of associates going through the evaluation programs

| Region                    | Percentage of associates to be targeted for the evaluation programs |
|---------------------------|---------------------------------------------------------------------|
| North America             | 100.0                                                               |
| South America             | 99.8                                                                |
| Europe/Africa/Middle East | 100.0                                                               |
| Asia & Oceania            | 98.0                                                                |
| China                     | 100.0                                                               |

Percentage of performance-based remuneration in Japan

| Level                                 | Proportion of performance-based remuneration in entire compensation |
|---------------------------------------|---------------------------------------------------------------------|
| Director, Operating Officer positions | 50*                                                                 |
| Management positions                  | 37                                                                  |

\*A certain level of stock options is included in remuneration for Director and Operating Officer positions.

Starting salary in Japan

|                                      | Monthly salary (yen) | Compared to minimum wage (%) |
|--------------------------------------|----------------------|------------------------------|
| High school                          | 174,700              | 109                          |
| Technical college and junior college | 195,600              | 122                          |
| Undergraduate                        | 218,700              | 137                          |
| Graduate school (Master's degree)    | 245,000              | 153                          |

\*Minimum wage is calculated using 20.3 eight hour days as one month based on the minimum wage for the Tokyo metropolitan area (985 yen/hour). This is a graded salary system and there is no difference in salary for males and females with the same qualification level. Figures are as of June 1, 2019.

Associate engagement in Japan (Total of 24 questions in six categories; average on a scale of 1 to 5)

Target: 3.50 points or more (Status of "very good" engagement levels\* working at Honda)

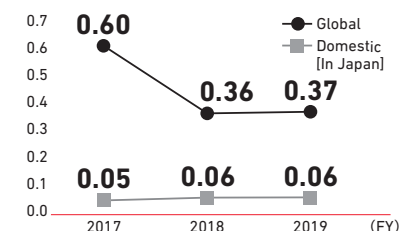
|                                              | FY2019 |
|----------------------------------------------|--------|
| All associates                               | 3.46   |
| Male                                         | 3.47   |
| Female                                       | 3.44   |
| Percentage of respondents for all associates | 96.2%  |

\*Honda assesses the status of "very good" engagement levels in six categories: an open-minded workplace; rewarding tasks; an environment that makes hard work worthwhile; being proud to work at Honda; trustworthy management; and a pleasant work environment.

Number of participants in training related to health and safety standards

|                                                                                                                              |                    |
|------------------------------------------------------------------------------------------------------------------------------|--------------------|
| Health-related training                                                                                                      | 191 (6 workplaces) |
| Education for Company-wide Safety and Health Audit Committee members                                                         | 14                 |
| Education for associates newly promoted to management positions                                                              | 309                |
| Training for newly appointed officers (in charge of occupational health and safety, traffic or fire and disaster prevention) | 68                 |

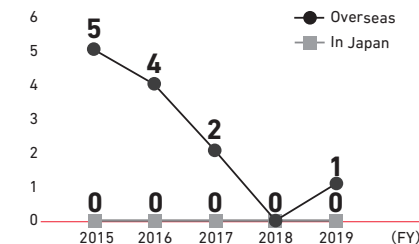
Frequency rate of lost workday injuries



• Global (Frequency rate of lost workday injuries): The number of lost workday injuries per one million work hours at Honda's seven production bases in Japan and 62 overseas production bases

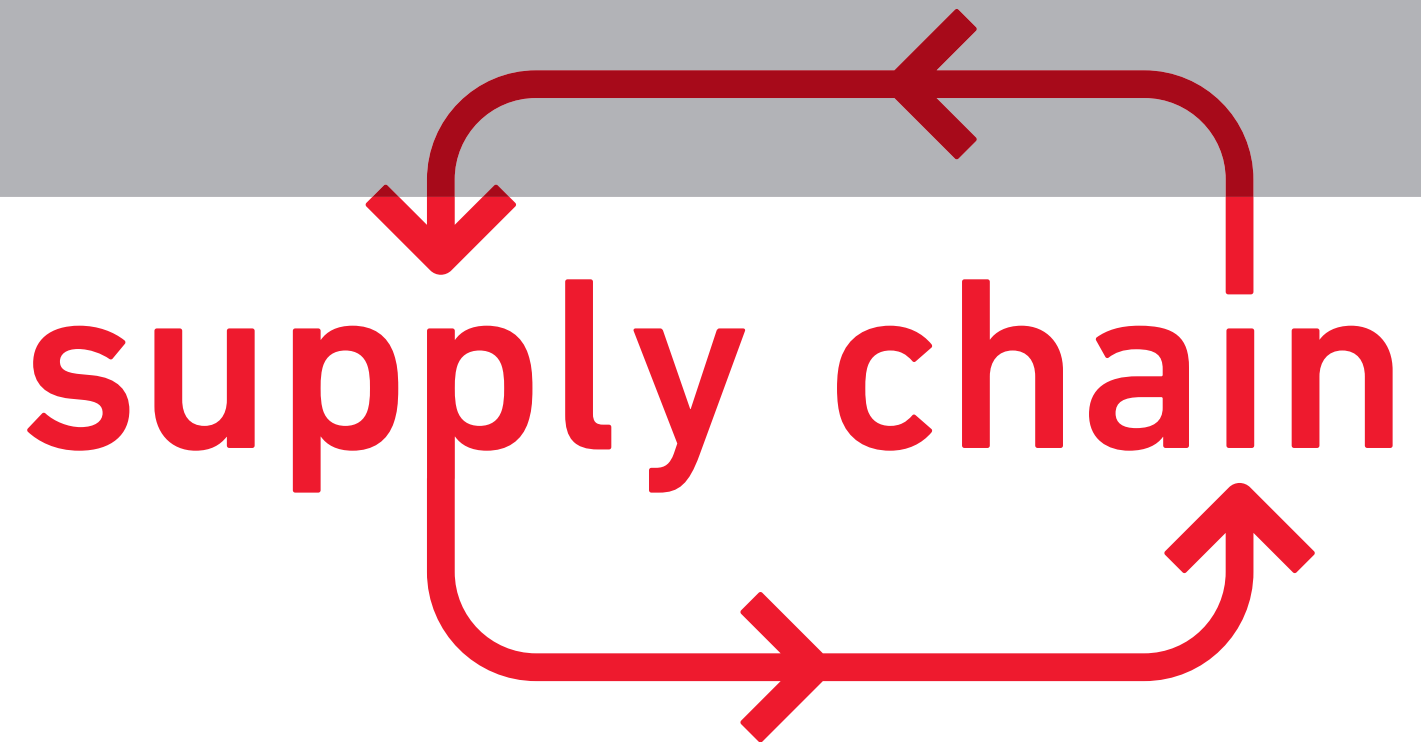
• Domestic [In Japan] (Frequency rate of lost workday injuries): The number of lost workday injuries per one million work hours at companies to which Honda's labor agreement applies

Number of Industry Accident Fatalities (in Japan and Overseas)





## Supply Chain



### Material Issues

- Responding to climate change and energy issues
- Deploying total supply chain sustainability initiatives

## 7 Performance Report

|                       |    |
|-----------------------|----|
| Environment .....     | 41 |
| Safety .....          | 67 |
| Quality .....         | 79 |
| Human Resources ..... | 96 |

## — Supply Chain .....118

## — Basic Approach

|                                    |     |
|------------------------------------|-----|
| Basic Approach to Logistics        |     |
| Global Management of Logistics     |     |
| Logistics Initiatives              |     |
| Basic Approach to Purchasing       |     |
| Global Management of Purchasing    |     |
| Purchasing Initiatives             |     |
| Social Contribution Activities ... | 135 |

## Basic Approach

## Strengthening Supply Chain Sustainability

In order to provide customers with a timely, stable supply of better products and services, it is necessary to put significant effort into developing and optimizing supply chains with suppliers around the world while also taking into account environmental and human rights issues.

Companies within the automobile industry, which is a broad-based industry supported by many suppliers, must pursue the reduction of not only their own environmental impacts but also those of suppliers throughout their entire supply chain.

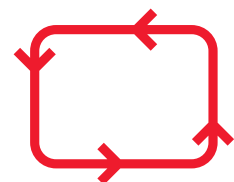
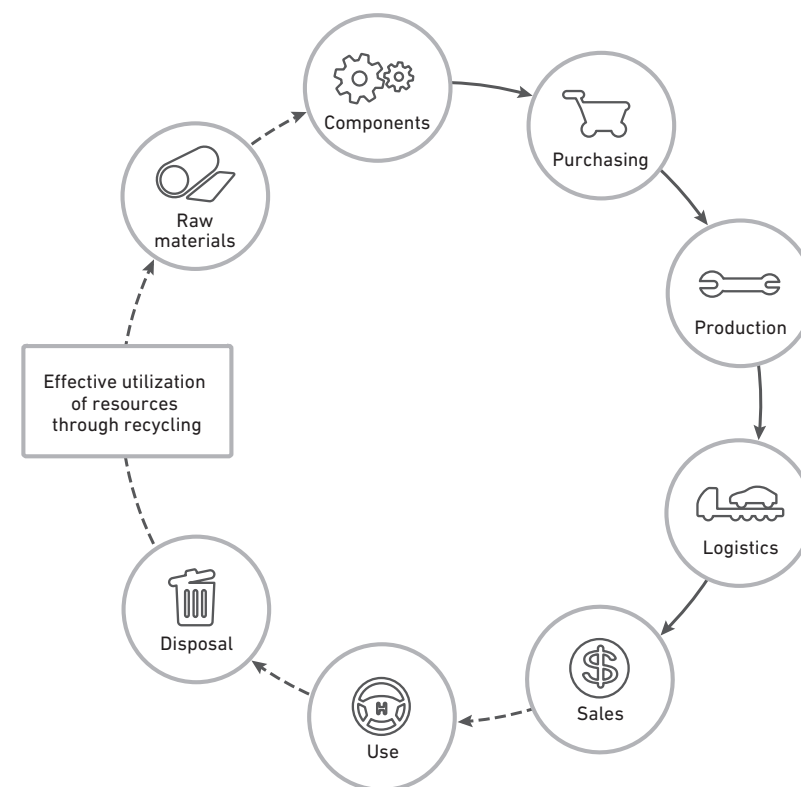
In addition, as awareness of compliance and human rights issues grows worldwide, companies are being asked to verify working conditions and legal compliance not only for themselves but also for their suppliers, as well as to make efforts to take corrective action if required.

From FY2018, Honda is taking part in CDP's supply chain program (an international initiative by institutional investors requesting companies for disclosure of information on climate change policies) and requesting disclosure of risks and opportunities related to Greenhouse Gas (GHG) emissions and the environment from suppliers in addition to information on matters relating to Honda's operational domains.

In this way, Honda will actively promote sustainable initiatives at its development and manufacturing facilities in cooperation with all its suppliers around the world. By doing so, Honda is seeking to realize a supply chain where Honda co-exists and co-prospers with local communities as "a company that society wants to exist."

Honda is striving to strengthen supply chain sustainability mainly in the areas of purchasing and logistics.

Overview of supply chain



## 7 Performance Report

|                                    |            |
|------------------------------------|------------|
| Environment .....                  | 41         |
| Safety .....                       | 67         |
| Quality .....                      | 79         |
| Human Resources .....              | 96         |
| <b>Supply Chain .....</b>          | <b>118</b> |
| Basic Approach                     |            |
| <b>Basic Approach to Logistics</b> |            |
| Global Management of Logistics     |            |
| Logistics Initiatives              |            |
| Basic Approach to Purchasing       |            |
| Global Management of Purchasing    |            |
| Purchasing Initiatives             |            |
| Social Contribution Activities ... | 135        |

## Basic Approach to Logistics

### Management of Logistics from ESG Perspective

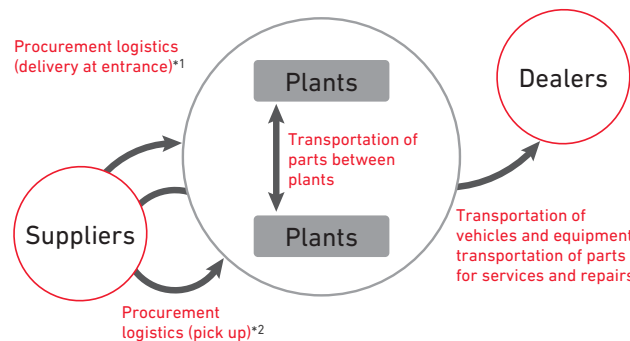
At Honda, many parts that are used in its products are sourced from suppliers and transported to its plants. Then, they are incorporated into the Company's products, and the completed models are sent directly from the plants to dealers. In addition to this, parts are also transported between plants, and parts for services and repairs are sent to dealers.

Due to the extremely large volume of transportation that takes place throughout the manufacturing process at Honda, increasing efficiency, along with reducing environmental burden, compliance and risk management in logistics are becoming critical issues.

For instance, focusing on long-haul transport, Honda is working to expand the "modal shift" and technological advancement of packaging materials.

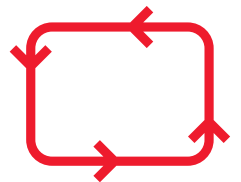
Honda is conducting management from an environmental, social and governance (ESG) perspective.

Overview of Honda logistics



\*1 A transportation operator retained by the supplier delivers sourced parts to the entrance of Honda's plants.

\*2 A transportation operator retained by Honda makes the rounds of parts suppliers and picks up the sourced parts.



## 7 Performance Report

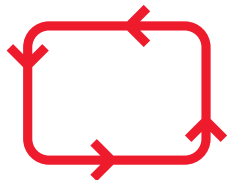
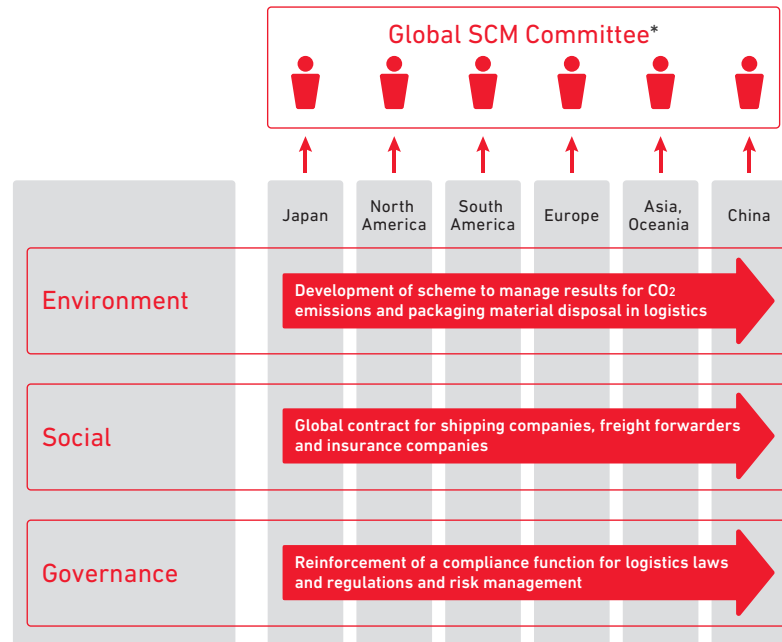
|                                         |            |
|-----------------------------------------|------------|
| Environment .....                       | 41         |
| Safety .....                            | 67         |
| Quality .....                           | 79         |
| Human Resources .....                   | 96         |
| <b>— Supply Chain .....</b>             | <b>118</b> |
| Basic Approach                          |            |
| Basic Approach to Logistics             |            |
| <b>— Global Management of Logistics</b> |            |
| Logistics Initiatives                   |            |
| Basic Approach to Purchasing            |            |
| Global Management of Purchasing         |            |
| Purchasing Initiatives                  |            |
| Social Contribution Activities ...      | 135        |

## Global Management of Logistics

### Integrated Management Framework Transcending Divisions and Regions

Honda is progressing ESG management of logistics through a global organization. This body has teamed up with logistics-related divisions and the six regional headquarters worldwide to formulate policies and carry out strategies for tackling the various logistics-related pending issues and challenges. The aim is to manage the challenges, including environmental response for CO<sub>2</sub> reduction, management of transportation companies, response to laws and regulations, insurance policy and risk management, in an integrated fashion.

Logistics global management framework



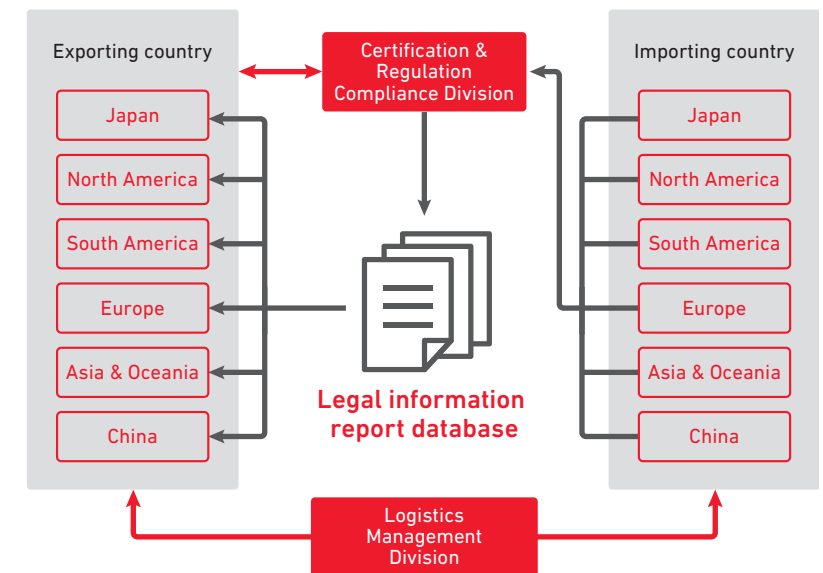
\* A committee to debate Supply Chain Management (SCM) issues at the global headquarters and in respective regions in order to achieve medium-term goals

# supply chain

### Integrated Management of Legal Information Concerning Logistics

In order to supply products and parts across countries and regions, it is necessary to identify and analyze a variety of factors that include differing transport infrastructure, laws and risk of natural disasters. Laws and regulations, in particular, have the potential to significantly impact safety and speed in transportation. Honda aims to consistently secure precise information and enable efficient, accurate and early global response. To do so, the Company strives to strengthen compliance with laws and regulations by creating a function for the integrated management of international treaties and legal information concerning logistics operations and by ensuring swift response.

Integrated management framework for legal information



## 7 Performance Report

|                                    |            |
|------------------------------------|------------|
| Environment .....                  | 41         |
| Safety .....                       | 67         |
| Quality .....                      | 79         |
| Human Resources .....              | 96         |
| <b>Supply Chain .....</b>          | <b>118</b> |
| Basic Approach                     |            |
| Basic Approach to Logistics        |            |
| Global Management of Logistics     |            |
| <b>Logistics Initiatives</b>       |            |
| Basic Approach to Purchasing       |            |
| Global Management of Purchasing    |            |
| Purchasing Initiatives             |            |
| Social Contribution Activities ... | 135        |

## Logistics Initiatives

### Grasping and Reducing CO<sub>2</sub> Emissions

Honda is working to improve transportation efficiency in the shipping of vehicles and equipment, parts shipped between plants, parts for services and repairs, and parts procurement, thereby reducing environmental impact.

