

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



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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

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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)
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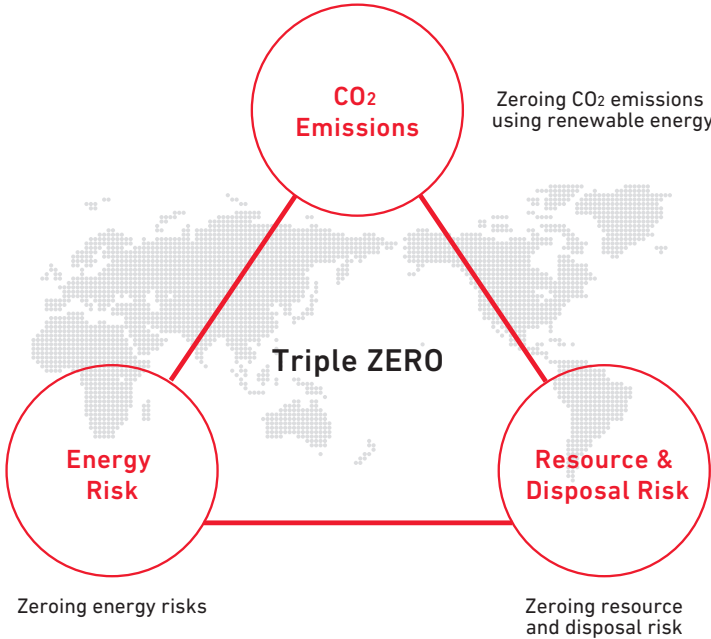
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Material Issues in the Environmental Dimension

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 CO₂ emissions using renewable energy

To address “climate change issues,” Honda is striving to eliminate CO₂ 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.



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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 CO₂ emissions in half by 2050 (compared with 2000 levels). Going forward, Honda will continue with activities to reduce CO₂ using science-based target setting using the latest information. As an interim objective, Honda is currently working to achieve its 2020 Product CO₂ Emissions Reduction Targets to lower CO₂ 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.

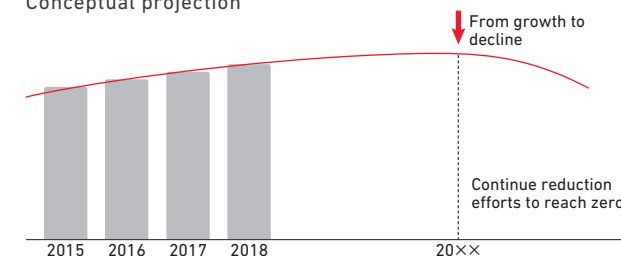
As automobiles account for approximately three quarters of Honda's sales revenue, in pursuing the reduction of CO₂ emitted from its products, Honda considers that reputational risk and potential penalties arising from failure to comply with fuel economy regulations can have a significant impact on its 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, CO₂ 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 CO₂ emissions from personal mobility and home living to zero. Honda is developing the Honda Smart Home System (HSBS) 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

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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.



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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.

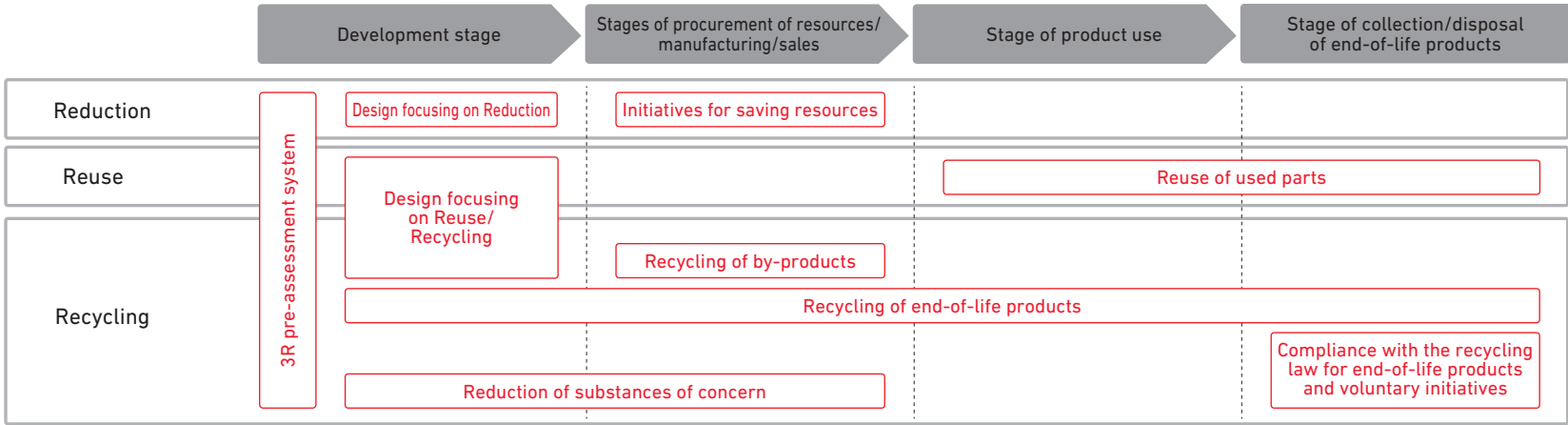
Therefore, Honda considers the efficient utilization of resources one of the material issues and is actively promoting 3R (Reduction/Reuse/Recycling) activities as well as ensuring proper processing when disposing of end-of-life products.