For instance, focusing on long-haul transport, Honda is working to expand the modal shift to switch the transportation method from trucks to rail and ship transport, and to facilitate the technological advancement of packaging materials.

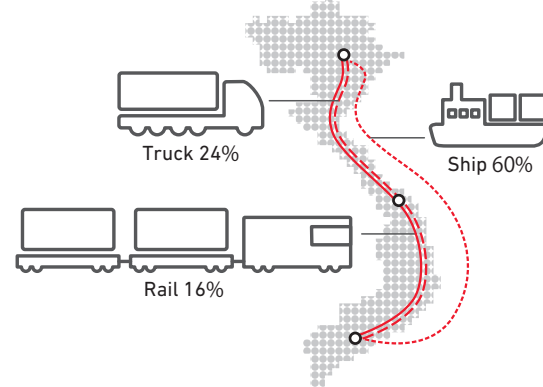
Honda continues to promote CO<sub>2</sub> emissions monitoring of all products throughout the world, such as managing CO<sub>2</sub> emissions from international marine transportation.

### Expanding Modal Shifts

#### Initiatives in Vietnam

In Vietnam, the distance between Honda's motorcycle production facility on the outskirts of Hanoi in the north and the major market of Ho Chi Minh City in the south is over 1,700km. For this reason, Honda is switching from conventional truck transport to rail and ship transport for motorcycle shipments to its warehouse in the south. Through this effort, Honda successfully reduced CO<sub>2</sub> emissions by approximately 1,000t.

Traffic route through modal shift in Vietnam



Modal shift in Vietnam



Inside one of the containers

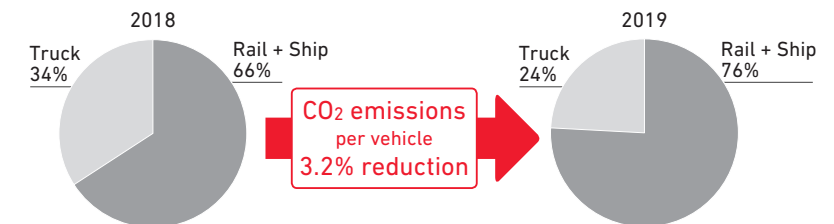


Container ship



Loading a container for rail freight

Expansion of rail and ship transport in Vietnam



## 7 Performance Report

|                       |    |
|-----------------------|----|
| Environment .....     | 41 |
| Safety .....          | 67 |
| Quality .....         | 79 |
| Human Resources ..... | 96 |

## — Supply Chain .....118

Basic Approach

Basic Approach to Logistics

Global Management of Logistics

### — Logistics Initiatives

Basic Approach to Purchasing

Global Management of Purchasing

Purchasing Initiatives

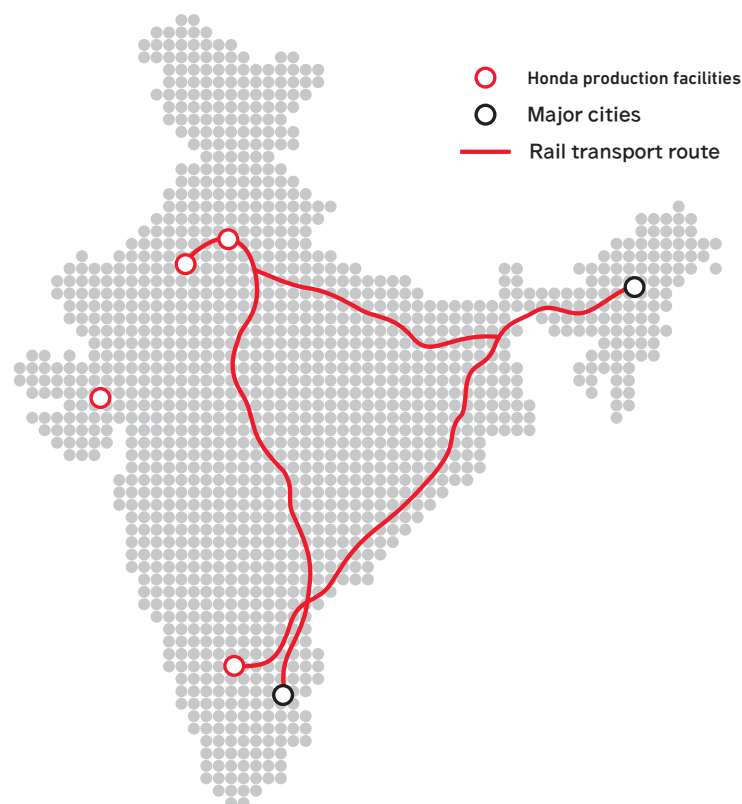
Social Contribution Activities ... 135

## Logistics Initiatives

### Initiative in India

In India, CO<sub>2</sub> emissions were reduced by 330t annually by switching the transportation method from the motorcycle factory to the sales base and replacing conventional truck transportation with rail transportation.

#### Rail transport route in India



#### Railway transportation in India



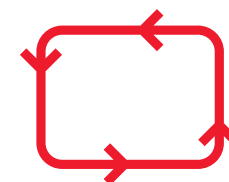
Honda motorcycles transported by rail



Inside a container



Railway transportation





## 7 Performance Report

|                                    |            |
|------------------------------------|------------|
| Environment .....                  | 41         |
| Safety .....                       | 67         |
| Quality .....                      | 79         |
| Human Resources .....              | 96         |
| <b>Supply Chain .....</b>          | <b>118</b> |
| Basic Approach                     |            |
| Basic Approach to Logistics        |            |
| Global Management of Logistics     |            |
| <b>Logistics Initiatives</b>       |            |
| Basic Approach to Purchasing       |            |
| Global Management of Purchasing    |            |
| Purchasing Initiatives             |            |
| Social Contribution Activities ... | 135        |

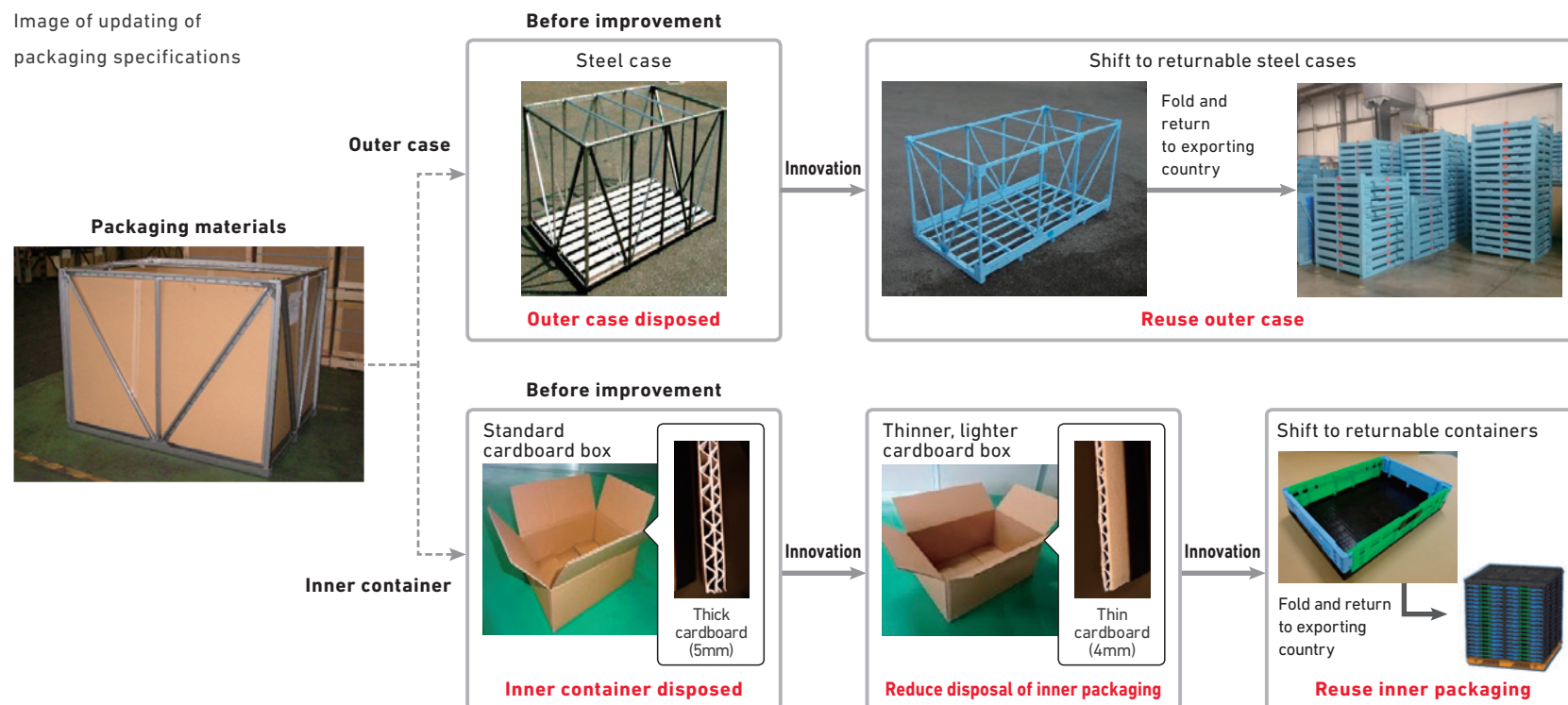
## Logistics Initiatives

### Technological Advancement of Packaging Materials

Honda exports (supplies) parts between factories across different countries and regions, and conducts assembly of vehicles and equipment in the importing countries.

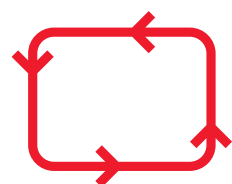
Such export of parts involve usage of packaging materials, which are classified into outer case and inner container. In the past, these packaging materials were disposed of in the importing country. To counter this, Honda has innovated packaging technology to reuse containers and reduce the weight of packaging materials, thereby reducing both waste and CO<sub>2</sub> output.

Image of updating of packaging specifications



Classification and evolution of packaging materials

| Packaging materials | Use                                                              | Evolution of packaging techniques                                  |
|---------------------|------------------------------------------------------------------|--------------------------------------------------------------------|
| Outer case          | Case to be loaded onto containers                                | Returnable steel cases                                             |
| Inner container     | Container to pack parts, which is then enclosed in an outer case | Use of thin, light cardboard boxes; shift to returnable containers |





7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

— Supply Chain .....118

Basic Approach

Basic Approach to Logistics

Global Management of Logistics

Logistics Initiatives

— Basic Approach to Purchasing

Global Management of Purchasing

Purchasing Initiatives

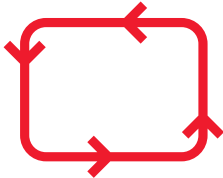
Social Contribution Activities ... 135

Basic Approach to Purchasing

Purchasing Belief, Three Purchasing Principles and Purchasing Code of Conduct

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

Honda defined points of concern that it should follow, in particular, as the Purchasing Code of Conduct, and by following this Code, the Company enhances trust with related divisions and business partners as well as builds sound relationships with suppliers.

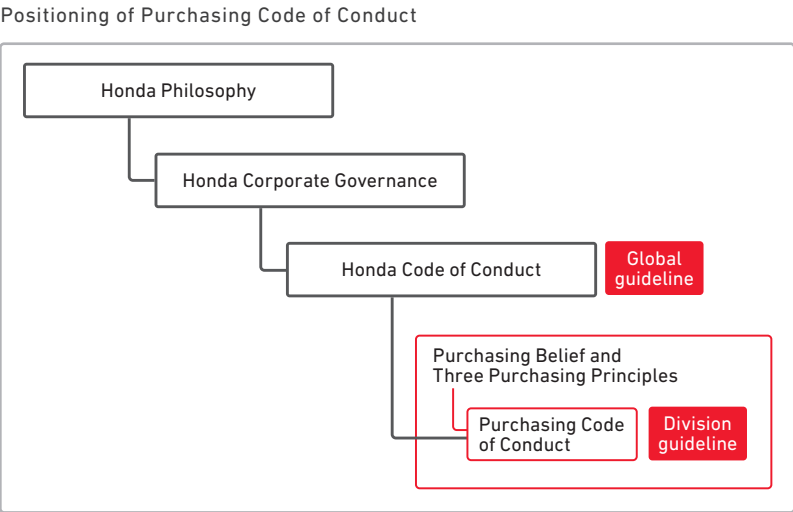
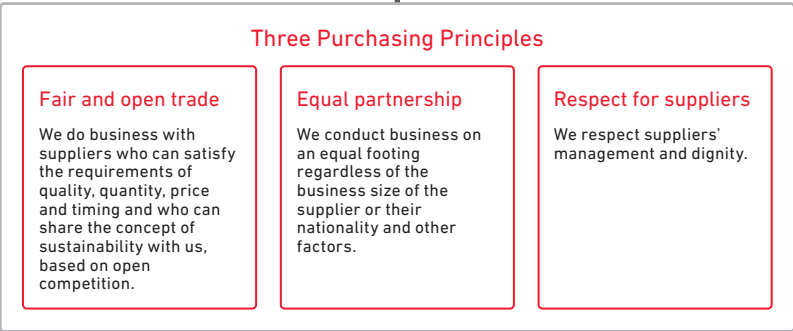


Purchasing Belief and Three Purchasing Principles

We do fair and equitable business with transparency based on the “Purchasing Belief” and the “Three Purchasing Principles.”

**Purchasing Belief**

We sustain the procurement of good products at reasonable prices and in a timely manner.



7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

— Supply Chain .....118

Basic Approach

Basic Approach to Logistics

Global Management of Logistics

Logistics Initiatives

Basic Approach to Purchasing

— Global Management of Purchasing

Purchasing Initiatives

Social Contribution Activities ... 135

Global Management of Purchasing

## Establishment of Guidelines

The Company published the Honda Supplier Sustainability Guidelines and Honda Green Purchasing Guidelines to share its approach to sustainability with suppliers worldwide and to promote Honda initiatives. (Please refer to the links below.)

Through the Guidelines, Honda seeks to prevent compliance violations and other issues in advance along with reducing its environmental impact.

If a supplier fails to follow the Guidelines, Honda immediately receives a report from the supplier and works to prevent a recurrence by requesting them to analyze the cause and draw up the corrective action plan.

If the corrective action plan received from the supplier is determined to be inappropriate, Honda considers its future business relations with them, taking into account the social impact of the problem.

In addition, via the Business Ethics Improvement Proposal Line (⇒ p. 34), Honda accepts reports and requests for consultation from all suppliers from a fair and neutral standpoint.

In addition, the Company is working across the entire supply chain, preparing check sheets for its suppliers to help assess their own initiatives and promote sustainability initiatives at sub-tier suppliers.

When selecting suppliers for components and raw materials based on these sustainability policies, Honda confirms their initiatives on Quality, Cost, Delivery, Development and Environment (QCDDE), human rights, labor, safety, compliance, risk, protection of information and other aspects to determine the best and most sustainable supplier.

PDF

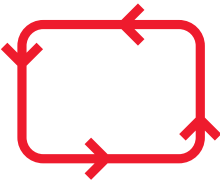
Honda Supplier Sustainability Guidelines

> [https://global.honda/about/dam\\_img/sustainability/report/pdf/supply-chain/supplier-sustainability-guidelines.pdf](https://global.honda/about/dam_img/sustainability/report/pdf/supply-chain/supplier-sustainability-guidelines.pdf)

PDF

"Honda Green Purchasing Guidelines"

> [https://global.honda/content/dam/site/global/about/cq\\_img/sustainability/report/pdf/supply-chain/green-purchasing-guidelines-2018-en.pdf](https://global.honda/content/dam/site/global/about/cq_img/sustainability/report/pdf/supply-chain/green-purchasing-guidelines-2018-en.pdf)



## 7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

## — Supply Chain ..... 118

Basic Approach

Basic Approach to Logistics

Global Management of Logistics

Logistics Initiatives

Basic Approach to Purchasing

## — Global Management of Purchasing

Purchasing Initiatives

Social Contribution Activities ... 135

## Global Management of Purchasing

Changes in purchasing practices

Strengthened QCDD

Expanded and strengthened global QCDD

Launched full-scale environmental initiatives

Strengthened overall sustainability

1950s

1960s

1990s

2000s

2010

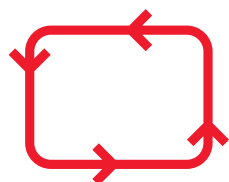
2015

- Established Purchasing Belief and Three Purchasing Principles

- Issued Honda Green Purchasing Guidelines (2001)

- Issued Honda Supplier CSR Guidelines (2010)
- Revised Honda Green Purchasing Guidelines (2011)  
Explicitly stated environmental initiatives as a category for evaluation of suppliers
- Revised Honda Supplier CSR Guidelines (Japan, 2013)  
Added content on handling of conflict minerals
- Issued Automotive Industry Guidelines to Enhance Sustainability Performance in the Supply Chain (North America, 2014)

- Issued CSR Guidelines in other regions (2015)
- Revised the Purchasing Belief, the Three Purchasing Principles and the Purchasing Code of Conduct (2015)
- Issued the Honda Supplier Sustainability Guidelines (2018)  
Reviewed the content of the Honda Supplier CSR Guidelines and renamed as Sustainability Guidelines
- Revised Honda Green Purchasing Guidelines (2018)



supply chain

7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

— Supply Chain .....118

Basic Approach

Basic Approach to Logistics

Global Management of Logistics

Logistics Initiatives

Basic Approach to Purchasing

— Global Management of Purchasing

Purchasing Initiatives

Social Contribution Activities ... 135

Global Management of Purchasing

Purchasing System

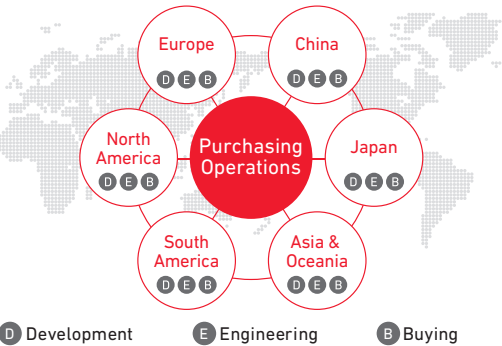
Honda conducts business in six regions worldwide and has respectively established purchasing functions. In line with Honda’s corporate philosophy of “building products close to the customer,” each region is encouraged to source locally. The rate of local procurement in the United States, Honda’s largest production base, reaches 80% for major global models.

Purchasing Operations, which supervises the global function overall, is located in Japan, providing cross-regional and cross-business

coordination and planning sustainability policies and goals. In 2016, the Company established the Sustainability Management Department, Purchasing Planning Division, as a department dedicated to reinforcing and accelerating sustainability initiatives.

In addition, Meetings of the International Purchasing Conference, the Global Correlation Meeting, the Six Region Sustainability Purchasing Meeting and other gatherings are held regularly. Through these meetings, collaboration between Purchasing Operations and each of the regional and business operation is promoted, enabling implementation of the PDCA cycle on a global scale.

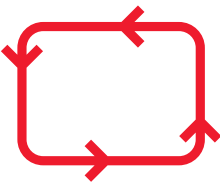
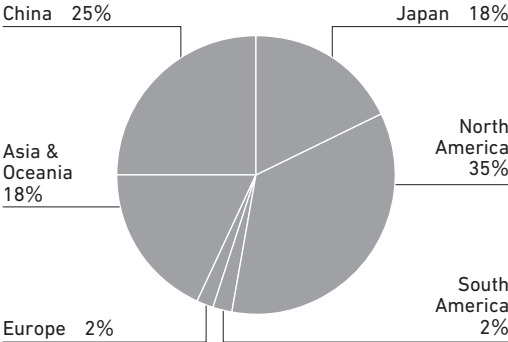
Honda’s global purchasing network



Global meeting structure



Regional distribution of purchasing volume (FY2019)



## 7 Performance Report

|                       |    |
|-----------------------|----|
| Environment .....     | 41 |
| Safety .....          | 67 |
| Quality .....         | 79 |
| Human Resources ..... | 96 |

## — Supply Chain .....118

Basic Approach

Basic Approach to Logistics

Global Management of Logistics

Logistics Initiatives

Basic Approach to Purchasing

## — Global Management of Purchasing

Purchasing Initiatives

Social Contribution Activities ... 135

## Global Management of Purchasing

### International Purchasing Conference

The International Purchasing Conference, attended by the Chief Officers of Regional Operations and Purchasing Operations, is held in six regions worldwide in order to strengthen the links between regional business direction and purchasing direction.

### Global Correlation Meeting

The Global Correlation Meeting is held once a year with management-level associates from purchasing and each Regional Operation with the objectives of confirming, discussing and examining Honda's medium- and long-term direction with regard to purchasing activities on a global level and the initiatives in each region. In FY2019, the Global Correlation Meeting was held in Japan to coordinate the direction of sustainability initiatives.

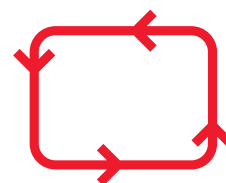
### Six Region Sustainability Purchasing Meeting

The Six Region Environmental Purchasing Meeting had been held since 2011 in order to strengthen initiatives aimed at a low-carbon society across the global supply chain. This meeting was composed of working level staff from six regions. It discussed and coordinated policies and methods of reducing CO<sub>2</sub> together with suppliers in each region worldwide.

In FY2017, Honda added human rights and compliance initiatives and transformed the meeting into the Six Region Sustainability Purchasing Meeting.



Six Region Sustainability Purchasing Meeting



## 7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

## — Supply Chain ..... 118

Basic Approach

Basic Approach to Logistics

Global Management of Logistics

Logistics Initiatives

Basic Approach to Purchasing

Global Management of Purchasing

## — Purchasing Initiatives

Social Contribution Activities ... 135

## Purchasing Initiatives

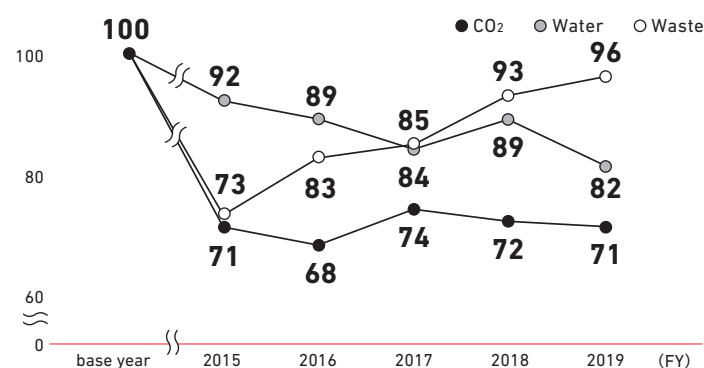
## Reducing Environmental Impact at Suppliers' Sites

In the Honda Global Environmental Purchasing Vision, the Company has adopted the concept of coexisting in shared prosperity with local communities by reducing environmental impact together with Honda's suppliers worldwide in its component procurement operations.

Based on this vision, the Company formulated the Honda Green Purchasing Guidelines, which forms the policy, and the Environmental Purchasing Grand Design, which shows the steps toward the Company's priority of attaining a low-carbon society.

Honda shares the guidelines and the grand design with suppliers in each region and works to realize a low-carbon supply chain.

Performance of reducing environmental impact index of CO<sub>2</sub> emissions/water use/waste generation per unit of production



• CO<sub>2</sub>: FY2001, Water/Waste: FY2009

• Scope of data: all consolidated tier 1 suppliers in Japan

Operating a Management System for CO<sub>2</sub> Data

In order to increase the effectiveness of reductions in environmental impacts in the supply chain, Honda started to establish a system for the integrated management of data on reduction in CO<sub>2</sub> emissions at suppliers in FY2012 and commenced full-scale operation in FY2015.

Honda is using this system to share reduction targets (reduce CO<sub>2</sub> emissions intensity by 1% per year) and progress status and to implement the PDCA cycle with suppliers worldwide.

As of 2018, approximately 1,700 companies, equating to more than 80% of purchasing value on a global level, are using the system.

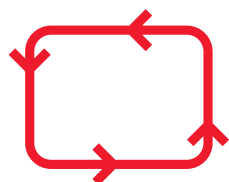
Going forward, the Company will comprehensively analyze data to assist in activities to reduce CO<sub>2</sub> at suppliers.

## Initiatives to Reduce Environmental Impact in the Supply Chain

Honda promotes initiatives together with suppliers to reduce environmental impact, that is, reduction of CO<sub>2</sub> emissions and efficient use of resources in each region.

In Japan, Honda sets a specific numerical CO<sub>2</sub> target of its group suppliers and promotes reduction initiatives in partnership with them.

In FY2019, Honda began an initiative concerning the management of water and waste targets (maintain or improve FY2018 results). As part of this initiative, Honda progressively started the "Supplier Visit on Environment Effort." For this initiative, Honda visits each group supplier's site to confirm the results of efforts to reduce environmental impact and their environmental activities at production sites. This is also a good opportunity for Honda and its group suppliers to share information with each other. Honda actively works with group suppliers to promote efforts to achieve its goals.



supply chain

7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

— Supply Chain .....118

Basic Approach

Basic Approach to Logistics

Global Management of Logistics

Logistics Initiatives

Basic Approach to Purchasing

Global Management of Purchasing

— Purchasing Initiatives

Social Contribution Activities ... 135

Purchasing Initiatives

## Chemical Substance Management

The Company issued the Honda Chemical Substance Management Standard, which aims to ensure that all the components that make up Honda products comply with laws and regulations and to reduce their impact on the global environment and ecosystem. Honda requests suppliers around the world to establish a structure for managing chemical substances that meets the standard and to submit a conformity declaration to assure the supply of components are meeting the standard. The Company also uses an industry standard management system for data on specific chemicals contained in components, which are evaluated prior to commencing mass production.

## Measures to Counter Procurement Risk

Honda views all phenomena that can impact production, including natural disasters, fires, financial issues and labor issues within the supply chain, as risks. Accordingly, the Company works to reduce these risks and prevent the spread of any impact if they materialize throughout the supply chain, beginning with the procurement of components and materials. For example, Honda defines all components and materials that are dependent on production at one facility as Mission-Critical Parts, and inspections and countermeasures are continually countermeasures are implemented continually around the world.

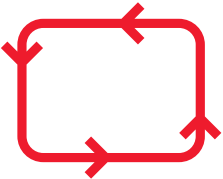
Honda began operating a procurement risk management system with suppliers in Japan in December 2014. Through the operation of this system, the Company established structures to assess damage and identify the impact on production at suppliers in a short time after the occurrence of a major disaster.

Honda also performs once-yearly evaluations based on supplier surveys in order to minimize financial risk. In addition, the Company checks risk every month by referring to information from third-party organizations.

## Requiring Legal Compliance from Suppliers

Honda seeks to strengthen sustainability, including compliance, throughout the supply chain. It concludes basic agreements on component procurement that specify areas of attention such as safety, disaster prevention, environmental preservation and protection of resources along with compliance with each country's laws and regulations in conducting business.

In 2015 Honda also added provisions concerning bribery prevention to basic agreements and is working to strengthen its worldwide efforts to prevent bribery.





## 7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

## — Supply Chain ..... 118

Basic Approach

Basic Approach to Logistics

Global Management of Logistics

Logistics Initiatives

Basic Approach to Purchasing

Global Management of Purchasing

## — Purchasing Initiatives

Social Contribution Activities ... 135

## Purchasing Initiatives

## Third-Party Audit for Suppliers

Honda distributed a checklist to suppliers requesting independent inspection in order to confirm the status of initiatives relative to guidelines.

Honda introduced a third-party audit in Japan in 2016 for suppliers with large business volume and significant influences on the Company in line with rising expectations worldwide to fulfill corporate social responsibility that also includes the supply chain. Going forward, Honda will expand the initiative to high-risk suppliers where there is higher potential for issues or the impact on the Company may be great in case a problem did arise, based on the flow diagram indicated on the right.

The audit comprises two phases, a written investigation and an on-site investigation.

For the written investigation, Honda conducts the following three measures for targeted suppliers.

- Distributes an audit check sheet based on international standards
- Confirms the status of sustainability activities
- Provides feedback on the results of analysis

The audit check sheet sets broad categories for evaluation that include the environment, compliance and information disclosure in addition to human rights and labor matters, such as child labor and forced labor, in an effort to verify supplier activities.

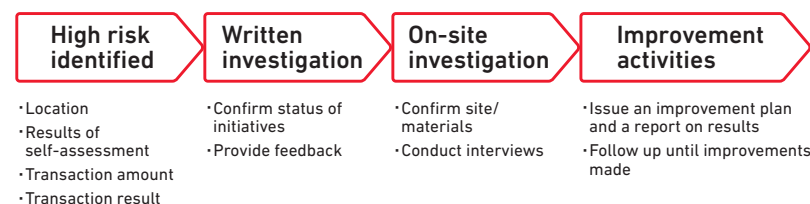
Next, in the on-site investigation, persons in charge from Honda and an auditing company visit a supplier's office to conduct interviews and prepare reports in light of the findings of the written investigation. The status of sustainability initiatives is also examined together with the supplier after confirming actual production processes and related facilities.

For items requiring improvement, an improvement plan and a report on results are issued. A follow-up investigation is employed if needed to confirm that the PDCA cycle for the improvement plan is up and running and that it is linked to ongoing improvement activities.

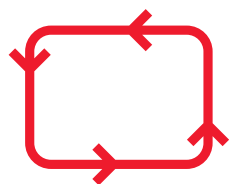
Going forward, Honda will expand application of third-party audits in cooperation with overseas purchasing sites.

There were no instances of issues bearing significant risk in FY2019.

Flow diagram of third-party audit



Confirming the status of wastewater treatment at a supplier site



supply chain

**7 Performance Report**

- Environment ..... 41
- Safety ..... 67
- Quality ..... 79
- Human Resources ..... 96
- Supply Chain .....118**
  - Basic Approach
  - Basic Approach to Logistics
  - Global Management of Logistics
  - Logistics Initiatives
  - Basic Approach to Purchasing
  - Global Management of Purchasing
- Purchasing Initiatives**
- Social Contribution Activities ... 135

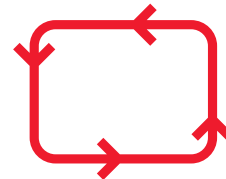
**Purchasing Initiatives**

## Instruction and Training for Associates

To ensure that every associate involved in Honda's purchasing operations promotes honest and fair initiatives, Honda has prepared manuals and personnel development programs in each region.

For example, in North America Honda takes up various topics through seminars, e-learning and on-the-job training (OJT). In its Basic Training Course, the Company shares its approach in such areas as the selection of suppliers and initiatives to strengthen QCDDE. Honda's Building Business Relations training emphasizes the importance of the Company's code of conduct, legal compliance and confidentiality in developing positive long-term relationships with suppliers.

In this way, Honda has developed programs worldwide that incorporate the cultural and social background of each region in addition to basic knowledge about purchasing operations to provide instruction for all purchasing associates.



7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

— Supply Chain .....118

Basic Approach

Basic Approach to Logistics

Global Management of Logistics

Logistics Initiatives

Basic Approach to Purchasing

Global Management of Purchasing

— Purchasing Initiatives

Social Contribution Activities ... 135

Purchasing Initiatives

Collaboration with Industry Groups and Suppliers

Honda is striving to strengthen sustainability across the entire supply chain through this kind of collaborative capacity building between the automotive industry and its suppliers.

Collaboration with Industry Groups

Honda North America Inc., Honda's U.S. subsidiary, participates in four of the work groups established by the Automotive Industry Action Group (AIAG) to strengthen sustainability in the supply chain. They are the Responsible Sourcing Work Group, the Sustainability Work Group, the GHG Work Group and the Chemical Management Work Group. The Working Conditions Work Group, which Honda co-chairs, promotes training for suppliers. Since 2012, following upon its initiative in North America, the Work Group has been offering training sessions on corporate ethics, environmental regulations, the working environment, human rights and other topics for tier 1 and sub-tier suppliers in Mexico. In addition, Honda participates in AIAG's Corporate Responsibility Steering Committee to proactively identify issues, needs and trends in and outside the automobile industry.

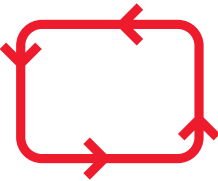
Dialogue with Suppliers

In March 2016, Honda convened a Sustainability Briefing Session, where it shared current social trends and provided feedback on the results of inspections at business partners in accordance with the Honda Supplier CSR Guidelines.

Honda also regularly holds conferences around the world to share with suppliers the direction of its business and the substance of its initiatives. In FY2019, meetings were held in 30 locations around the world. At regional conferences, Honda presented Supplier Awards to recognize those suppliers who have achieved outstanding results in each aspect of QCDDE.

In Japan, Honda has held annual Suppliers Conferences since 1974. Senior management from 327 suppliers attended the conference held in January 2019. At the conference, Honda explained both company-wide policies and purchasing policies for the motorcycle, automobile and power products businesses. In FY2018, Honda started presenting the Sustainability Awards to those suppliers making outstanding efforts in all areas concerning environmental, social and governance (ESG) aspects. The award is an extension of the former Environment Awards that focused on greenhouse gases (GHG) by also including social and governance aspects.

In Europe and the U.S., Honda presents the Sustainability Award to suppliers who made the greatest contributions in social areas such as compliance, safety and health, community contribution activities, the environment, diversity and human rights.



Presentation of Sustainability Award to Yazaki Corporation in Japan



Presentation of Sustainability Award to Goodyear Dunlop Tires Germany GmbH, Fulda plant in Europe



## Social Contribution Activities

# social contribution activities



## 7 Performance Report

|                       |     |
|-----------------------|-----|
| Environment .....     | 41  |
| Safety .....          | 67  |
| Quality .....         | 79  |
| Human Resources ..... | 96  |
| Supply Chain .....    | 118 |

## — Social Contribution Activities ... 135

## — Basic Approach

Global Management

Social Contribution  
Activities Initiatives

Social Contribution Activities Data



## Basic Approach

## Honda Social Contribution Activities

Since the Company was founded, Honda has sought to contribute to society and customers by creating quality products and technologies while coexisting harmoniously with the communities that host its operations. In the 1960s, while the Company was still in a period of early growth, Honda began to launch philanthropic initiatives designed to strengthen ties with local communities.

Currently, Honda undertakes various social contribution activities in the seven regions of the Company's worldwide operations, aiming to share joy with people all around the world and to become a company society wants to exist. Honda also strives to support initiatives that reflect local circumstances in its corporate activities overseas. In order to be able to share joy, Honda will continue to pursue various social contribution activities while communicating with customers and local residents.

## Basic Approach

In 2006, Honda formulated basic principles and directions of Honda philanthropy for its social contribution activities. Under this policy, in every part of the world, the Company has carried out initiatives adapted to the circumstances of various regions, with the aim of creating future societies "That are Full of Dreams."

After reviewing in 2018 the activities in response to a changing environment, Honda has updated its Global Policy to encourage activities that have greater unity; at the same time, it is strengthening its global networks with the aim of realizing its 2030 Vision to "serve people worldwide with the joy of expanding their life's potential."

Based on its fundamental principles of "Respect for the Individual" and "the Three Joys," Honda seeks to improve the quality of people's daily lives around the world. In order to share this joy, the Company hopes that its associates will strive to accelerate their initiatives worldwide.

## Global Policy for Social Contribution Activities

## Corporate Philosophy

Honda will proactively exercise its initiatives for social contribution, founded on the fundamental principles of "Respect for the Individual" and "the Three Joys," to support Honda's universal passion: to improve the quality of people's daily lives.

## Objective

Honda will aspire to become "a company that society wants to exist," and will contribute to the realization of a sustainable society, by serving people worldwide with the joy of expanding their life's potential through its social contribution activities.

## Activity Policy

- Honda will earn social acceptance by creating empathy and trust through active community engagement and by being a good corporate citizen.
- Honda will use its resources and workforce to contribute to society from a global point of view, while maintaining the importance of each region.
- Honda will promote and facilitate maximum associate participation in, and passion for, social contribution activities.

## Field of Activities

- Supporting our youth for the future
- Protecting the global environment
- Promoting traffic safety
- Addressing local community needs



7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

Supply Chain .....118

— Social Contribution Activities ...135

Basic Approach

— Global Management

Social Contribution Activities Initiatives

Social Contribution Activities Data

Global Management

## Honda’s Global System for Social Contribution Activities

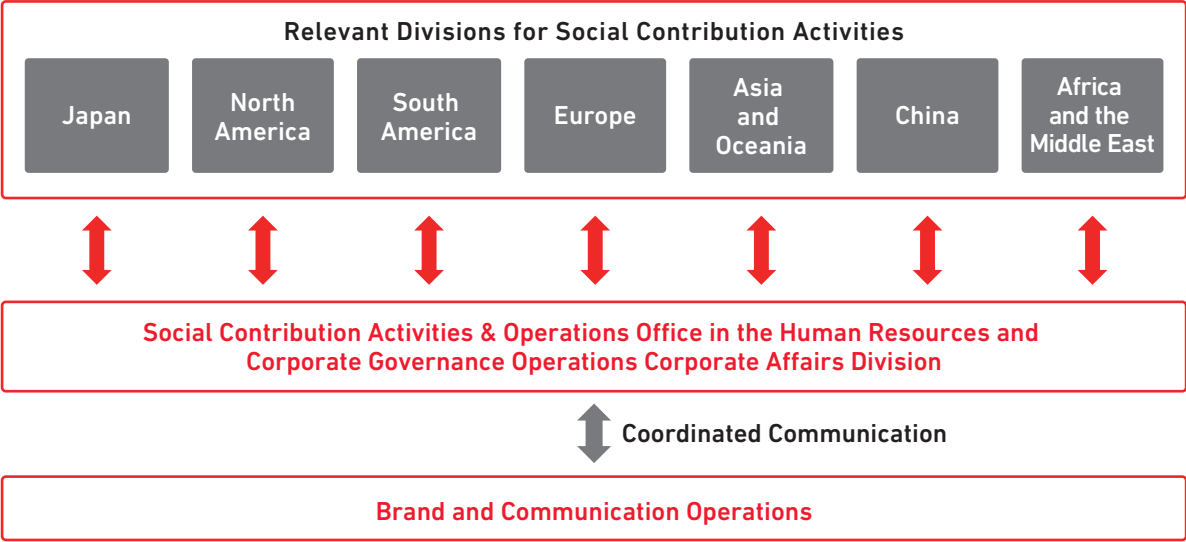
Honda’s social contribution activities are centered on four core policies: supporting our youth for the future; protecting the global environment; promoting traffic safety; and addressing local community needs. Based on these policies, the entire Honda Group engages in activities that recognize the value of its bonds with local communities.