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 m³ (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



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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.



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TOPICS

Research on Algal Biomass*¹ System in the United States

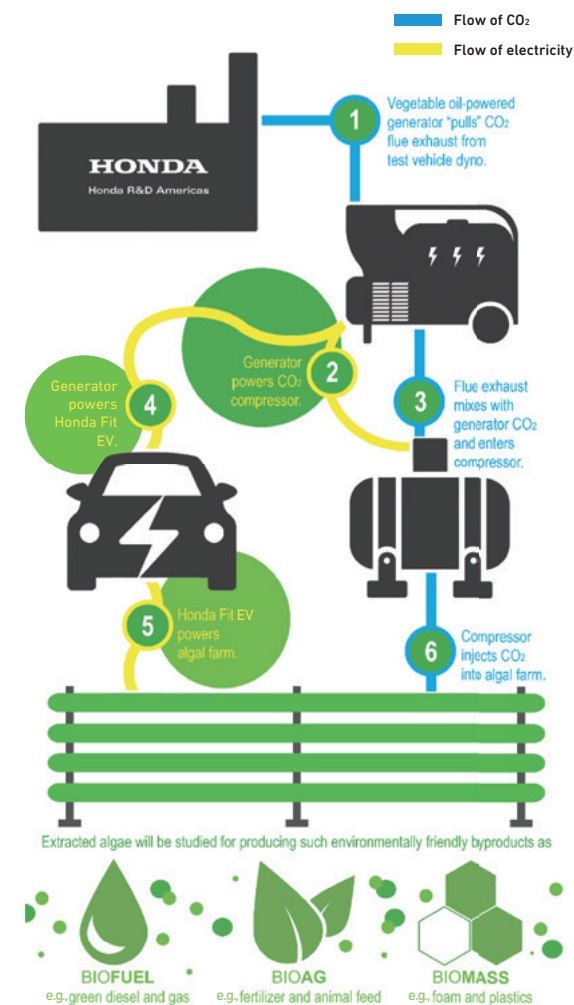
Honda R&D Americas, Inc. (HRA) is undertaking research on an algal biomass system. This research involves exhaust emitted from dynamometers ("dynos") used for vehicle testing. The CO₂ is first affixed*² through the photosynthesis of Ohio-native algae. The by-product, or biomass, can then be converted into liquid fuel, soil conditioners, fertilizers and animal feed. The generator used for generating electric power to capture and compress the CO₂ 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*³ with the aim of reducing CO₂ emitted during business activities. This mechanism not only reduces CO₂ 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 CO₂ 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.

Algal System Flow



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

A close-up view of the algal farm, which collects CO₂ from a test dynamometer at HRA

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



*1 Biomass: Renewable biologically derived organic resources

*2 CO₂ fixation: Plants and algae absorb CO₂ 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

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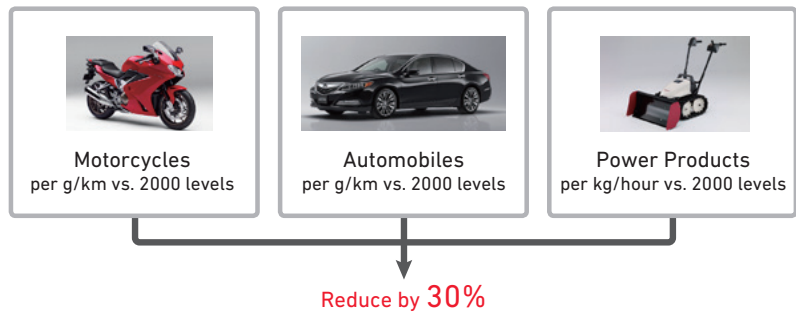
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Responses to Climate Change and Energy Issues

Goal to Reduce CO₂ Emissions Intensity in Products by 2020



• Global average CO₂ emissions from Honda products

Honda believes in the necessity of reducing CO₂ emitted from products in response to climate change and energy issues, which it views as key environmental challenges.

Therefore, to ultimately realize zero CO₂ emissions in product usage, Honda has formulated and is promoting initiatives under a goal to reduce CO₂ 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.