Honda pursues a variety of activities in seven regions, taking maximum advantage of its resources in line with its Global Policy for Social Contribution Activities.

To strengthen Honda’s global networks, the Social Contribution Activities & Operations Office in the Human Resources and Corporate Governance Operations Corporate Affairs Division gathers activity data from across the seven regions, shares activity policies and works together with the Brand and Communication Operations for coordinated communication of information.

Going forward, the Honda Group intends to fulfil its responsibilities as a corporate citizen; to this end, the Group will continue its efforts to create future societies “That are Full of Dreams” and, hand in hand with local residents under globally coordinated initiatives, it will continue to promote a wide range of activities.

Honda’s Global System for Social Contribution Activities





## 7 Performance Report

|                       |     |
|-----------------------|-----|
| Environment .....     | 41  |
| Safety .....          | 67  |
| Quality .....         | 79  |
| Human Resources ..... | 96  |
| Supply Chain .....    | 118 |

## — Social Contribution Activities ... 135

Basic Approach

Global Management

## — Social Contribution Activities Initiatives

Social Contribution Activities Data

## Social Contribution Activities Initiatives

## Japan

## [Protecting the Global Environment]

## Beach Cleanup Projects Implemented by the Honda Group across Japan

Based on a desire to use company technologies to benefit the world, Honda developed the Beach Cleaner in 2006 that cleans up the beaches without harming their ecosystem. Members of the Honda Group across Japan plan and operate cleanup activities. So far, since getting underway the activities have been carried out at more than 100 locations nationwide, with approximately 8,000 local residents taking part each year. In total, the project has been responsible for the collection of some 450 tons of rubbish. The project seeks both to create beaches that can be walked on barefoot with peace of mind, and to nurture mindsets whereby people pick up rubbish when they see it. Going forward, Honda will continue to provide opportunities to think about the environment in an enjoyable manner.



Beach cleanups are carried out at over 100 locations nationwide by the entire Honda Group

## North America

## [Supporting Our Youth for the Future]

## Providing Educational Opportunities: Eagle Rock School

In 1993, American Honda Motor Co., Inc. opened Eagle Rock School, an institution that supports the expansion of educational opportunities and research into new educational methods. The school's mission is to provide learning opportunities to students who, for a variety of reasons, are unable to adjust to their existing school lives. Eagle Rock School supports its students via a unique educational environment that encourages honesty and sociability when interacting with other people. Honda has also established the Professional Development Center, an institution that engages in research into new educational methods together with educators from across the United States.



Educational programs tailored to the individuality of each person



## 7 Performance Report

|                       |     |
|-----------------------|-----|
| Environment .....     | 41  |
| Safety .....          | 67  |
| Quality .....         | 79  |
| Human Resources ..... | 96  |
| Supply Chain .....    | 118 |

## — Social Contribution Activities ... 135

Basic Approach

Global Management

## — Social Contribution Activities Initiatives

Social Contribution Activities Data

## Social Contribution Activities Initiatives

## South America

## [Addressing Local Community Needs]

## Participating in Virada Sustentável Facilitating Learning about Sustainability Taking an Inspiring Approach

Honda participated in Virada Sustentável (meaning “to become a sustainable society”), which takes place annually in different parts of Manaus City in the Brazilian state of Amazonas. The event provides information and education about sustainability to people of different backgrounds, using an upbeat and inspiring approach to the theme. Approximately 60 Honda associates took part as volunteers supporting the event. They took the initiative in cleaning the sandy beaches of the Amazon River and actively supported education activities on the environment and traffic safety for both children and adolescents.



Honda associates and local residents cleaning the sandy beaches of the Amazon River

## Europe

## [Promoting Traffic Safety]

## Activities to Promote Safe Riding Targeting Broad Age Groups

“Montesa Honda S.A. in Spain has provided motorcycle traffic safety education since 1992. This training program includes a wide offer of training courses to cover all rider profiles, from kids aged six years old to experienced riders. The main activity is concentrated during the weekends; however, from Monday to Friday, activity is focused for companies (employee training) or professionals (e.g., police, courier service). The “advanced motorcycling course” of the Honda Safety Institute received the European Motorcycle Training Quality Label. The award, which recognizes the best post-license training programs delivered in Europe, was granted after an onsite visit the most important German NGO active in the field of road safety.”



Children from six years of age can participate in the safe riding courses



## 7 Performance Report

|                       |     |
|-----------------------|-----|
| Environment .....     | 41  |
| Safety .....          | 67  |
| Quality .....         | 79  |
| Human Resources ..... | 96  |
| Supply Chain .....    | 118 |

## — Social Contribution Activities ... 135

Basic Approach

Global Management

## — Social Contribution Activities Initiatives

Social Contribution Activities Data

## Social Contribution Activities Initiatives

## Asia and Oceania

## [Promoting Traffic Safety]

Aiming to Realize an Accident-Free Society:  
The Establishment of Road Safety Education Centers

In 1994, Honda established its first Southeast Asian Road Safety Education Center in Thailand. Since then, the centers have engaged in a wide range of activities: they have helped train instructors at Honda dealers; provided guidance to a diverse range of professionals, including police officers, members of government organizations and school teachers; and also instructed children and young people in road safety. In Thailand and Vietnam, which are considered the largest motorcycle markets in Asia, approximately 48 million people had received road safety training by 2018. Going forward, Honda intends to continue working closely with local and national governments as it seeks to realize an accident-free society.



Safety-related activities being undertaken at Honda's Road Safety Education Centers around the world

## China

## [Protecting the Global Environment]

Afforestation in Inner Mongolia,  
Where Desertification Is a Major Problem

Honda Motor (China) Co., Ltd. initiated afforestation activities in Inner Mongolia as part of a long-term environmental conservation project. Since 2008, the entire Honda Group in China has been involved, and many associates participate in the activities every year. Over the last 11 years, the project has succeeded in afforesting more than 1,060 hectares of land, with over 90% of planted saplings surviving. A vast tract of land that had previously been turning into desert is now covered with green.

The year 2018 saw the start of a new five-year plan, and students who had received support from the Honda Dream Fund, a project that supports the dreams of children growing up in poverty, also participated in the afforestation activities; these activities provided the students with an opportunity to experience the Honda Philosophy firsthand.



Afforestation activities continuously conducted throughout the Honda Group

## 7 Performance Report

|                 |     |
|-----------------|-----|
| Environment     | 41  |
| Safety          | 67  |
| Quality         | 79  |
| Human Resources | 96  |
| Supply Chain    | 118 |

**Social Contribution Activities** ... 135

Basic Approach

Global Management

**Social Contribution Activities Initiatives**

Social Contribution Activities Data

## Social Contribution Activities Initiatives

## Africa &amp; Middle East

## [Co-Existence with Local Communities]

## Motorcycles for Training Donated by Honda Motorcycle Kenya

The National Industrial Training Authority (NITA) is a public institution in Kenya equivalent to a polytechnic or vocational skills development center in Japan. In 2018, Honda Motorcycle Kenya Limited donated motorcycles for training to NITA so participants could learn about motorcycle structure and technology. The program was even featured on the local TV news. Going forward, Honda will continue with such initiatives in the Africa & Middle East region in pursuit of growth with the local community that extends beyond business.



The donation of motorcycles made the news in Kenya.

Honda conducts a variety of other social contribution activities as well. Further details can be found at the following link.

## WEB

Honda Social Contribution Activities

> <https://global.honda/about/sustainability/community.html>



## 7 Performance Report

Environment ..... 41

Safety ..... 67

Quality ..... 79

Human Resources ..... 96

Supply Chain ..... 118

## — Social Contribution Activities ... 135

Basic Approach

Global Management

Social Contribution  
Activities Initiatives

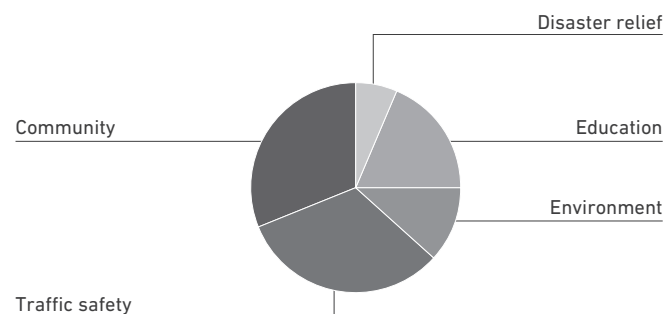
## — Social Contribution Activities Data

## Social Contribution Activities Data

Expenditure related to social contribution activities

Expenditure (million yen)

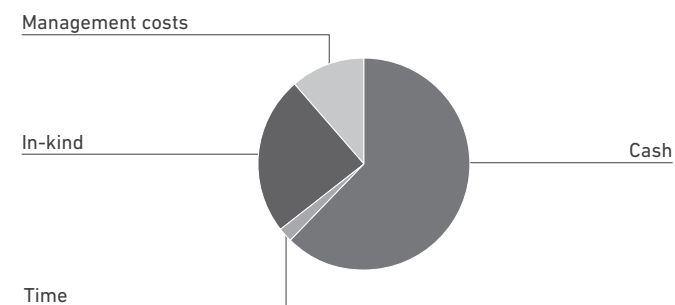
|                 |       |
|-----------------|-------|
| Disaster relief | 581   |
| Education       | 1,642 |
| Environment     | 1,029 |
| Traffic safety  | 2,849 |
| Community       | 2,749 |
| (Total)         | 8,850 |



How the contribution breaks down

Expenditure (million yen)

|                  |       |
|------------------|-------|
| Cash             | 5,525 |
| Time             | 194   |
| In-kind          | 2,141 |
| Management costs | 988   |
| (Total)          | 8,850 |



# 8 Assurance / GRI Content Index / Financial Data

|                   |     |
|-------------------|-----|
| Assurance         | 144 |
| GRI Content Index | 145 |
| Financial Data    | 157 |





## Assurance

To disclose environmental data in a more transparent and reliable manner to our diverse stakeholders, the environmental data indicated with ☒ for the year ended March 31, 2019 in this report are scheduled to be reviewed for the independent practitioner's assurance.

### Planned Scope of Assurance

#### Environmental data assured:

Direct emissions from business activities (Scope 1), Indirect emissions from energy use (Scope 2) and Emissions from customer use of sold products (Scope 3, category 11) out of Honda's total GHG emissions.

GHG emissions (direct emissions (Scope 1), Indirect emissions (Scope 2), Total emissions (Scope 1 and 2)), Energy consumption (Direct energy consumption, Indirect energy consumption and Total energy consumption), Water use/Wastewater volume, Atmospheric pollutants (SOx emissions, NOx emissions), Waste generated

## GRI Content Index



For the GRI Content Index Service, GRI Services reviewed that the GRI content index is clearly presented and the references for all disclosures included align with the appropriate sections in the body of the report.

| GRI Standard                      | Disclosure             | Page number(s) and/or URL(s)                                                  | Part omitted                                                                                                                                                                                | Omission Reason | Explanation |
|-----------------------------------|------------------------|-------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------|
| GRI 101: Foundation 2016          |                        |                                                                               |                                                                                                                                                                                             |                 |             |
| General Disclosures               |                        |                                                                               |                                                                                                                                                                                             |                 |             |
| GRI 102: General Disclosures 2016 | Organizational profile |                                                                               |                                                                                                                                                                                             |                 |             |
|                                   | 102-1                  | Name of the organization                                                      | 9                                                                                                                                                                                           |                 |             |
|                                   | 102-2                  | Activities, brands, products, and services                                    | 6,7,9                                                                                                                                                                                       |                 |             |
|                                   | 102-3                  | Location of headquarters                                                      | 2,9                                                                                                                                                                                         |                 |             |
|                                   | 102-4                  | Location of operations                                                        | 2,9                                                                                                                                                                                         |                 |             |
|                                   | 102-5                  | Ownership and legal form                                                      | 9                                                                                                                                                                                           |                 |             |
|                                   | 102-6                  | Markets served                                                                | 9,10                                                                                                                                                                                        |                 |             |
|                                   | 102-7                  | Scale of the organization                                                     | 9,12<br>2019 Form 20-F<br><a href="https://global.honda/investors/library/form20_f.html">https://global.honda/investors/library/form20_f.html</a><br>1,2,7,8,9,10,11,26,27,28,F-6,F-45,F-46 |                 |             |
|                                   | 102-8                  | Information on employees and other workers                                    | 115                                                                                                                                                                                         |                 |             |
|                                   | 102-9                  | Supply chain                                                                  | 119,128                                                                                                                                                                                     |                 |             |
|                                   | 102-10                 | Significant changes to the organization and its supply chain                  | 2                                                                                                                                                                                           |                 |             |
|                                   | 102-11                 | Precautionary Principle or approach                                           | 2                                                                                                                                                                                           |                 |             |
|                                   | 102-12                 | External initiatives                                                          | 21                                                                                                                                                                                          |                 |             |
|                                   | 102-13                 | Membership of associations                                                    | 21,105,134                                                                                                                                                                                  |                 |             |
|                                   | Strategy               |                                                                               |                                                                                                                                                                                             |                 |             |
|                                   | 102-14                 | Statement from senior decision-maker                                          | 3                                                                                                                                                                                           |                 |             |
|                                   | 102-15                 | Key impacts, risks, and opportunities                                         | 14,15,16,17,22,23,36,37,38,44,45,46,47,48,49,68,69,80,97,119                                                                                                                                |                 |             |
|                                   | Ethics and integrity   |                                                                               |                                                                                                                                                                                             |                 |             |
|                                   | 102-16                 | Values, principles, standards, and norms of behavior                          | 4,14,15,16,17,33                                                                                                                                                                            |                 |             |
|                                   | 102-17                 | Mechanisms for advice and concerns about ethics                               | 34                                                                                                                                                                                          |                 |             |
|                                   | Governance             |                                                                               |                                                                                                                                                                                             |                 |             |
|                                   | 102-18                 | Governance structure                                                          | 18,25,26,27,28,29,30,31,32                                                                                                                                                                  |                 |             |
|                                   | 102-19                 | Delegating authority                                                          | 18                                                                                                                                                                                          |                 |             |
|                                   | 102-20                 | Executive-level responsibility for economic, environmental, and social topics | 18                                                                                                                                                                                          |                 |             |
|                                   | 102-21                 | Consulting stakeholders on economic, environmental, and social topics         | 18                                                                                                                                                                                          |                 |             |
|                                   | 102-22                 | Composition of the highest governance body and its committees                 | 25,26,27,28,29,30,31,32                                                                                                                                                                     |                 |             |
|                                   | 102-23                 | Chair of the highest governance body                                          | 25,26,27,28,29,30,31,32                                                                                                                                                                     |                 |             |



## GRI Content Index

| GRI Standard | Disclosure                                                                             | Page number(s) and/or URL(s)                                                                                                                                                                   | Omission                                     |                                                                      |                                   |
|--------------|----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------------------------------|-----------------------------------|
|              |                                                                                        |                                                                                                                                                                                                | Part omitted                                 | Reason                                                               | Explanation                       |
|              | <b>102-24</b> Nominating and selecting the highest governance body                     | 25,26,27,28,29,30,31,32<br>Honda Corporate Governance Basic Policies <a href="https://global.honda/investors/policy/governance.html">https://global.honda/investors/policy/governance.html</a> |                                              |                                                                      |                                   |
|              | <b>102-25</b> Conflicts of interest                                                    | 25,26,27,28,29,30,31,32<br>Honda Corporate Governance Basic Policies <a href="https://global.honda/investors/policy/governance.html">https://global.honda/investors/policy/governance.html</a> |                                              |                                                                      |                                   |
|              | <b>102-26</b> Role of highest governance body in setting purpose, values, and strategy | 18                                                                                                                                                                                             |                                              |                                                                      |                                   |
|              | <b>102-27</b> Collective knowledge of highest governance body                          | 18                                                                                                                                                                                             |                                              |                                                                      |                                   |
|              | <b>102-28</b> Evaluating the highest governance body's performance                     | 18                                                                                                                                                                                             |                                              |                                                                      |                                   |
|              | <b>102-29</b> Identifying and managing economic, environmental, and social impacts     | 18                                                                                                                                                                                             |                                              |                                                                      |                                   |
|              | <b>102-30</b> Effectiveness of risk management processes                               | 18                                                                                                                                                                                             |                                              |                                                                      |                                   |
|              | <b>102-31</b> Review of economic, environmental, and social topics                     | 18                                                                                                                                                                                             |                                              |                                                                      |                                   |
|              | <b>102-32</b> Highest governance body's role in sustainability reporting               | 18                                                                                                                                                                                             |                                              |                                                                      |                                   |
|              | <b>102-33</b> Communicating critical concerns                                          | 18,25                                                                                                                                                                                          |                                              |                                                                      |                                   |
|              | <b>102-34</b> Nature and total number of critical concerns                             | -                                                                                                                                                                                              | Nature and total number of critical concerns | This information is subject to specific confidentiality constraints. | This information is confidential. |
|              | <b>102-35</b> Remuneration policies                                                    | 29,39<br>Honda Corporate Governance Basic Policies <a href="https://global.honda/investors/policy/governance.html">https://global.honda/investors/policy/governance.html</a>                   |                                              |                                                                      |                                   |
|              | <b>102-36</b> Process for determining remuneration                                     | 29,39<br>Honda Corporate Governance Basic Policies <a href="https://global.honda/investors/policy/governance.html">https://global.honda/investors/policy/governance.html</a>                   |                                              |                                                                      |                                   |
|              | <b>102-37</b> Stakeholders involvement in remuneration                                 | 29,39<br>Honda Corporate Governance Basic Policies <a href="https://global.honda/investors/policy/governance.html">https://global.honda/investors/policy/governance.html</a>                   |                                              |                                                                      |                                   |
|              | <b>102-38</b> Annual total compensation ratio                                          | 29,39<br>Honda Corporate Governance Basic Policies <a href="https://global.honda/investors/policy/governance.html">https://global.honda/investors/policy/governance.html</a>                   |                                              |                                                                      |                                   |
|              | <b>102-39</b> Percentage increase in annual total compensation ratio                   | 29,39<br>Honda Corporate Governance Basic Policies <a href="https://global.honda/investors/policy/governance.html">https://global.honda/investors/policy/governance.html</a>                   |                                              |                                                                      |                                   |



## GRI Content Index

| GRI Standard | Disclosure             | Page number(s) and/or URL(s)                               | Omission                                                                                                                                                        |        |             |
|--------------|------------------------|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-------------|
|              |                        |                                                            | Part omitted                                                                                                                                                    | Reason | Explanation |
|              | Stakeholder engagement |                                                            |                                                                                                                                                                 |        |             |
|              | 102-40                 | List of stakeholder groups                                 | 19                                                                                                                                                              |        |             |
|              | 102-41                 | Collective bargaining agreements                           | 2019 Form 20-F<br><a href="https://global.honda/investors/library/form20_f.html">https://global.honda/investors/library/form20_f.html</a><br>81,82              |        |             |
|              | 102-42                 | Identifying and selecting stakeholders                     | 19                                                                                                                                                              |        |             |
|              | 102-43                 | Approach to stakeholder engagement                         | 19                                                                                                                                                              |        |             |
|              | 102-44                 | Key topics and concerns raised                             | 19                                                                                                                                                              |        |             |
|              | Reporting practice     |                                                            |                                                                                                                                                                 |        |             |
|              | 102-45                 | Entities included in the consolidated financial statements | 2<br>2019 Form 20-F<br><a href="https://global.honda/investors/library/form20_f.html">https://global.honda/investors/library/form20_f.html</a><br>26,27,28,F-85 |        |             |
|              | 102-46                 | Defining report content and topic Boundaries               | 2,14,15,16,17,18                                                                                                                                                |        |             |
|              | 102-47                 | List of material topics                                    | 17                                                                                                                                                              |        |             |
|              | 102-48                 | Restatements of information                                | 2                                                                                                                                                               |        |             |
|              | 102-49                 | Changes in reporting                                       | 2                                                                                                                                                               |        |             |
|              | 102-50                 | Reporting period                                           | 2                                                                                                                                                               |        |             |
|              | 102-51                 | Date of most recent report                                 | 2                                                                                                                                                               |        |             |
|              | 102-52                 | Reporting cycle                                            | 2                                                                                                                                                               |        |             |
|              | 102-53                 | Contact point for questions regarding the report           | 2                                                                                                                                                               |        |             |
|              | 102-54                 | Claims of reporting in accordance with the GRI Standards   | 2                                                                                                                                                               |        |             |
|              | 102-55                 | GRI content index                                          | 145,146,147,148,149,150,151,152,153,154,155,156                                                                                                                 |        |             |
|              | 102-56                 | External assurance                                         | 144                                                                                                                                                             |        |             |

## GRI Content Index

| GRI Standard                            | Disclosure | Page number(s) and/or URL(s)                                                   | Omission                                                                                                                                                                      |                                               |                                                                                                                                                                                                                            |
|-----------------------------------------|------------|--------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                         |            |                                                                                | Part omitted                                                                                                                                                                  | Reason                                        | Explanation                                                                                                                                                                                                                |
| Material Topics                         |            |                                                                                |                                                                                                                                                                               |                                               |                                                                                                                                                                                                                            |
| GRI 200 Economic Standard Series        |            |                                                                                |                                                                                                                                                                               |                                               |                                                                                                                                                                                                                            |
| Economic Performance                    |            |                                                                                |                                                                                                                                                                               |                                               |                                                                                                                                                                                                                            |
| GRI 103: Management Approach 2016       | 103-1      | Explanation of the material topic and its Boundary                             | 17                                                                                                                                                                            |                                               |                                                                                                                                                                                                                            |
|                                         | 103-2      | The management approach and its components                                     | 17                                                                                                                                                                            |                                               |                                                                                                                                                                                                                            |
|                                         | 103-3      | Evaluation of the management approach                                          | 17                                                                                                                                                                            |                                               |                                                                                                                                                                                                                            |
| GRI 201: Economic Performance 2016      | 201-1      | Direct economic value generated and distributed                                | 12                                                                                                                                                                            |                                               |                                                                                                                                                                                                                            |
|                                         | 201-2      | Financial implications and other risks and opportunities due to climate change | 45,46,50                                                                                                                                                                      |                                               |                                                                                                                                                                                                                            |
|                                         | 201-3      | Defined benefit plan obligations and other retirement plans                    | 2019 Form 20-F<br><a href="https://global.honda/investors/library/form20_f.html">https://global.honda/investors/library/form20_f.html</a><br>35,F-24,F-52,F-53,F-54,F-55,F-56 |                                               |                                                                                                                                                                                                                            |
|                                         | 201-4      | Financial assistance received from government                                  | -                                                                                                                                                                             | Financial assistance received from government | This information is currently unavailable.<br><br>We will improve our information disclosure using GRI Standards with a view to completing this in time for our 2020 Sustainability Report (to be published in June 2020). |
| Market Presence                         |            |                                                                                |                                                                                                                                                                               |                                               |                                                                                                                                                                                                                            |
| GRI 103: Management Approach 2016       | 103-1      | Explanation of the material topic and its Boundary                             | 17                                                                                                                                                                            |                                               |                                                                                                                                                                                                                            |
|                                         | 103-2      | The management approach and its components                                     | 17                                                                                                                                                                            |                                               |                                                                                                                                                                                                                            |
|                                         | 103-3      | Evaluation of the management approach                                          | 17                                                                                                                                                                            |                                               |                                                                                                                                                                                                                            |
| GRI 202: Market Presence 2016           | 202-1      | Ratios of standard entry level wage by gender compared to local minimum wage   | 117                                                                                                                                                                           |                                               |                                                                                                                                                                                                                            |
|                                         | 202-2      | Proportion of senior management hired from the local community                 | 115                                                                                                                                                                           |                                               |                                                                                                                                                                                                                            |
| Indirect Economic Impacts               |            |                                                                                |                                                                                                                                                                               |                                               |                                                                                                                                                                                                                            |
| GRI 103: Management Approach 2016       | 103-1      | Explanation of the material topic and its Boundary                             | 17                                                                                                                                                                            |                                               |                                                                                                                                                                                                                            |
|                                         | 103-2      | The management approach and its components                                     | 17                                                                                                                                                                            |                                               |                                                                                                                                                                                                                            |
|                                         | 103-3      | Evaluation of the management approach                                          | 17                                                                                                                                                                            |                                               |                                                                                                                                                                                                                            |
| GRI 203: Indirect Economic Impacts 2016 | 203-1      | Infrastructure investments and services supported                              | 75,77                                                                                                                                                                         |                                               |                                                                                                                                                                                                                            |
|                                         | 203-2      | Significant indirect economic impacts                                          | 9,128,142                                                                                                                                                                     |                                               |                                                                                                                                                                                                                            |
| Procurement Practices                   |            |                                                                                |                                                                                                                                                                               |                                               |                                                                                                                                                                                                                            |
| GRI 103: Management Approach 2016       | 103-1      | Explanation of the material topic and its Boundary                             | 17                                                                                                                                                                            |                                               |                                                                                                                                                                                                                            |
|                                         | 103-2      | The management approach and its components                                     | 17                                                                                                                                                                            |                                               |                                                                                                                                                                                                                            |
|                                         | 103-3      | Evaluation of the management approach                                          | 17                                                                                                                                                                            |                                               |                                                                                                                                                                                                                            |
| GRI 204: Procurement Practices 2016     | 204-1      | Proportion of spending on local suppliers                                      | 128                                                                                                                                                                           |                                               |                                                                                                                                                                                                                            |

## GRI Content Index

| GRI Standard                            | Disclosure | Page number(s) and/or URL(s)                                                    | Omission                |                                    |                                                                                                                                                                                                                            |
|-----------------------------------------|------------|---------------------------------------------------------------------------------|-------------------------|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                         |            |                                                                                 | Part omitted            | Reason                             | Explanation                                                                                                                                                                                                                |
| Anti-corruption                         |            |                                                                                 |                         |                                    |                                                                                                                                                                                                                            |
| GRI 103: Management Approach 2016       | 103-1      | Explanation of the material topic and its Boundary                              | 17,33                   |                                    |                                                                                                                                                                                                                            |
|                                         | 103-2      | The management approach and its components                                      | 17,33                   |                                    |                                                                                                                                                                                                                            |
|                                         | 103-3      | Evaluation of the management approach                                           | 17,33                   |                                    |                                                                                                                                                                                                                            |
| GRI 205: Anti-corruption 2016           | 205-1      | Operations assessed for risks related to corruption                             | 34                      |                                    |                                                                                                                                                                                                                            |
|                                         | 205-2      | Communication and training about anti-corruption policies and procedures        | 34                      |                                    |                                                                                                                                                                                                                            |
|                                         | 205-3      | Confirmed incidents of corruption and actions taken                             | 34                      |                                    |                                                                                                                                                                                                                            |
| Anti-competitive Behavior               |            |                                                                                 |                         |                                    |                                                                                                                                                                                                                            |
| GRI 103: Management Approach 2016       | 103-1      | Explanation of the material topic and its Boundary                              | 17,33                   |                                    |                                                                                                                                                                                                                            |
|                                         | 103-2      | The management approach and its components                                      | 17,33                   |                                    |                                                                                                                                                                                                                            |
|                                         | 103-3      | Evaluation of the management approach                                           | 17,33                   |                                    |                                                                                                                                                                                                                            |
| GRI 206: Anti-competitive Behavior 2016 | 206-1      | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | 35                      |                                    |                                                                                                                                                                                                                            |
| GRI 300 Environmental Standards Series  |            |                                                                                 |                         |                                    |                                                                                                                                                                                                                            |
| Materials                               |            |                                                                                 |                         |                                    |                                                                                                                                                                                                                            |
| GRI 103: Management Approach 2016       | 103-1      | Explanation of the material topic and its Boundary                              | 17,42,43,44,45,46,47,48 |                                    |                                                                                                                                                                                                                            |
|                                         | 103-2      | The management approach and its components                                      | 17,42,43,44,45,46,47,48 |                                    |                                                                                                                                                                                                                            |
|                                         | 103-3      | Evaluation of the management approach                                           | 17,42,43,44,45,46,47,48 |                                    |                                                                                                                                                                                                                            |
| GRI 301: Materials 2016                 | 301-1      | Materials used by weight or volume                                              | -                       | Materials used by weight or volume | This information is currently unavailable.<br><br>We will improve our information disclosure using GRI Standards with a view to completing this in time for our 2020 Sustainability Report (to be published in June 2020). |
|                                         | 301-2      | Recycled input materials used                                                   | -                       | Recycled input materials used      | This information is currently unavailable.<br><br>We will improve our information disclosure using GRI Standards with a view to completing this in time for our 2020 Sustainability Report (to be published in June 2020). |
|                                         | 301-3      | Reclaimed products and their packaging materials                                | 54                      |                                    |                                                                                                                                                                                                                            |
| Energy                                  |            |                                                                                 |                         |                                    |                                                                                                                                                                                                                            |
| GRI 103: Management Approach 2016       | 103-1      | Explanation of the material topic and its Boundary                              | 17,42,43,44,45,46,47,48 |                                    |                                                                                                                                                                                                                            |
|                                         | 103-2      | The management approach and its components                                      | 17,42,43,44,45,46,47,48 |                                    |                                                                                                                                                                                                                            |
|                                         | 103-3      | Evaluation of the management approach                                           | 17,42,43,44,45,46,47,48 |                                    |                                                                                                                                                                                                                            |

## GRI Content Index

| GRI Standard                      | Disclosure   | Page number(s) and/or URL(s)                                                                                                              | Omission                   |                                |                                                                                                                                                                                                                            |
|-----------------------------------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                   |              |                                                                                                                                           | Part omitted               | Reason                         | Explanation                                                                                                                                                                                                                |
| GRI 302: Energy 2016              | <b>302-1</b> | Energy consumption within the organization                                                                                                | 62                         |                                |                                                                                                                                                                                                                            |
|                                   | <b>302-2</b> | Energy consumption outside of the organization                                                                                            | 62                         |                                |                                                                                                                                                                                                                            |
|                                   | <b>302-3</b> | Energy intensity                                                                                                                          | -                          | Energy intensity               | This information is currently unavailable.<br><br>We will improve our information disclosure using GRI Standards with a view to completing this in time for our 2020 Sustainability Report (to be published in June 2020). |
|                                   | <b>302-4</b> | Reduction of energy consumption                                                                                                           | 62                         |                                |                                                                                                                                                                                                                            |
|                                   | <b>302-5</b> | Reductions in energy requirements of products and services                                                                                | 44,45,46,53                |                                |                                                                                                                                                                                                                            |
| Water                             |              |                                                                                                                                           |                            |                                |                                                                                                                                                                                                                            |
| GRI 103: Management Approach 2016 | <b>103-1</b> | Explanation of the material topic and its Boundary                                                                                        | 17,42,43,44,45,46,47,48    |                                |                                                                                                                                                                                                                            |
|                                   | <b>103-2</b> | The management approach and its components                                                                                                | 17,42,43,44,45,46,47,48    |                                |                                                                                                                                                                                                                            |
|                                   | <b>103-3</b> | Evaluation of the management approach                                                                                                     | 17,42,43,44,45,46,47,48    |                                |                                                                                                                                                                                                                            |
| GRI 303: Water and Effluents 2018 | <b>303-1</b> | Interactions with water as a shared resource                                                                                              | 47,57                      |                                |                                                                                                                                                                                                                            |
|                                   | <b>303-2</b> | Management of water discharge-related impacts                                                                                             | 57                         |                                |                                                                                                                                                                                                                            |
|                                   | <b>303-3</b> | Water withdrawal                                                                                                                          | 63                         |                                |                                                                                                                                                                                                                            |
|                                   | <b>303-4</b> | Water discharge                                                                                                                           | 57,63                      |                                |                                                                                                                                                                                                                            |
|                                   | <b>303-5</b> | Water consumption                                                                                                                         | 63                         |                                |                                                                                                                                                                                                                            |
| Biodiversity                      |              |                                                                                                                                           |                            |                                |                                                                                                                                                                                                                            |
| GRI 103: Management Approach 2016 | <b>103-1</b> | Explanation of the material topic and its Boundary                                                                                        | 17,42,43,44,45,46,47,48,58 |                                |                                                                                                                                                                                                                            |
|                                   | <b>103-2</b> | The management approach and its components                                                                                                | 17,42,43,44,45,46,47,48,58 |                                |                                                                                                                                                                                                                            |
|                                   | <b>103-3</b> | Evaluation of the management approach                                                                                                     | 17,42,43,44,45,46,47,48,58 |                                |                                                                                                                                                                                                                            |
| GRI 304: Biodiversity 2016        | <b>304-1</b> | Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | 58                         |                                |                                                                                                                                                                                                                            |
|                                   | <b>304-2</b> | Significant impacts of activities, products, and services on biodiversity                                                                 | 58                         |                                |                                                                                                                                                                                                                            |
|                                   | <b>304-3</b> | Habitats protected or restored                                                                                                            | -                          | Habitats protected or restored | This information is currently unavailable.<br><br>We will improve our information disclosure using GRI Standards with a view to completing this in time for our 2020 Sustainability Report (to be published in June 2020). |
|                                   | <b>304-4</b> | IUCN Red List species and national conservation list species with habitats in areas affected by operations                                | 58                         |                                |                                                                                                                                                                                                                            |

## GRI Content Index

| GRI Standard                                    | Disclosure | Page number(s) and/or URL(s)                                                    | Omission                                  |        |             |
|-------------------------------------------------|------------|---------------------------------------------------------------------------------|-------------------------------------------|--------|-------------|
|                                                 |            |                                                                                 | Part omitted                              | Reason | Explanation |
| Emissions                                       |            |                                                                                 |                                           |        |             |
| GRI 103: Management Approach 2016               | 103-1      | Explanation of the material topic and its Boundary                              | 17,42,43,44,45,46,47,48,50,52,53,56,59,60 |        |             |
|                                                 | 103-2      | The management approach and its components                                      | 17,42,43,44,45,46,47,48,50,52,53,56,59,60 |        |             |
|                                                 | 103-3      | Evaluation of the management approach                                           | 17,42,43,44,45,46,47,48,50,52,53,56,59,60 |        |             |
| GRI 305: Emissions 2016                         | 305-1      | Direct (Scope 1) GHG emissions                                                  | 59,61,62                                  |        |             |
|                                                 | 305-2      | Energy indirect (Scope 2) GHG emissions                                         | 59,61,62                                  |        |             |
|                                                 | 305-3      | Other indirect (Scope 3) GHG emissions                                          | 59,61                                     |        |             |
|                                                 | 305-4      | GHG emissions intensity                                                         | 65                                        |        |             |
|                                                 | 305-5      | Reduction of GHG emissions                                                      | 59,61,62                                  |        |             |
|                                                 | 305-6      | Emissions of ozone-depleting substances (ODS)                                   | 55                                        |        |             |
|                                                 | 305-7      | Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions | 64                                        |        |             |
| Effluents and Waste                             |            |                                                                                 |                                           |        |             |
| GRI 103: Management Approach 2016               | 103-1      | Explanation of the material topic and its Boundary                              | 42,43,44,45,46,47,48,55,57                |        |             |
|                                                 | 103-2      | The management approach and its components                                      | 42,43,44,45,46,47,48,55,57                |        |             |
|                                                 | 103-3      | Evaluation of the management approach                                           | 42,43,44,45,46,47,48,55,57                |        |             |
| GRI 306: Effluents and Waste 2016               | 306-1      | Water discharge by quality and destination                                      | 63                                        |        |             |
|                                                 | 306-2      | Waste by type and disposal method                                               | 64                                        |        |             |
|                                                 | 306-3      | Significant spills                                                              | 43                                        |        |             |
|                                                 | 306-4      | Transport of hazardous waste                                                    | 55                                        |        |             |
|                                                 | 306-5      | Water bodies affected by water discharges and/or runoff                         | 57                                        |        |             |
| Environmental Compliance                        |            |                                                                                 |                                           |        |             |
| GRI 103: Management Approach 2016               | 103-1      | Explanation of the material topic and its Boundary                              | 42,43,44,45,46,47,48                      |        |             |
|                                                 | 103-2      | The management approach and its components                                      | 42,43,44,45,46,47,48                      |        |             |
|                                                 | 103-3      | Evaluation of the management approach                                           | 42,43,44,45,46,47,48                      |        |             |
| GRI 307: Environmental Compliance 2016          | 307-1      | Non-compliance with environmental laws and regulations                          | 43                                        |        |             |
| Supplier Environmental Assessment               |            |                                                                                 |                                           |        |             |
| GRI 103: Management Approach 2016               | 103-1      | Explanation of the material topic and its Boundary                              | 119,125                                   |        |             |
|                                                 | 103-2      | The management approach and its components                                      | 119,125                                   |        |             |
|                                                 | 103-3      | Evaluation of the management approach                                           | 119,125                                   |        |             |
| GRI 308: Supplier Environmental Assessment 2016 | 308-1      | New suppliers that were screened using environmental criteria                   | 126                                       |        |             |
|                                                 | 308-2      | Negative environmental impacts in the supply chain and actions taken            | 125,130,131,132,134                       |        |             |