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Current status of achievement vs. 2020 product CO₂ emissions intensity reduction targets

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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

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Responses to Climate Change and Energy Issues

Three Initiatives to Achieve Environmental Performance Targets

Emissions from “use of products” account for approximately 80% of CO₂ emissions from Honda’s entire product life cycle. In light of this, Honda works to reduce CO₂ 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 CO₂ Emissions Reduction Targets with a view to halving total CO₂ emissions by 2050 compared with 2000 levels while expanding production and sales globally.

- ① Reducing CO₂ emissions through efficiency improvements of internal combustion engines
- ② Reducing CO₂ emissions by introducing environmentally innovative technologies and diversifying energy sources
- ③ Eliminating CO₂ emissions through the use of renewable energy and total energy management

By implementing these in phases, Honda is steadily reducing CO₂ 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
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DATA

Number of HEPS-compliant models by region

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Responses to Climate Change and Energy Issues

Corporate Activities Initiatives

With the aim of ultimately achieving zero CO₂ emissions and zero energy risk, Honda is focusing on the reduction of energy consumption and CO₂ 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

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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*1 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*2 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.



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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.



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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

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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/>

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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

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.



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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

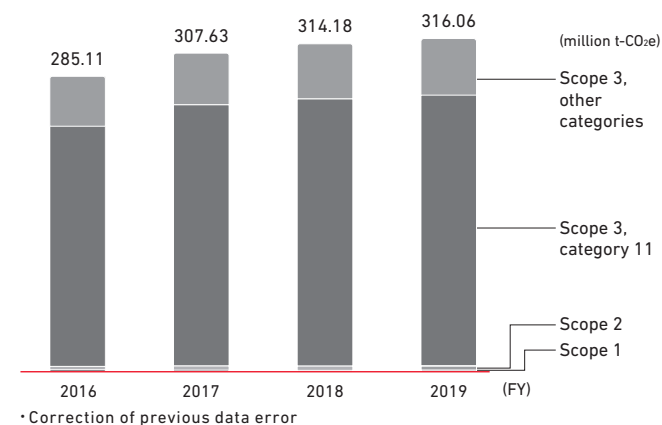
As a responsible company operating in the mobility industry, Honda believes in the importance of calculating and disclosing GHG emissions in order to drive progress in initiatives to reduce global emissions.

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.

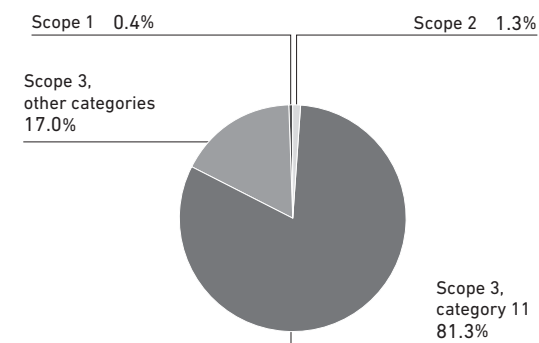
Honda continues to calculate and report its GHG emissions from its entire value chain and is making improvements to get a more accurate reading of emissions. The Company is doing this in Scope 3 (other indirect emissions), for example, by widening the boundaries of data collection for categories that 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-CO₂e, and total emissions from the value chain, including other indirect emissions, were 316.06 million t-CO₂e. 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).

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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 CO₂ 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 CO₂ 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 CO₂ 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 CO₂ 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.



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Honda's total GHG emissions

			FY2016	FY2017	FY2018	FY2019
			(million t-CO ₂ 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: CO₂ emissions intensity x Annual distance traveled or Annual usage in hours x Product lifetime in years x Annual unit sales.

● CO₂ 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.

● CO₂ 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 ☒ received the independent practitioner's assurance.



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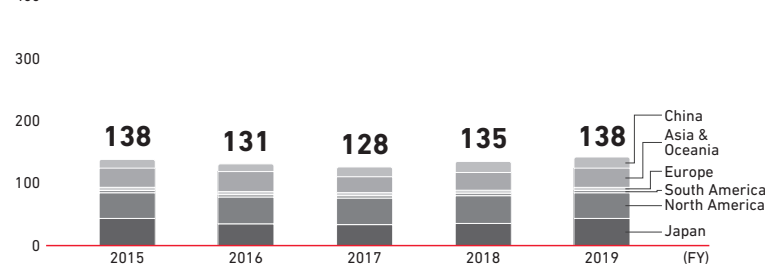
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GHG emissions

Direct emissions (Scope1) ☒(10,000 t-CO₂e)

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 CO₂ emission factor] + CO₂ emissions from non-energy sources + \sum [Volume of non-CO₂ GHG emissions x Global warming factors]

Emission factors

Japan: Emission factors based on the Act on Promotion of Global Warming Countermeasures

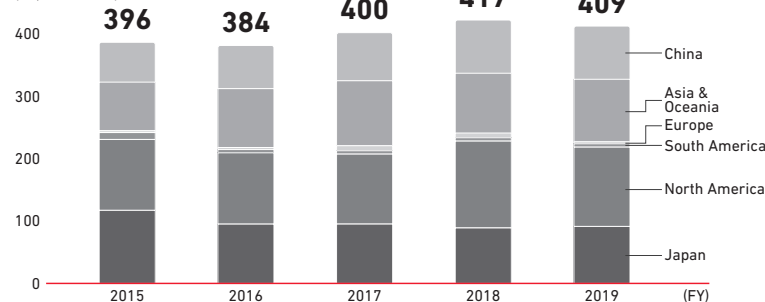
Regions outside of Japan: Emission factors from 2006 IPCC Guidelines for National GHG Inventories Figures for global warming potential coefficient: The IPCC's Fourth Assessment Report (2007)

• 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-CO₂e)

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.

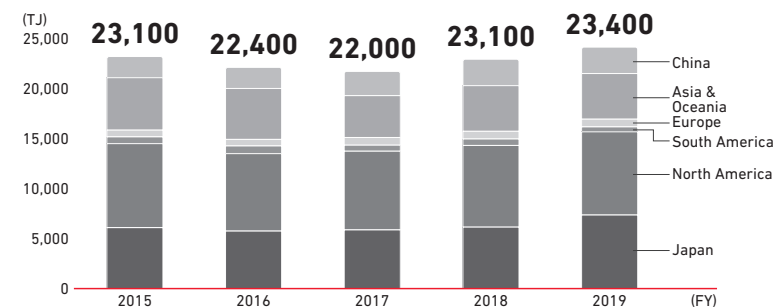
• Expressed in three significant digits

• 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.

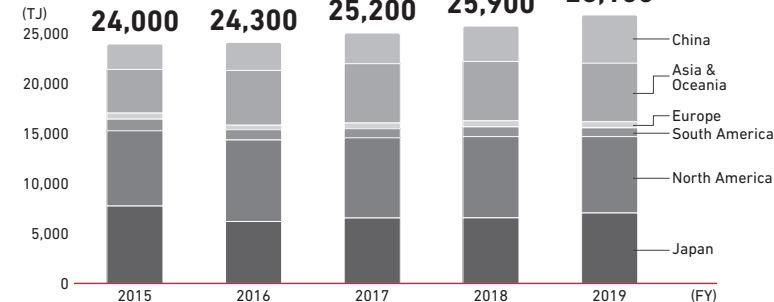
• A terajoule (TJ) is a unit of energy, "tera" meaning 10¹².

• 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



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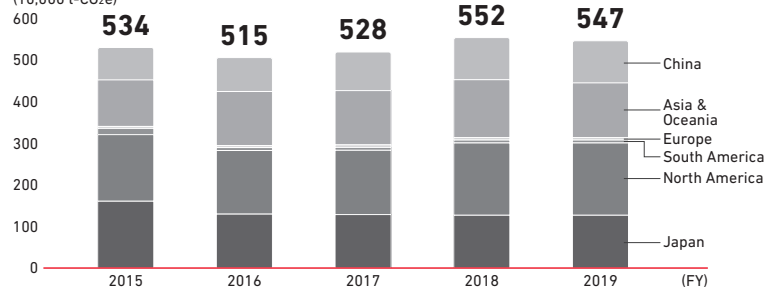
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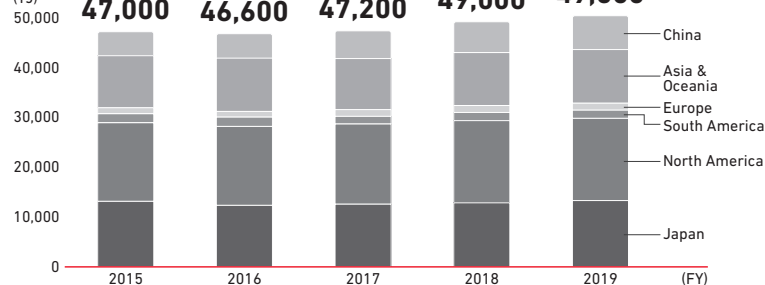
Total GHG emissions (Scope1 and 2) ✓

(10,000 t-CO₂e)

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 ✓

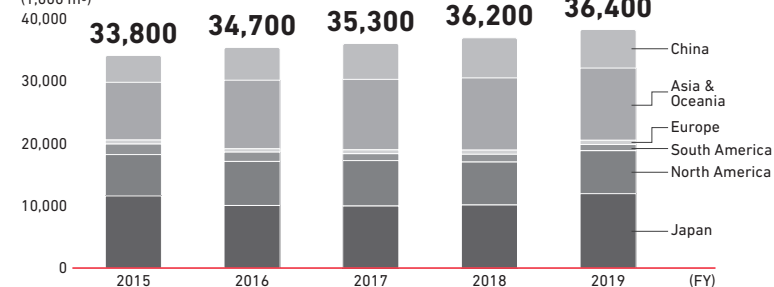
(TJ)