## GRI Content Index

| GRI Standard                                 | Disclosure | Page number(s) and/or URL(s)                                                                                  | Omission     |        |             |
|----------------------------------------------|------------|---------------------------------------------------------------------------------------------------------------|--------------|--------|-------------|
|                                              |            |                                                                                                               | Part omitted | Reason | Explanation |
| GRI 400 Social Standards Series              |            |                                                                                                               |              |        |             |
| Employment                                   |            |                                                                                                               |              |        |             |
| GRI 103: Management Approach 2016            | 103-1      | Explanation of the material topic and its Boundary                                                            | 97,98,99     |        |             |
|                                              | 103-2      | The management approach and its components                                                                    | 97,98,99     |        |             |
|                                              | 103-3      | Evaluation of the management approach                                                                         | 97,98,99     |        |             |
| GRI 401: Employment 2016                     | 401-1      | New employee hires and employee turnover                                                                      | 115          |        |             |
|                                              | 401-2      | Benefits provided to full-time employees that are not provided to temporary or part-time employees            | 108          |        |             |
|                                              | 401-3      | Parental leave                                                                                                | 107,116      |        |             |
| Labor/Management Relations                   |            |                                                                                                               |              |        |             |
| GRI 103: Management Approach 2016            | 103-1      | Explanation of the material topic and its Boundary                                                            | 97,98,99     |        |             |
|                                              | 103-2      | The management approach and its components                                                                    | 97,98,99     |        |             |
|                                              | 103-3      | Evaluation of the management approach                                                                         | 97,98,99     |        |             |
| GRI 402: Labor/Management Relations 2016     | 402-1      | Minimum notice periods regarding operational changes                                                          | 110          |        |             |
| Occupational Health and Safety               |            |                                                                                                               |              |        |             |
| GRI 103: Management Approach 2016            | 103-1      | Explanation of the material topic and its Boundary                                                            | 97,98,99     |        |             |
|                                              | 103-2      | The management approach and its components                                                                    | 97,98,99     |        |             |
|                                              | 103-3      | Evaluation of the management approach                                                                         | 97,98,99     |        |             |
| GRI 403: Occupational Health and Safety 2018 | 403-1      | Occupational health and safety management system                                                              | 111          |        |             |
|                                              | 403-2      | Hazard identification, risk assessment, and incident investigation                                            | 111,112      |        |             |
|                                              | 403-3      | Occupational health services                                                                                  | 112,113      |        |             |
|                                              | 403-4      | Worker participation, consultation, and communication on occupational health and safety                       | 111          |        |             |
|                                              | 403-5      | Worker training on occupational health and safety                                                             | 112          |        |             |
|                                              | 403-6      | Promotion of worker health                                                                                    | 114          |        |             |
|                                              | 403-7      | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 111          |        |             |
|                                              | 403-8      | Workers covered by an occupational health and safety management system                                        | 111          |        |             |
|                                              | 403-9      | Work-related injuries                                                                                         | 111,117      |        |             |
|                                              | 403-10     | Work-related ill health                                                                                       | 111          |        |             |
| Training and Education                       |            |                                                                                                               |              |        |             |
| GRI 103: Management Approach 2016            | 103-1      | Explanation of the material topic and its Boundary                                                            | 97,98,99     |        |             |
|                                              | 103-2      | The management approach and its components                                                                    | 97,98,99     |        |             |
|                                              | 103-3      | Evaluation of the management approach                                                                         | 97,98,99     |        |             |



## GRI Content Index

| GRI Standard                                                   | Disclosure | Page number(s) and/or URL(s)                                                                                   | Omission                          |        |             |
|----------------------------------------------------------------|------------|----------------------------------------------------------------------------------------------------------------|-----------------------------------|--------|-------------|
|                                                                |            |                                                                                                                | Part omitted                      | Reason | Explanation |
| GRI 404: Training and Education 2016                           | 404-1      | Average hours of training per year per employee                                                                | 101,111,112,115                   |        |             |
|                                                                | 404-2      | Programs for upgrading employee skills and transition assistance programs                                      | 98,99,100,101,102,104,105,106,107 |        |             |
|                                                                | 404-3      | Percentage of employees receiving regular performance and career development reviews                           | 109,117                           |        |             |
| Diversity and Equal Opportunity                                |            |                                                                                                                |                                   |        |             |
| GRI 103: Management Approach 2016                              | 103-1      | Explanation of the material topic and its Boundary                                                             | 97,98,99,100,103                  |        |             |
|                                                                | 103-2      | The management approach and its components                                                                     | 97,98,99,100,103                  |        |             |
|                                                                | 103-3      | Evaluation of the management approach                                                                          | 97,98,99,100,103                  |        |             |
| GRI 405: Diversity and Equal Opportunity 2016                  | 405-1      | Diversity of governance bodies and employees                                                                   | 25,39,100,103,104,105,106,107,115 |        |             |
|                                                                | 405-2      | Ratio of basic salary and remuneration of women to men                                                         | 109,117                           |        |             |
| Non-discrimination                                             |            |                                                                                                                |                                   |        |             |
| GRI 103: Management Approach 2016                              | 103-1      | Explanation of the material topic and its Boundary                                                             | 33,34,35,97                       |        |             |
|                                                                | 103-2      | The management approach and its components                                                                     | 33,34,35,97                       |        |             |
|                                                                | 103-3      | Evaluation of the management approach                                                                          | 33,34,35,97                       |        |             |
| GRI 406: Non-discrimination 2016                               | 406-1      | Incidents of discrimination and corrective actions taken                                                       | 34,35                             |        |             |
| Freedom of Association and Collective Bargaining               |            |                                                                                                                |                                   |        |             |
| GRI 103: Management Approach 2016                              | 103-1      | Explanation of the material topic and its Boundary                                                             | 97,119,125                        |        |             |
|                                                                | 103-2      | The management approach and its components                                                                     | 97,119,125                        |        |             |
|                                                                | 103-3      | Evaluation of the management approach                                                                          | 97,119,125                        |        |             |
| GRI 407: Freedom of Association and Collective Bargaining 2016 | 407-1      | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | 110,126,127,130,131,132,134       |        |             |
| Child Labor                                                    |            |                                                                                                                |                                   |        |             |
| GRI 103: Management Approach 2016                              | 103-1      | Explanation of the material topic and its Boundary                                                             | 97,119,125                        |        |             |
|                                                                | 103-2      | The management approach and its components                                                                     | 97,119,125                        |        |             |
|                                                                | 103-3      | Evaluation of the management approach                                                                          | 97,119,125                        |        |             |
| GRI 408: Child Labor 2016                                      | 408-1      | Operations and suppliers at significant risk for incidents of child labor                                      | 126,127                           |        |             |
| Forced or Compulsory Labor                                     |            |                                                                                                                |                                   |        |             |
| GRI 103: Management Approach 2016                              | 103-1      | Explanation of the material topic and its Boundary                                                             | 97,119,125                        |        |             |
|                                                                | 103-2      | The management approach and its components                                                                     | 97,119,125                        |        |             |
|                                                                | 103-3      | Evaluation of the management approach                                                                          | 97,119,125                        |        |             |
| GRI 409: Forced or Compulsory Labor 2016                       | 409-1      | Operations and suppliers at significant risk for incidents of forced or compulsory labor                       | 126,127                           |        |             |

## GRI Content Index

| GRI Standard                               | Disclosure | Page number(s) and/or URL(s)                                                                                               | Omission                                                                                                                                                             |                                                                |                                                                                                                       |
|--------------------------------------------|------------|----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
|                                            |            |                                                                                                                            | Part omitted                                                                                                                                                         | Reason                                                         | Explanation                                                                                                           |
| Security Practices                         |            |                                                                                                                            |                                                                                                                                                                      |                                                                |                                                                                                                       |
| GRI 103: Management Approach 2016          | 103-1      | Explanation of the material topic and its Boundary                                                                         | 97                                                                                                                                                                   |                                                                |                                                                                                                       |
|                                            | 103-2      | The management approach and its components                                                                                 | 97                                                                                                                                                                   |                                                                |                                                                                                                       |
|                                            | 103-3      | Evaluation of the management approach                                                                                      | 97                                                                                                                                                                   |                                                                |                                                                                                                       |
| GRI 410: Security Practices 2016           | 410-1      | Security personnel trained in human rights policies or procedures                                                          | 100,115                                                                                                                                                              |                                                                |                                                                                                                       |
| Rights of Indigenous Peoples               |            |                                                                                                                            |                                                                                                                                                                      |                                                                |                                                                                                                       |
| GRI 103: Management Approach 2016          | 103-1      | Explanation of the material topic and its Boundary                                                                         | 97                                                                                                                                                                   |                                                                |                                                                                                                       |
|                                            | 103-2      | The management approach and its components                                                                                 | 97                                                                                                                                                                   |                                                                |                                                                                                                       |
|                                            | 103-3      | Evaluation of the management approach                                                                                      | 97                                                                                                                                                                   |                                                                |                                                                                                                       |
| GRI 411: Rights of Indigenous Peoples 2016 | 411-1      | Incidents of violations involving rights of indigenous peoples                                                             | -                                                                                                                                                                    | Incidents of violations involving rights of indigenous peoples | This disclosure is not applicable. This topic is not reported because priority is given to other human rights issues. |
| Human Rights Assessment                    |            |                                                                                                                            |                                                                                                                                                                      |                                                                |                                                                                                                       |
| GRI 103: Management Approach 2016          | 103-1      | Explanation of the material topic and its Boundary                                                                         | 97,98,99,125,126,127                                                                                                                                                 |                                                                |                                                                                                                       |
|                                            | 103-2      | The management approach and its components                                                                                 | 97,98,99,125,126,127                                                                                                                                                 |                                                                |                                                                                                                       |
|                                            | 103-3      | Evaluation of the management approach                                                                                      | 97,98,99,125,126,127                                                                                                                                                 |                                                                |                                                                                                                       |
| GRI 412: Human Rights Assessment 2016      | 412-1      | Operations that have been subject to human rights reviews or impact assessments                                            | 100,115                                                                                                                                                              |                                                                |                                                                                                                       |
|                                            | 412-2      | Employee training on human rights policies or procedures                                                                   | 100,115                                                                                                                                                              |                                                                |                                                                                                                       |
|                                            | 412-3      | Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening | 126,127,131,132                                                                                                                                                      |                                                                |                                                                                                                       |
| Local Communities                          |            |                                                                                                                            |                                                                                                                                                                      |                                                                |                                                                                                                       |
| GRI 103: Management Approach 2016          | 103-1      | Explanation of the material topic and its Boundary                                                                         | 19,42,136,137,142<br><a href="https://global.honda/about/sustainability/community.html">https://global.honda/about/sustainability/community.html</a>                 |                                                                |                                                                                                                       |
|                                            | 103-2      | The management approach and its components                                                                                 | 19,42,136,137,142<br><a href="https://global.honda/about/sustainability/community.html">https://global.honda/about/sustainability/community.html</a>                 |                                                                |                                                                                                                       |
|                                            | 103-3      | Evaluation of the management approach                                                                                      | 19,42,136,137,142<br><a href="https://global.honda/about/sustainability/community.html">https://global.honda/about/sustainability/community.html</a>                 |                                                                |                                                                                                                       |
| GRI 413: Local Communities 2016            | 413-1      | Operations with local community engagement, impact assessments, and development programs                                   | 19,42,136,137,138,139,140,141,142<br><a href="https://global.honda/about/sustainability/community.html">https://global.honda/about/sustainability/community.html</a> |                                                                |                                                                                                                       |
|                                            | 413-2      | Operations with significant actual and potential negative impacts on local communities                                     | 19,42,136,137,138,139,140,141,142<br><a href="https://global.honda/about/sustainability/community.html">https://global.honda/about/sustainability/community.html</a> |                                                                |                                                                                                                       |

## GRI Content Index

| GRI Standard                             | Disclosure | Page number(s) and/or URL(s)                                                                  | Omission                      |        |             |
|------------------------------------------|------------|-----------------------------------------------------------------------------------------------|-------------------------------|--------|-------------|
|                                          |            |                                                                                               | Part omitted                  | Reason | Explanation |
| Supplier Social Assessment               |            |                                                                                               |                               |        |             |
| GRI 103: Management Approach 2016        | 103-1      | Explanation of the material topic and its Boundary                                            | 119,125                       |        |             |
|                                          | 103-2      | The management approach and its components                                                    | 119,125                       |        |             |
|                                          | 103-3      | Evaluation of the management approach                                                         | 119,125                       |        |             |
| GRI 414: Supplier Social Assessment 2016 | 414-1      | New suppliers that were screened using social criteria                                        | 126,127                       |        |             |
|                                          | 414-2      | Negative social impacts in the supply chain and actions taken                                 | 126,127,130,131,132,134       |        |             |
| Public Policy                            |            |                                                                                               |                               |        |             |
| GRI 103: Management Approach 2016        | 103-1      | Explanation of the material topic and its Boundary                                            | 19,20                         |        |             |
|                                          | 103-2      | The management approach and its components                                                    | 19,20                         |        |             |
|                                          | 103-3      | Evaluation of the management approach                                                         | 19,20                         |        |             |
| GRI 415: Public Policy 2016              | 415-1      | Political contributions                                                                       | 20                            |        |             |
| Customer Health and Safety               |            |                                                                                               |                               |        |             |
| GRI 103: Management Approach 2016        | 103-1      | Explanation of the material topic and its Boundary                                            | 68,69,70,71,72,73,74,76,78,80 |        |             |
|                                          | 103-2      | The management approach and its components                                                    | 68,69,70,71,72,73,74,76,78,80 |        |             |
|                                          | 103-3      | Evaluation of the management approach                                                         | 68,69,70,71,72,73,74,76,78,80 |        |             |
| GRI 416: Customer Health and Safety 2016 | 416-1      | Assessment of the health and safety impacts of product and service categories                 | 78                            |        |             |
|                                          | 416-2      | Incidents of non-compliance concerning the health and safety impacts of products and services | 94                            |        |             |
| Marketing and Labeling                   |            |                                                                                               |                               |        |             |
| GRI 103: Management Approach 2016        | 103-1      | Explanation of the material topic and its Boundary                                            | 33,42,43,44,45,46,47,48       |        |             |
|                                          | 103-2      | The management approach and its components                                                    | 33,42,43,44,45,46,47,48       |        |             |
|                                          | 103-3      | Evaluation of the management approach                                                         | 33,42,43,44,45,46,47,48       |        |             |
| GRI 417: Marketing and Labeling 2016     | 417-1      | Requirements for product and service information and labeling                                 | 52                            |        |             |
|                                          | 417-2      | Incidents of non-compliance concerning product and service information and labeling           | 52                            |        |             |
|                                          | 417-3      | Incidents of non-compliance concerning marketing communications                               | 33,34,35                      |        |             |



## GRI Content Index

| GRI Standard                           | Disclosure | Page number(s) and/or URL(s)                                                                 | Omission     |        |             |
|----------------------------------------|------------|----------------------------------------------------------------------------------------------|--------------|--------|-------------|
|                                        |            |                                                                                              | Part omitted | Reason | Explanation |
| Customer Privacy                       |            |                                                                                              |              |        |             |
| GRI 103: Management Approach 2016      | 103-1      | Explanation of the material topic and its Boundary                                           | 36,37,38     |        |             |
|                                        | 103-2      | The management approach and its components                                                   | 36,37,38     |        |             |
|                                        | 103-3      | Evaluation of the management approach                                                        | 36,37,38     |        |             |
| GRI 418: Customer Privacy 2016         | 418-1      | Substantiated complaints concerning breaches of customer privacy and losses of customer data | 38           |        |             |
| Socioeconomic Compliance               |            |                                                                                              |              |        |             |
| GRI 103: Management Approach 2016      | 103-1      | Explanation of the material topic and its Boundary                                           | 33,34,35     |        |             |
|                                        | 103-2      | The management approach and its components                                                   | 33,34,35     |        |             |
|                                        | 103-3      | Evaluation of the management approach                                                        | 33,34,35     |        |             |
| GRI 419: Socioeconomic Compliance 2016 | 419-1      | Non-compliance with laws and regulations in the social and economic area                     | 34           |        |             |

## Financial Data

### Operating and Financial Review

#### Sales Revenue

Honda's consolidated sales revenue for the fiscal year ended March 31, 2019, increased by ¥527.4 billion, or 3.4%, to ¥15,888.6 billion from the fiscal year ended March 31, 2018, due mainly to increased sales revenue in all business operations. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have increased by approximately ¥787.0 billion, or 5.1%, compared to the increase as reported of ¥527.4 billion, which includes negative foreign currency translation effects.

#### Operating Costs and Expenses

Operating costs and expenses increased by ¥634.6 billion, or 4.4%, to ¥15,162.2 billion from the previous fiscal year. Cost of sales increased by ¥580.3 billion, or 4.8%, to ¥12,580.9 billion from the previous fiscal year, due mainly to an increase in costs attributable to increased consolidated sales revenue in all business operations, the impact to Europe related to changes of the global automobile production network and capability. Selling, general and administrative expenses totaled to ¥1,774.3 billion basically unchanged from the previous fiscal year, due mainly to the impact to Europe related to changes of the global automobile production network and capability, which was partially offset by the loss related to the settlement of multidistrict class action litigation in the previous fiscal year. Research and development expenses increased by ¥55.0 billion, or 7.3%, to ¥806.9 billion from the previous fiscal year.

#### Operating Profit

Operating profit decreased by ¥107.1 billion, or 12.9%, to ¥726.3 billion from the previous fiscal year, due mainly to the impact to Europe related to changes of the global automobile production network and capability as well as negative foreign currency effects, which was partially offset by continuing cost reduction and the loss related to the settlement of multidistrict class action litigation in the previous fiscal year. Honda estimates that by excluding negative foreign currency effects of approximately ¥160.3 billion, operating profit would have increased by approximately ¥53.1 billion.

With respect to the discussion above of the changes, management identified factors and used what it believes to be a reasonable method to analyze the respective changes in such factors. Management analyzed changes in these factors at the levels of the Company and its material consolidated subsidiaries. "Foreign currency effects" consist of "translation adjustments", which come from the translation of the currency of foreign subsidiaries' financial statements into Japanese yen, and "foreign currency adjustments", which result from foreign-currency-denominated transaction. With respect to "foreign currency adjustments", management analyzed foreign currency adjustments primarily related to the following currencies: U.S. dollar, Japanese yen and others at the level of the Company and its material consolidated subsidiaries. The estimates excluding the foreign currency effects are not on the same base as Honda's consolidated financial statements, and do not conform to IFRS. Furthermore, Honda does not believe that these measures are substitute for the disclosure required by IFRS. However, Honda believes that such estimates excluding the foreign currency effects provide financial statements users with additional useful information for understanding Honda's results.

#### Profit before Income Taxes

Profit before income taxes decreased by ¥135.5 billion, or 12.2%, to ¥979.3 billion. The main factors behind this decrease, except factors relating to operating profit, are as follows:

Share of profit of investments accounted for using the equity method had a negative impact of ¥18.8 billion, due mainly to a decrease in profit at affiliates and joint ventures in Asia.