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

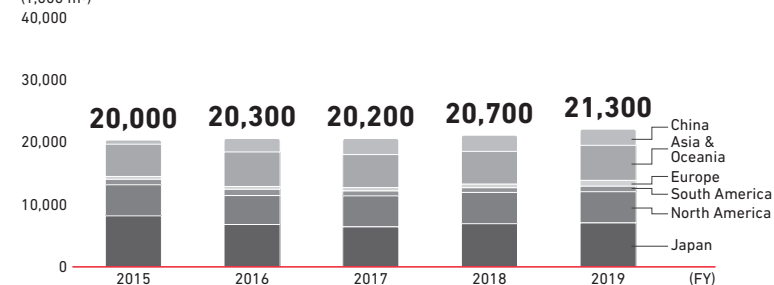
Water intake/wastewater volume

Amount of water intake ✓

(1,000 m³)

Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
 Calculation method: Amount of water intake = Σ (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 m³)

Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
 Calculation method: Volume amount = Σ (Wastewater processed by other companies + Discharge directly into public waters)
 • Figures include some estimated values.
 • Expressed in three significant digits



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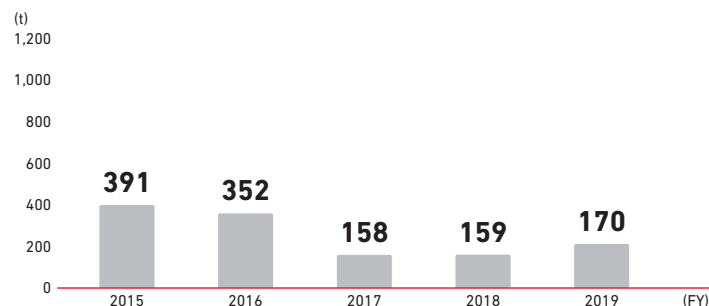
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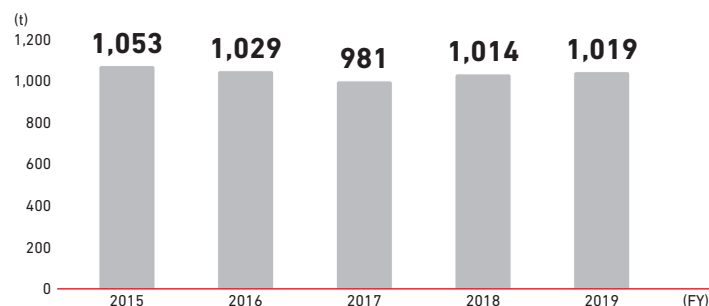
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Atmospheric pollutants

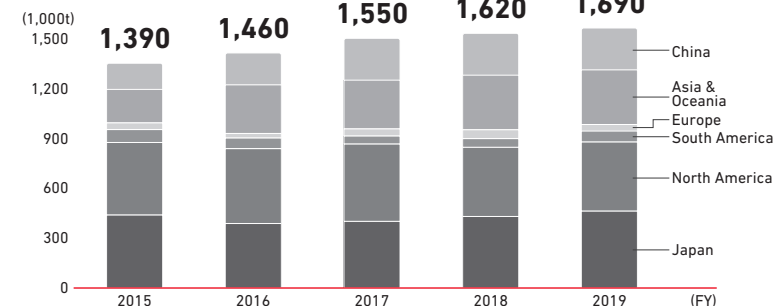
SOx emissions ☒

Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
 Calculation method: Emissions amount = Σ (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 = Σ (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 = Σ (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



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

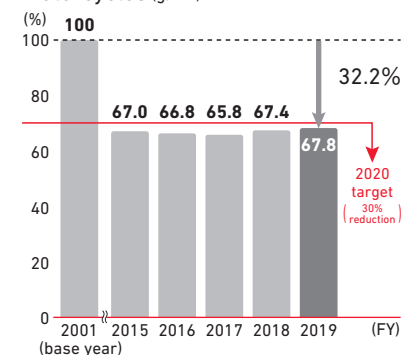
- Companies covered: Honda Motor Co., Ltd., Honda R&D Co., Ltd., Honda Engineering Co., Ltd. and Honda Access Corporation
- Accounting period: April 1, 2018 to March 31, 2019
- Some figures are estimated values.
- Guidelines, guidebooks and other environmental accounting publications by Japan's Ministry 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)

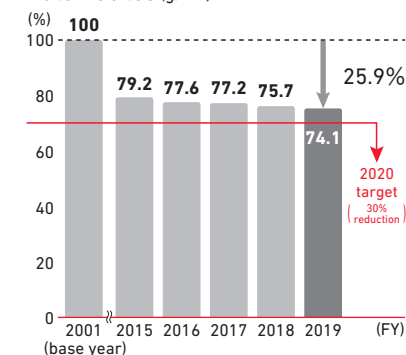
	FY2019 (millions of yen)
Income from sale of valuable waste materials	6,383
Cost reductions from saved energy	Installed technologies
	Behavioral changes, etc.
Total	6,594