Finance income and finance costs had a negative impact of ¥9.5 billion, due mainly to effect from gains or losses on derivatives.

#### Income Tax Expense

Income tax expense increased by ¥316.7 billion to ¥303.0 billion from the previous fiscal year, due mainly to the impacts of the enactment of the Tax Cuts and Jobs Act in the United States in the previous fiscal year. The average effective tax rate increased by 32.1 percentage points to 30.9% from the previous fiscal year.

## Financial Data

### Profit for the Year

Profit for the year decreased by ¥452.3 billion, or 40.1%, to ¥676.2 billion from the previous fiscal year, due mainly to the impacts of the enactment of the Tax Cuts and Jobs Act in the United States in the previous fiscal year.

### Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent decreased by ¥449.0 billion, or 42.4%, to ¥610.3 billion from the previous fiscal year.

### Profit for the Year Attributable to Non-controlling Interests

Profit for the year attributable to non-controlling interests decreased by ¥3.3 billion, or 4.8%, to ¥65.9 billion from the previous fiscal year.

### Operating segments and geographic segments in financial data

| Segment                            | Principal products and services                                                  | Functions                                                                   |
|------------------------------------|----------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| Motorcycle Business                | Motorcycles, all-terrain vehicles (ATVs), side-by-sides (SxS) and relevant parts | Research and development, Manufacturing, Sales and related services         |
| Automobile Business                | Automobiles and relevant parts                                                   | Research and development, Manufacturing, Sales and related services         |
| Financial Services Business        | Financial services                                                               | Retail loan and lease related to Honda products, Others                     |
| Power Product and Other Businesses | Power products and relevant parts, and others                                    | Research and development, Manufacturing, Sales and related services, Others |

• Operating segments are defined as the components of Honda for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The accounting policies used for these reportable segments are consistent with the accounting policies used in the Company's consolidated financial statements.

| Area          | Major countries or regions                      |
|---------------|-------------------------------------------------|
| North America | United States, Canada, Mexico                   |
| Europe        | United Kingdom, Germany, Belgium, Turkey, Italy |
| Asia          | Thailand, Indonesia, China, India, Vietnam      |
| Other Regions | Brazil, Australia                               |

• Segmentation by country and region is based on geographical proximity.

## Financial Data

### Motorcycle Business

**Honda Group Unit Sales\*** (thousands)

|               | FY18   | FY19   | Change | %     |
|---------------|--------|--------|--------|-------|
| <b>Total</b>  | 19,554 | 20,238 | 684    | 3.5   |
| Japan         | 167    | 207    | 40     | 24.0  |
| North America | 313    | 301    | (12)   | (3.8) |
| Europe        | 234    | 249    | 15     | 6.4   |
| Asia          | 17,720 | 18,224 | 504    | 2.8   |
| Other Regions | 1,120  | 1,257  | 137    | 12.2  |

**Consolidated Unit Sales\*** (thousands)

|               | FY18   | FY19   | Change | %     |
|---------------|--------|--------|--------|-------|
| <b>Total</b>  | 12,954 | 13,215 | 261    | 2.0   |
| Japan         | 167    | 207    | 40     | 24.0  |
| North America | 313    | 301    | (12)   | (3.8) |
| Europe        | 234    | 249    | 15     | 6.4   |
| Asia          | 11,120 | 11,201 | 81     | 0.7   |
| Other Regions | 1,120  | 1,257  | 137    | 12.2  |

\*Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates and joint ventures accounted for using the equity method. Consolidated Unit Sales is the total unit sales of completed products corresponding to consolidated sales revenue to external customers, which consists of unit sales of completed products of Honda and its consolidated subsidiaries.

Total demand for motorcycles in Asia\*<sup>1</sup> increased around 6% from the previous year to approximately 44,270 thousand units in calendar year 2018. Looking at market conditions by country, in calendar year 2018, demand in India increased about 13% from the previous year to approximately 21,620 thousand units. Demand in China decreased around 11% from the previous year to approximately 7,040 thousand units. Demand in Indonesia increased around 7% from the previous year to approximately 6,300 thousand units. Demand in Vietnam increased around 2% from the previous year to approximately 3,340 thousand units. Demand in Pakistan increased around 7% from the previous year to approximately 2,100 thousand units. Demand in Thailand decreased around 1% from the previous year to approximately 1,790 thousand units. Honda's consolidated unit sales in Asia increased 0.7% from the previous fiscal year to 11,201 thousand units in fiscal year 2019. This was mainly due to an increase in sales of scooter models such as the Vision in Vietnam, among other factors, despite a decrease in India due to the impact of revisions to the mandatory vehicle liability insurance requirement. Honda's consolidated unit sales do not include sales by P.T. Astra Honda Motor in Indonesia, which is accounted for using the equity method. P.T. Astra Honda Motor's unit sales for fiscal year 2019 increased around 13.3% from the previous fiscal year to approximately 4,970 thousand units due mainly to increases in sales of the PCX and Scoopy models.

Total demand for motorcycles in Brazil\*<sup>2</sup>, the principal market within Other Regions, increased about 18% from the previous year to approximately 950 thousand units in calendar year 2018. In Other Regions (including South America, the Middle East, Africa, Oceania and other areas), Honda's consolidated unit sales increased 12.2% from the previous fiscal year to 1,257 thousand units in fiscal year 2019 due mainly to an increase in sales of the CG160 in Brazil.

\*<sup>1</sup> Based on Honda research. Only includes the following eight countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, India, Pakistan and China.

\*<sup>2</sup> Source: ABRACICLO (the Brazilian Association of Motorcycle, Moped, and Bicycle Manufacturers)



## Financial Data

### Automobile Business

Honda Group Unit Sales\* (thousands)

|               | FY18  | FY19  | Change | %     |
|---------------|-------|-------|--------|-------|
| <b>Total</b>  | 5,199 | 5,323 | 124    | 2.4   |
| Japan         | 696   | 719   | 23     | 3.3   |
| North America | 1,902 | 1,954 | 52     | 2.7   |
| Europe        | 183   | 169   | (14)   | (7.7) |
| Asia          | 2,166 | 2,233 | 67     | 3.1   |
| Other Regions | 252   | 248   | (4)    | (1.6) |

Consolidated Unit Sales\* (thousands)

|               | FY18  | FY19  | Change | %     |
|---------------|-------|-------|--------|-------|
| <b>Total</b>  | 3,689 | 3,748 | 59     | 1.6   |
| Japan         | 627   | 643   | 16     | 2.6   |
| North America | 1,902 | 1,954 | 52     | 2.7   |
| Europe        | 183   | 169   | (14)   | (7.7) |
| Asia          | 725   | 734   | 9      | 1.2   |
| Other Regions | 252   | 248   | (4)    | (1.6) |

\*Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates and joint ventures accounted for using the equity method. Consolidated Unit Sales is the total unit sales of completed products corresponding to consolidated sales revenue to external customers, which consists of unit sales of completed products of Honda and its consolidated subsidiaries. Certain sales of automobiles that are financed with residual value type auto loans by our Japanese finance subsidiaries and sold through our consolidated subsidiaries are accounted for as operating leases in conformity with IFRS and are not included in consolidated sales revenue to the external customers in our Automobile business. Accordingly, they are not included in Consolidated Unit Sales, but are included in Honda Group Unit Sales of our Automobile business.

Total demand for automobiles in Japan\*<sup>1</sup> increased around 1% from the previous fiscal year to approximately 5,260 thousand units in fiscal year 2019. Honda's consolidated unit sales in Japan increased 2.6% from the previous fiscal year to 643 thousand units\*<sup>2</sup> in fiscal year 2019. This was mainly due to the effect of launching the new model N-VAN and an increase in sales of the N-BOX. Honda's unit production of automobiles in Japan increased 10.0% from the previous fiscal year to 912 thousand units in fiscal year 2019. This was mainly due to increases in export volume and domestic sales volume.

Total industry demand for automobiles in the United States\*<sup>3</sup>, the principal market within North America, remained basically unchanged from the previous year at approximately 17,270 thousand units in calendar year 2018. This result reflected a continued increase for light trucks, which offset decreased demand for passenger cars. Honda's consolidated unit sales in North America increased 2.7% from the previous fiscal year to 1,954 thousand units in fiscal year 2019. This increase was mainly attributable to the effect of a full model change of the Insight model and an increase in sales of the CR-V model, despite the restrictions on supply caused by the impact of flooding in Mexico. Honda manufactured 1,802 thousand units in fiscal year 2019, a decrease of 3.4% from the previous fiscal year, mainly reflecting the impact of flooding in Mexico.

Total demand for automobiles in China, the largest market within Asia, decreased around 3% from the previous year to approximately 28,030 thousand units\*<sup>4</sup> in calendar year 2018. Total demand for automobiles in other countries in Asia increased about 8% from the previous calendar year to approximately 8,560 thousand units\*<sup>5</sup>. This was mainly due to increases in demand in India and Thailand. Honda's consolidated unit sales in Asia increased 1.2% from the previous fiscal year to 734 thousand units in fiscal year 2019. This increase was mainly attributable to the effect of a full

model change of the Amaze model in India and an increase in sales of the Jazz model in Thailand, despite a decline in sales in Indonesia among other factors. Honda's consolidated unit sales do not include unit sales of Dongfeng Honda Automobile Co., Ltd. and GAC Honda Automobile Co., Ltd., both of which are joint ventures accounted for using the equity method in China. Unit sales in China increased 3.9% from the previous fiscal year to 1,499 thousand units in fiscal year 2019. The increase was mainly attributable to an increase in sales of the Civic model and the effect of a full model change of the Crider model. Honda's unit production by consolidated subsidiaries in Asia increased 0.5% from the previous fiscal year to 802 thousand units\*<sup>6</sup> in fiscal year 2019. Meanwhile, unit production by Chinese joint ventures Dongfeng Honda Automobile Co., Ltd. and GAC Honda Automobile Co., Ltd. increased 2.8% from the previous fiscal year to 1,491 thousand units in fiscal year 2019.

\*1 Source: JAMA (Japan Automobile Manufacturers Association), as measured by the number of regular vehicle registrations (661cc or higher) and mini vehicles (660cc or lower)

\*2 Certain sales of automobiles that are financed with residual value type auto loans by our Japanese finance subsidiaries and sold through our consolidated subsidiaries are accounted for as operating leases in conformity with IFRS and are not included in consolidated sales revenue to external customers in the Automobile business. Accordingly, they are not included in consolidated unit sales.

\*3 Source: Autodata

\*4 Source: CAAM (China Association of Automobile Manufacturers)

\*5 The total is based on Honda research and includes the following eight countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Taiwan, India and Pakistan.

\*6 The total includes the following nine countries: China, Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Taiwan, India and Pakistan.

## Financial Data

### Power Product and Other Businesses

Honda Group Unit Sales/Consolidated Unit Sales\* (thousands)

|               | FY18  | FY19  | Change | %      |
|---------------|-------|-------|--------|--------|
| <b>Total</b>  | 6,262 | 6,301 | 39     | 0.6    |
| Japan         | 300   | 336   | 36     | 12.0   |
| North America | 3,012 | 3,049 | 37     | 1.2    |
| Europe        | 1,022 | 984   | (38)   | (3.7)  |
| Asia          | 1,512 | 1,559 | 47     | 3.1    |
| Other Regions | 416   | 373   | (43)   | (10.3) |

\*Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates and joint ventures accounted for using the equity method. Consolidated Unit Sales is the total unit sales of completed power products corresponding to consolidated sales revenue to external customers, which consists of unit sales of completed power products of Honda and its consolidated subsidiaries. In Power Product business, there is no discrepancy between Honda Group Unit Sales and Consolidated Unit Sales since no affiliate and joint venture accounted for using the equity method was involved in the sale of Honda power products.

Honda's consolidated unit sales in North America increased 1.2% from the previous fiscal year to 3,049 thousand units in fiscal year 2019 mainly attributable to an increase in sales of OEM engines\*, despite a decline in sales of generators.

Honda's consolidated unit sales in Europe decreased 3.7% from the previous fiscal year to 984 thousand units in fiscal year 2019 mainly due to decreases in sales of lawnmowers and trimmers.

Honda's consolidated unit sales in Asia increased 3.1% from the previous fiscal year to 1,559 thousand units in fiscal year 2019. This was mainly due to an increase in sales of OEM engines.

\*OEM (Original Equipment Manufacturer) engines: refers to engines installed on products sold under a third-party brand.

## Financial Data

# Consolidated Statements of Financial Position

March 31, 2018 and 2019

|                                                   | Yen (millions) |             |
|---------------------------------------------------|----------------|-------------|
| Assets                                            | 2018           | 2019        |
| <b>Current assets:</b>                            |                |             |
| Cash and cash equivalents                         | ¥2,256,488     | ¥2,494,121  |
| Trade receivables                                 | 800,463        | 793,245     |
| Receivables from financial services               | 1,840,699      | 1,951,633   |
| Other financial assets                            | 213,177        | 163,274     |
| Inventories                                       | 1,523,455      | 1,586,787   |
| Other current assets                              | 291,006        | 358,234     |
| Total current assets                              | 6,925,288      | 7,347,294   |
| <b>Non-current assets:</b>                        |                |             |
| Investments accounted for using the equity method | 679,517        | 713,039     |
| Receivables from financial services               | 3,117,364      | 3,453,617   |
| Other financial assets                            | 436,555        | 417,149     |
| Equipment on operating leases                     | 4,088,133      | 4,448,849   |
| Property, plant and equipment                     | 3,062,433      | 2,981,840   |
| Intangible assets                                 | 741,514        | 744,368     |
| Deferred tax assets                               | 129,338        | 150,318     |
| Other non-current assets                          | 169,022        | 162,648     |
| Total non-current assets                          | 12,423,876     | 13,071,828  |
| Total assets                                      | ¥19,349,164    | ¥20,419,122 |

|                                             | Yen (millions) |             |
|---------------------------------------------|----------------|-------------|
| Liabilities and Equity                      | 2018           | 2019        |
| <b>Current liabilities:</b>                 |                |             |
| Trade payables                              | ¥1,224,627     | ¥1,184,882  |
| Financing liabilities                       | 2,917,261      | 3,188,782   |
| Accrued expenses                            | 404,719        | 476,300     |
| Other financial liabilities                 | 115,405        | 132,910     |
| Income taxes payable                        | 53,595         | 49,726      |
| Provisions                                  | 305,994        | 348,763     |
| Other current liabilities                   | 602,498        | 599,761     |
| Total current liabilities                   | 5,624,099      | 5,981,124   |
| <b>Non-current liabilities:</b>             |                |             |
| Financing liabilities                       | 3,881,749      | 4,142,338   |
| Other financial liabilities                 | 60,005         | 63,689      |
| Retirement benefit liabilities              | 404,401        | 398,803     |
| Provisions                                  | 220,625        | 220,745     |
| Deferred tax liabilities                    | 629,722        | 727,411     |
| Other non-current liabilities               | 294,468        | 319,222     |
| Total non-current liabilities               | 5,490,970      | 5,872,208   |
| Total liabilities                           | 11,115,069     | 11,853,332  |
| <b>Equity:</b>                              |                |             |
| Common stock                                | 86,067         | 86,067      |
| Capital surplus                             | 171,118        | 171,460     |
| Treasury stock                              | (113,271)      | (177,827)   |
| Retained earnings                           | 7,611,332      | 7,973,637   |
| Other components of equity                  | 178,292        | 214,383     |
| Equity attributable to owners of the parent | 7,933,538      | 8,267,720   |
| Non-controlling interests                   | 300,557        | 298,070     |
| Total equity                                | 8,234,095      | 8,565,790   |
| Total liabilities and equity                | ¥19,349,164    | ¥20,419,122 |

## Financial Data

### Consolidated Statements of Income

Years ended March 31, 2018 and 2019

Yen (millions)

|                                                                             | 2018         | 2019         |
|-----------------------------------------------------------------------------|--------------|--------------|
| <b>Sales revenue</b>                                                        | ¥15,361,146  | ¥15,888,617  |
| <b>Operating costs and expenses:</b>                                        |              |              |
| Cost of sales                                                               | (12,000,581) | (12,580,949) |
| Selling, general and administrative                                         | (1,775,151)  | (1,774,393)  |
| Research and development                                                    | (751,856)    | (806,905)    |
| Total operating costs and expenses                                          | (14,527,588) | (15,162,247) |
| <b>Operating profit</b>                                                     | 833,558      | 726,370      |
| <b>Share of profit of investments accounted for using the equity method</b> | 247,643      | 228,827      |
| <b>Finance income and finance costs:</b>                                    |              |              |
| Interest income                                                             | 41,191       | 48,618       |
| Interest expense                                                            | (12,970)     | (13,217)     |
| Other, net                                                                  | 5,551        | (11,223)     |
| Total finance income and finance costs                                      | 33,772       | 24,178       |
| <b>Profit before income taxes</b>                                           | 1,114,973    | 979,375      |
| <b>Income tax expense</b>                                                   | 13,666       | (303,089)    |
| <b>Profit for the year</b>                                                  | ¥1,128,639   | ¥676,286     |
| <b>Profit for the year attributable to:</b>                                 |              |              |
| Owners of the parent                                                        | ¥1,059,337   | ¥610,316     |
| Non-controlling interests                                                   | 69,302       | 65,970       |
| <b>Earnings per share attributable to owners of the parent</b>              |              |              |
| Basic and diluted                                                           | 590.79       | 345.99       |

### Consolidated Statements of Cash Flows

Years ended March 31, 2018 and 2019

Yen (millions)

|                                                                                          | 2018       | 2019      |
|------------------------------------------------------------------------------------------|------------|-----------|
| <b>Cash flows from operating activities:</b>                                             |            |           |
| Profit before income taxes                                                               | ¥1,114,973 | ¥979,375  |
| Depreciation, amortization and impairment losses excluding equipment on operating leases | 713,093    | 721,695   |
| Share of profit of investments accounted for using the equity method                     | (247,643)  | (228,827) |
| Finance income and finance costs, net                                                    | 13,218     | (88,608)  |
| Interest income and interest costs from financial services, net                          | (127,529)  | (124,076) |
| Changes in assets and liabilities                                                        |            |           |
| Trade receivables                                                                        | (41,778)   | 9,344     |
| Inventories                                                                              | (202,916)  | (60,906)  |
| Trade payables                                                                           | 69,429     | (11,816)  |
| Accrued expenses                                                                         | (2,700)    | 25,372    |
| Provisions and retirement benefit liabilities                                            | (28,945)   | (1,590)   |
| Receivables from financial services                                                      | (174,438)  | (260,704) |
| Equipment on operating leases                                                            | (158,337)  | (230,311) |
| Other assets and liabilities                                                             | 11,602     | 11,045    |
| Other, net                                                                               | 9,314      | 3,706     |
| Dividends received                                                                       | 161,106    | 175,244   |
| Interest received                                                                        | 245,095    | 270,776   |
| Interest paid                                                                            | (115,317)  | (150,162) |
| Income taxes paid, net of refund                                                         | (250,556)  | (263,569) |
| <b>Net cash provided by operating activities</b>                                         | 987,671    | 775,988   |