Current status of achievement vs. 2020 product CO₂ emissions intensity reduction targets

Motorcycles (g/km)

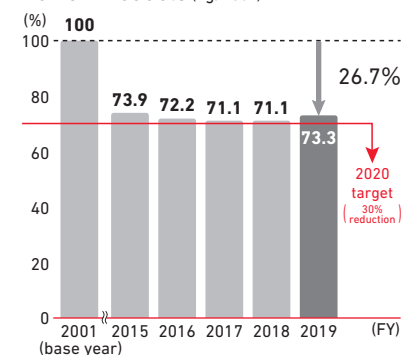


Automobiles (g/km)



• Correction of previous data error

Power Products (kg/hour)



environment

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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

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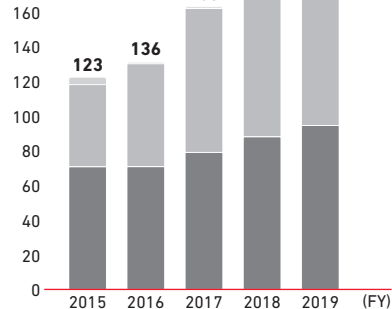
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Environmental Data

Global number of HEPS-compliant models

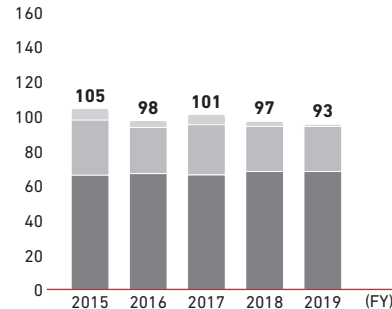
Motorcycles

(Models)



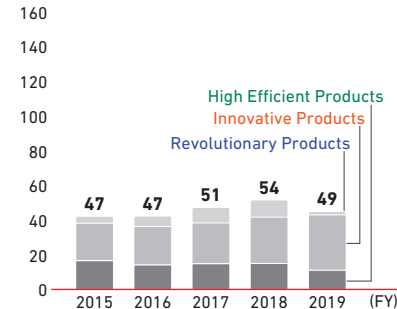
Automobiles

(Models)



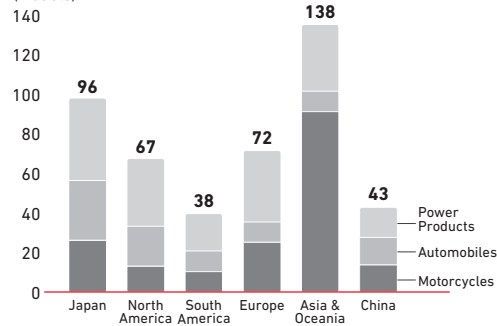
Power Products

(Models)



Number of HEPS-compliant models by region (FY2019)

(Models)



Safety



Material Issues

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

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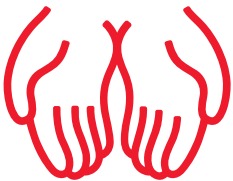
Toward a Collision-Free Mobile Society

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.

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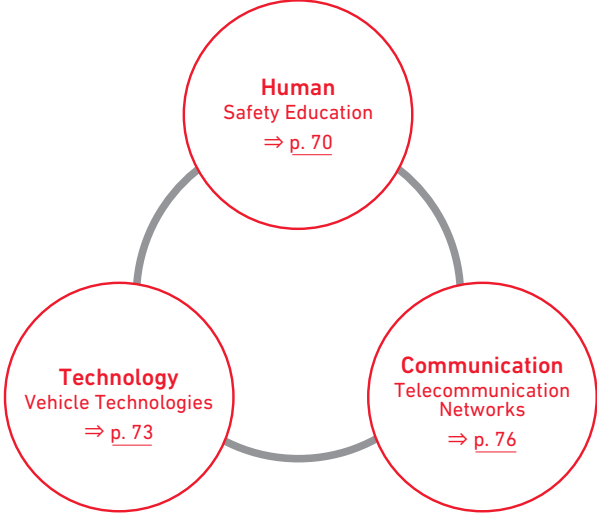
Direction of Activities

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



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Safety Initiatives

Human (Safety Education)

Honda's Approach

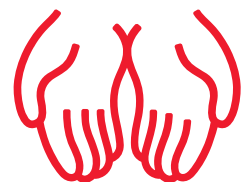
In 1970, Honda established the Driving Safety Promotion Center. Since then, through cooperation with Honda Traffic Education Centers*, motorcycle/automobile/power product dealers, local corporations and schools, we have provided traffic safety education and training for drivers and riders to more than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

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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.

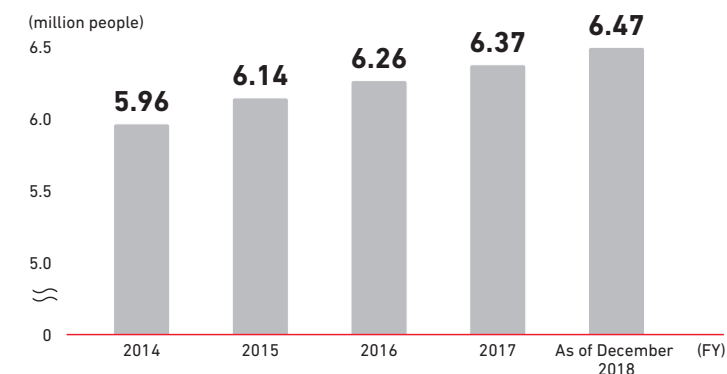
For protecting children from pedestrian accidents, Honda developed an educational program for early elementary school students in 2017, which has since been providing the program nationwide.

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)



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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



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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.”

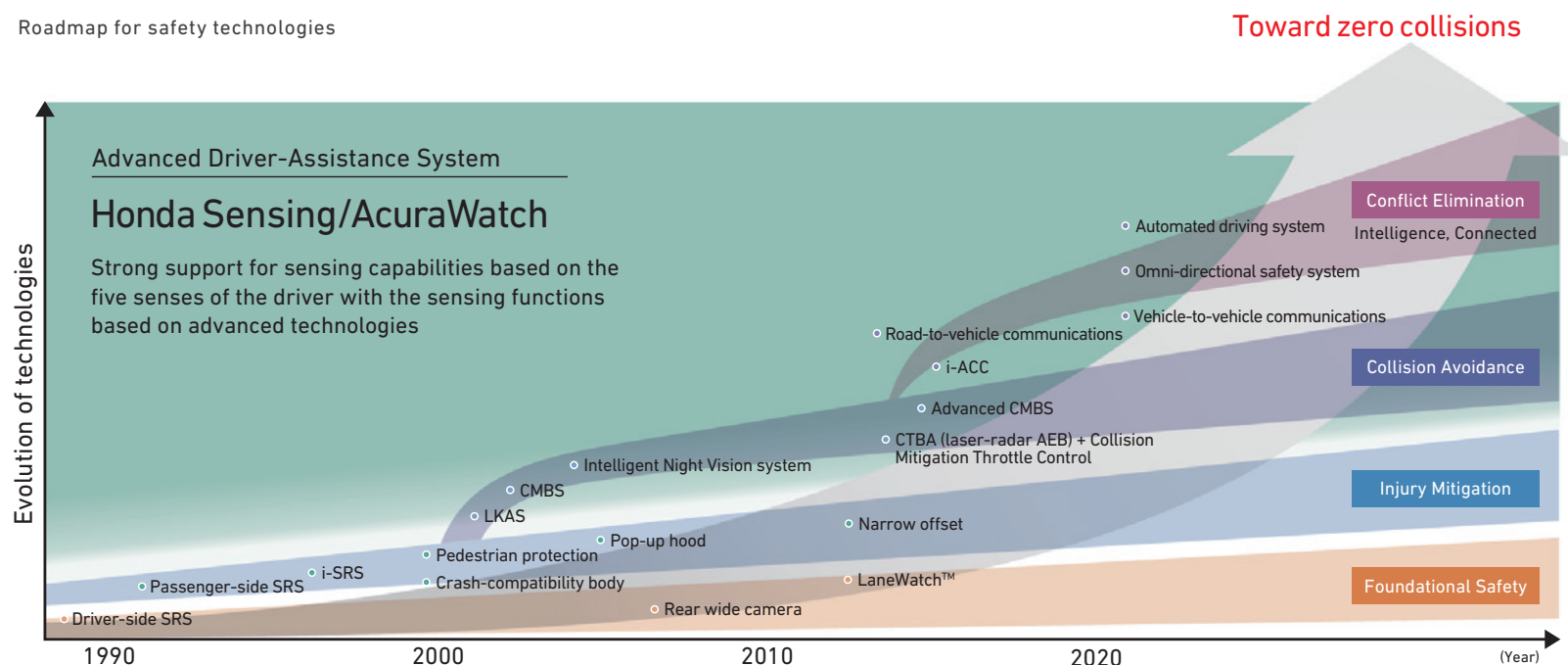
The Company has been developing and commercializing safety technologies one after the other. In 1998, Honda developed the world's first pedestrian dummies, while it built the world's first indoor, all-weather omni-directional crash test facility in 2000. In 2003, Honda developed the

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



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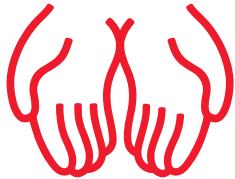
FY2019 Activities

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.

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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.