Yen (millions)

|                                                                                | 2018        | 2019        |
|--------------------------------------------------------------------------------|-------------|-------------|
| <b>Cash flows from investing activities:</b>                                   |             |             |
| Payments for additions to property, plant and equipment                        | ¥(415,563)  | ¥(420,768)  |
| Payments for additions to and internally developed intangible assets           | (156,927)   | (187,039)   |
| Proceeds from sales of property, plant and equipment and intangible assets     | 15,042      | 20,765      |
| Payments for acquisitions of investments accounted for using the equity method | (2,450)     | (2,401)     |
| Payments for acquisitions of other financial assets                            | (280,236)   | (506,431)   |
| Proceeds from sales and redemptions of other financial assets                  | 224,302     | 515,670     |
| Other, net                                                                     | 719         | 2,649       |
| <b>Net cash used in investing activities</b>                                   | (615,113)   | (577,555)   |
| <b>Cash flows from financing activities:</b>                                   |             |             |
| Proceeds from short-term financing liabilities                                 | 8,106,505   | 8,435,249   |
| Repayments of short-term financing liabilities                                 | (8,004,620) | (8,213,698) |
| Proceeds from long-term financing liabilities                                  | 1,689,596   | 1,900,257   |
| Repayments of long-term financing liabilities                                  | (1,609,554) | (1,726,097) |
| Dividends paid to owners of the parent                                         | (174,221)   | (194,271)   |
| Dividends paid to non-controlling interests                                    | (48,332)    | (66,872)    |
| Purchases and sales of treasury stock, net                                     | (87,082)    | (64,556)    |
| Other, net                                                                     | (46,626)    | (47,088)    |
| <b>Net cash provided by (used in) financing activities</b>                     | (174,334)   | 22,924      |
| Effect of exchange rate changes on cash and cash equivalents                   | (47,712)    | 16,276      |
| <b>Net change in cash and cash equivalents</b>                                 | 150,512     | 237,633     |
| <b>Cash and cash equivalents at beginning of year</b>                          | 2,105,976   | 2,256,488   |
| <b>Cash and cash equivalents at end of year</b>                                | ¥2,256,488  | ¥2,494,121  |

## Financial Data

## Segment Information

Segment information as of and for the years ended March 31, 2018 and 2019 is as follows:

As of and for the year ended March 31, 2018

Yen (millions)

|                               | Motorcycle Business | Automobile Business | Financial Services Business | Power Product and Other Businesses | Segment Total | Reconciling Items | Consolidated |
|-------------------------------|---------------------|---------------------|-----------------------------|------------------------------------|---------------|-------------------|--------------|
| Sales revenue:                |                     |                     |                             |                                    |               |                   |              |
| External customers            | ¥2,038,712          | ¥10,852,171         | ¥2,123,194                  | ¥347,069                           | ¥15,361,146   | —                 | ¥15,361,146  |
| Intersegment                  | —                   | 193,038             | 14,071                      | 24,097                             | 231,206       | (231,206)         | —            |
| Total                         | 2,038,712           | 11,045,209          | 2,137,265                   | 371,166                            | 15,592,352    | (231,206)         | 15,361,146   |
| Segment profit (loss)         | 267,015             | 373,840             | 196,067                     | (3,364)                            | 833,558       | —                 | 833,558      |
| Segment assets                | 1,533,367           | 7,879,769           | 9,409,243                   | 314,838                            | 19,137,217    | 211,947           | 19,349,164   |
| Depreciation and amortization | 74,128              | 616,321             | 748,503                     | 15,164                             | 1,454,116     | —                 | 1,454,116    |
| Capital expenditures          | 63,927              | 514,910             | 1,801,554                   | 14,243                             | 2,394,634     | —                 | 2,394,634    |

As of and for the year ended March 31, 2019

Yen (millions)

|                               | Motorcycle Business | Automobile Business | Financial Services Business | Power Product and Other Businesses | Segment Total | Reconciling Items | Consolidated |
|-------------------------------|---------------------|---------------------|-----------------------------|------------------------------------|---------------|-------------------|--------------|
| Sales revenue:                |                     |                     |                             |                                    |               |                   |              |
| External customers            | ¥2,100,155          | ¥11,072,117         | ¥2,365,355                  | ¥350,990                           | ¥15,888,617   | —                 | ¥15,888,617  |
| Intersegment                  | —                   | 215,647             | 14,687                      | 26,266                             | 256,600       | (256,600)         | —            |
| Total                         | 2,100,155           | 11,287,764          | 2,380,042                   | 377,256                            | 16,145,217    | (256,600)         | 15,888,617   |
| Segment profit (loss)         | 291,642             | 209,694             | 235,945                     | (10,911)                           | 726,370       | —                 | 726,370      |
| Segment assets                | 1,523,817           | 7,923,802           | 10,236,066                  | 328,870                            | 20,012,555    | 406,567           | 20,419,122   |
| Depreciation and amortization | 66,680              | 603,124             | 784,683                     | 14,198                             | 1,468,685     | —                 | 1,468,685    |
| Capital expenditures          | 74,024              | 525,419             | 2,041,735                   | 16,074                             | 2,657,252     | —                 | 2,657,252    |

### Explanatory notes:

- Intersegment sales revenues are generally made at values that approximate arm's-length prices.
- Reconciling items include elimination of intersegment transactions and balances as well as unallocated corporate assets. Unallocated corporate assets included in reconciling items as of March 31, 2018 and 2019 amounted to ¥519,780 million and ¥682,842 million, respectively, which consist primarily of the Company's cash and cash equivalents and financial assets measured at fair value through other comprehensive income.

## Financial Data

### Motorcycle Business

Sales revenue from external customers increased by ¥61.4 billion, or 3.0%, to ¥2,100.1 billion from the previous fiscal year, due mainly to increased consolidated unit sales. Operating profit increased by ¥24.6 billion, or 9.2%, to ¥291.6 billion from the previous fiscal year, due mainly to an increase in profit attributable to increased sales volume and model mix.

### Automobile Business

Sales revenue from external customers increased by ¥219.9 billion, or 2.0%, to ¥11,072.1 billion from the previous fiscal year, due mainly to increased consolidated unit sales. Operating profit decreased by ¥164.1 billion, or 43.9%, to ¥209.6 billion from the previous fiscal year, due mainly to the impact to Europe related to changes of the global automobile production network and capability, which was partially offset by continuing cost reduction and the loss related to the settlement of multidistrict class action litigation in the previous fiscal year.

### Financial Services Business

Sales revenue from external customers increased by ¥242.1 billion, or 11.4%, to ¥2,365.3 billion from the previous fiscal year, due mainly to increased revenues on disposition of lease vehicles and operating lease revenues. Operating profit increased by ¥39.8 billion, or 20.3%, to ¥235.9 billion from the previous fiscal year, due mainly to an increase in profit attributable to increased sales revenue.

### Power Product and Other Businesses

Sales revenue from external customers increased by ¥3.9 billion, or 1.1%, to ¥350.9 billion from the previous fiscal year, due mainly to increased consolidated unit sales in power products. Operating loss was ¥10.9 billion, an increase of ¥7.5 billion from the previous fiscal year, due mainly to an increase in research and development expenses as well as negative foreign currency effects. In addition, operating loss of aircraft and aircraft engines included in the Power product and other businesses segment was ¥40.2 billion, an improvement of ¥1.6 billion from the previous fiscal year.

## Financial Data

# Financial Summary

Fiscal years ended March 31

|                                                                            | 2009                        | 2010        | 2011        | 2012        | 2013        | 2014        | 2015        |                                                                      | 2014                   | 2015        | 2016        | 2017        | 2018        | 2019        |
|----------------------------------------------------------------------------|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------------------------------------------------------|------------------------|-------------|-------------|-------------|-------------|-------------|
|                                                                            | U.S. GAAP<br>Yen (millions) |             |             |             |             |             |             |                                                                      | IFRS<br>Yen (millions) |             |             |             |             |             |
| <b>Sales, income and dividends</b>                                         |                             |             |             |             |             |             |             | <b>Sales, income and dividends</b>                                   |                        |             |             |             |             |             |
| Net sales and other operating revenue                                      | ¥10,011,241                 | ¥8,579,174  | ¥8,936,867  | ¥7,948,095  | ¥9,877,947  | ¥11,842,451 | ¥12,646,747 | Sales revenue                                                        | ¥12,506,091            | ¥13,328,099 | ¥14,601,151 | ¥13,999,200 | ¥15,361,146 | ¥15,888,617 |
| Operating income                                                           | 189,643                     | 363,775     | 569,775     | 231,364     | 544,810     | 750,281     | 606,878     | Operating profit                                                     | 823,864                | 670,603     | 503,376     | 840,711     | 833,558     | 726,370     |
| Operating margin                                                           | 1.9%                        | 4.2%        | 6.4%        | 2.9%        | 5.5%        | 6.3%        | 4.8%        | Operating margin                                                     | 6.6%                   | 5.0%        | 3.4%        | 6.0%        | 5.4%        | 4.6%        |
| Income before income taxes and equity in income of affiliates              | 161,734                     | 336,198     | 630,548     | 257,403     | 488,891     | 728,940     | 644,809     | Share of profit of investments accounted for using the equity method | 130,916                | 96,097      | 126,001     | 164,793     | 247,643     | 228,827     |
| Income taxes                                                               | 109,835                     | 146,869     | 206,827     | 135,735     | 178,976     | 252,662     | 235,204     | Profit before income taxes                                           | 933,903                | 806,237     | 635,450     | 1,006,986   | 1,114,973   | 979,375     |
| Equity in income of affiliates                                             | 99,034                      | 93,282      | 139,756     | 100,406     | 82,723      | 132,471     | 126,570     | Income tax expense                                                   | 267,992                | 245,139     | 229,092     | 327,592     | (13,666)    | 303,089     |
| Net income attributable to non-controlling interests                       | (13,928)                    | (14,211)    | (29,389)    | (10,592)    | (25,489)    | (34,642)    | (43,168)    | Profit for the year                                                  | 665,911                | 561,098     | 406,358     | 679,394     | 1,128,639   | 676,286     |
| Net income attributable to Honda Motor Co., Ltd.                           | 137,005                     | 268,400     | 534,088     | 211,482     | 367,149     | 574,107     | 493,007     | Profit for the year attributable to owners of the parent             | 624,703                | 509,435     | 344,531     | 616,569     | 1,059,337   | 610,316     |
| Cash dividends paid during the period                                      | 139,724                     | 61,696      | 92,170      | 108,138     | 129,765     | 142,381     | 158,601     | Dividends paid to owners of the parent                               | 142,381                | 158,601     | 158,601     | 162,205     | 174,221     | 194,271     |
| Research and development                                                   | 563,197                     | 463,354     | 487,591     | 519,818     | 560,270     | 634,130     | 662,610     | R&D expenditures                                                     | 625,698                | 670,331     | 719,810     | 659,918     | 730,734     | 820,037     |
| Interest expense                                                           | 22,543                      | 12,552      | 8,474       | 10,378      | 12,157      | 12,703      | 16,598      | Interest expense                                                     | 12,803                 | 18,194      | 18,146      | 12,471      | 12,970      | 13,217      |
| <b>Assets, long-term debt and shareholders' equity</b>                     |                             |             |             |             |             |             |             | <b>Assets, liabilities and equity</b>                                |                        |             |             |             |             |             |
| Total assets                                                               | ¥11,818,917                 | ¥11,629,115 | ¥11,577,714 | ¥11,787,599 | ¥13,635,357 | ¥15,622,031 | ¥18,088,839 | Total assets                                                         | ¥16,048,438            | ¥18,425,837 | ¥18,229,294 | ¥18,958,123 | ¥19,349,164 | ¥20,419,122 |
| Long-term debt                                                             | 1,932,637                   | 2,313,035   | 2,043,240   | 2,235,001   | 2,710,845   | 3,234,066   | 3,933,860   | Financing liabilities (Non-current liabilities)                      | 3,224,512              | 3,926,276   | 3,736,628   | 4,022,190   | 3,881,749   | 4,142,338   |
| Total Honda Motor Co., Ltd. shareholders' equity                           | 4,007,288                   | 4,328,640   | 4,439,587   | 4,398,249   | 5,043,500   | 5,918,979   | 6,696,693   | Equity attributable to owners of the parent                          | 6,335,534              | 7,108,627   | 6,761,433   | 7,295,296   | 7,933,538   | 8,267,720   |
| <b>Capital expenditures</b> (excluding purchase of operating lease assets) | 633,913                     | 348,981     | 326,620     | 424,413     | 630,408     | 782,027     | 714,502     | <b>Additions to property, plant and equipment</b>                    | 803,231                | 703,920     | 687,306     | 588,360     | 484,778     | 466,657     |
| <b>Depreciation</b> (excluding property on operating leases)               | 441,868                     | 401,743     | 377,272     | 345,105     | 335,536     | 442,318     | 490,375     | <b>Depreciation</b>                                                  | 419,022                | 451,052     | 486,410     | 484,133     | 513,455     | 499,036     |



## Financial Data

## Financial Summary (continued)

Fiscal years ended March 31

|                                                       | 2009        | 2010       | 2011       | 2012       | 2013       | 2014        | 2015        |                  | 2014                                                     | 2015        | 2016        | 2017        | 2018        | 2019        |
|-------------------------------------------------------|-------------|------------|------------|------------|------------|-------------|-------------|------------------|----------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
|                                                       |             |            |            |            |            |             |             | U.S. GAAP<br>Yen |                                                          |             |             |             |             | IFRS<br>Yen |
| <b>Per common share</b>                               |             |            |            |            |            |             |             |                  | <b>Per share</b>                                         |             |             |             |             |             |
| Net income attributable to Honda Motor Co., Ltd.:     |             |            |            |            |            |             |             |                  | Profit for the year attributable to owners of the parent |             |             |             |             |             |
| Basic                                                 | ¥75.50      | ¥147.91    | ¥295.67    | ¥117.34    | ¥203.71    | ¥318.54     | ¥273.54     |                  | Basic                                                    | ¥346.62     | ¥282.66     | ¥191.16     | ¥342.10     | ¥590.79     |
| Diluted                                               | 75.50       | 147.91     | 295.67     | 117.34     | 203.71     | 318.54      | 273.54      |                  | Diluted                                                  | 346.62      | 282.66      | 191.16      | 342.10      | 590.79      |
| Dividends                                             | 63          | 38         | 54         | 60         | 76         | 82          | 88          |                  | Dividends                                                | 82          | 88          | 88          | 92          | 100         |
| Honda Motor Co., Ltd. shareholders' equity            | 2,208.35    | 2,385.45   | 2,463.29   | 2,440.35   | 2,798.37   | 3,284.14    | 3,715.66    |                  | Equity attributable to owners of the parent              | 3,515.27    | 3,944.23    | 3,751.59    | 4,047.81    | 4,461.36    |
|                                                       |             |            |            |            |            |             |             | Yen (millions)   |                                                          |             |             |             |             | 4,698.74    |
| <b>Sales</b>                                          |             |            |            |            |            |             |             |                  | <b>Sales</b>                                             |             |             |             |             |             |
| Sales amounts:*1                                      |             |            |            |            |            |             |             |                  | Sales revenue:*1                                         |             |             |             |             |             |
| Japan                                                 | ¥1,446,541  | ¥1,577,318 | ¥1,503,842 | ¥1,517,927 | ¥1,652,995 | ¥1,912,504  | ¥1,810,283  |                  | Japan                                                    | ¥1,920,114  | ¥1,800,439  | ¥1,754,167  | ¥1,799,772  | ¥1,919,130  |
|                                                       | 14%         | 18%        | 17%        | 19%        | 17%        | 16%         | 14%         |                  |                                                          | 15%         | 14%         | 12%         | 13%         | 12%         |
| Overseas                                              | 8,564,700   | 7,001,856  | 7,433,025  | 6,430,168  | 8,224,952  | 9,929,947   | 10,836,464  |                  | Overseas                                                 | 10,585,977  | 11,527,660  | 12,846,984  | 12,199,428  | 13,442,016  |
|                                                       | 86%         | 82%        | 83%        | 81%        | 83%        | 84%         | 86%         |                  |                                                          | 85%         | 86%         | 88%         | 87%         | 88%         |
| Total                                                 | ¥10,011,241 | ¥8,579,174 | ¥8,936,867 | ¥7,948,095 | ¥9,877,947 | ¥11,842,451 | ¥12,646,747 |                  | Total                                                    | ¥12,506,091 | ¥13,328,099 | ¥14,601,151 | ¥13,999,200 | ¥15,361,146 |
|                                                       | 100%        | 100%       | 100%       | 100%       | 100%       | 100%        | 100%        |                  |                                                          | 100%        | 100%        | 100%        | 100%        | 100%        |
|                                                       |             |            |            |            |            |             |             | Thousands        |                                                          |             |             |             |             |             |
| Unit sales:*2                                         |             |            |            |            |            |             |             |                  | Unit sales:*2                                            |             |             |             |             |             |
| Motorcycles                                           | 10,114      | 9,639      | 18,331     | 15,061     | 15,494     | 17,021      | 17,765      |                  | Motorcycles                                              | 17,008      | 17,592      | 17,055      | 17,661      | 19,554      |
| Automobiles                                           | 3,517       | 3,392      | 3,529      | 3,108      | 4,014      | 4,323       | 4,364       |                  | Automobiles                                              | 4,340       | 4,367       | 4,743       | 5,028       | 5,199       |
| Power Products                                        | 5,187       | 4,744      | 5,509      | 5,819      | 6,071      | 6,036       | 6,001       |                  | Power Products                                           | 6,018       | 5,983       | 5,965       | 6,121       | 6,262       |
| <b>Number of employees</b>                            | 181,876     | 176,815    | 179,060    | 187,094    | 190,338    | 198,561     | 203,902     |                  | <b>Number of employees</b>                               | 199,368     | 204,730     | 208,399     | 211,915     | 215,638     |
| <b>Exchange rate</b><br>(yen amounts per U.S. dollar) |             |            |            |            |            |             |             |                  | <b>Exchange rate</b><br>(yen amounts per U.S. dollar)    |             |             |             |             |             |
| Rates for the period-end                              | ¥98         | ¥93        | ¥83        | ¥82        | ¥94        | ¥103        | ¥120        |                  | Rates for the period-end                                 | ¥103        | ¥120        | ¥113        | ¥112        | ¥106        |
| Average rates for the period                          | 101         | 93         | 86         | 79         | 83         | 100         | 110         |                  | Average rates for the period                             | 100         | 110         | 120         | 108         | 111         |

\*1 The geographic breakdown of sales amounts is based on the location of customers.

\*2 Honda changed its counting method for unit sales as follows;

- 2009–2010: the total of unit sales of completed products of Honda and its consolidated subsidiaries, and sales of parts for local production at Honda's affiliates accounted for using the equity method
- 2011–2019: the total of unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates accounted for using the equity method (Honda Group Unit Sales)



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