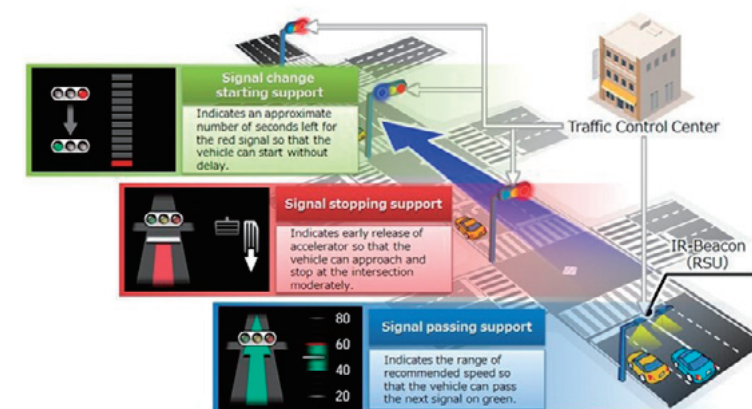


Advanced infrared (IR) beacons installed in Fukuoka City



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.

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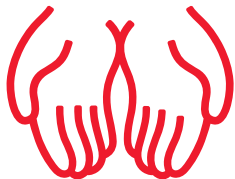
Communication
(Telecommunication Networks)

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.



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TOPICS

Feasibility Testing of Smart Intersection Technology in Marysville, Ohio

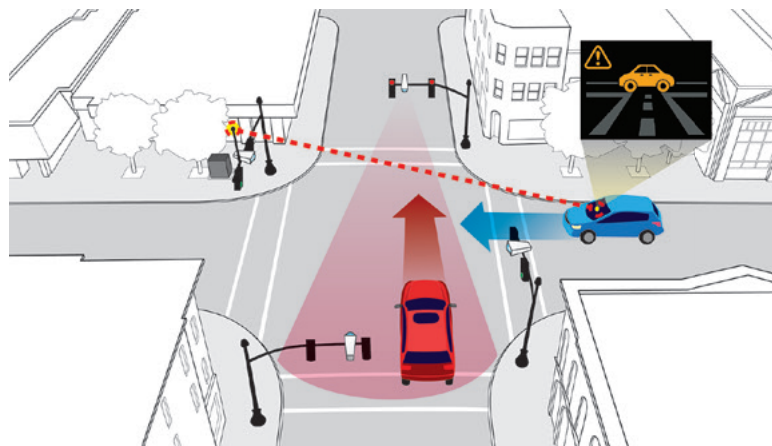
Since October 2018, Honda R&D Americas, Inc. (HRA), Honda's research and development subsidiary in the United States, has been carrying out a feasibility test of V2X communication to reduce traffic collisions at an intersection in Marysville, Ohio. The test has been promoted in partnership with the City 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.

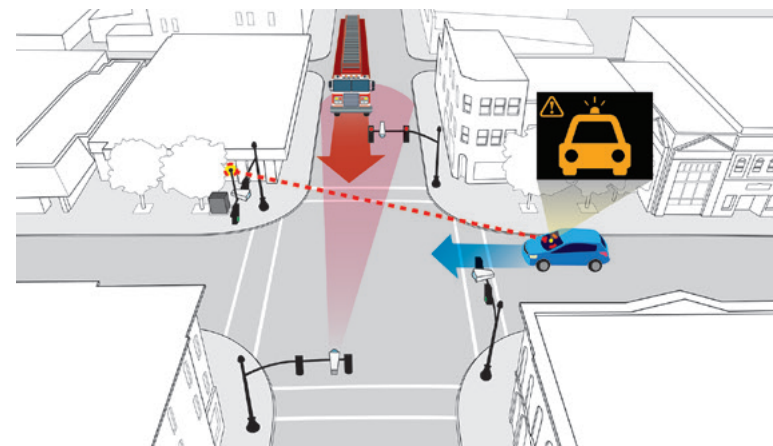
Intersection collisions account for roughly 50% of all collisions and 20% of traffic fatalities in the United States. Honda believes that V2X technology will play a key role in realizing a zero-collision society and that their evolution will provide a safer traffic society.

Detecting a Red-Light Runner

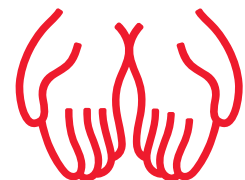


The system senses the speed and direction of vehicles approaching the intersection from all directions. A connected vehicle can warn the driver of a potential collision if likely to occur, such as in a red-light-runner scenario.

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.



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*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.

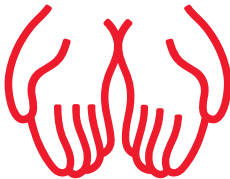
Third-Party Evaluations

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

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Basic Approach

Aiming to Bring Reassurance and Satisfaction to Customers

“We have to aim for 120% product quality. If 99% of the products we make are perfect, 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

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Global Management

Quality Management System and Quality Enhancement Promotion System

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

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)



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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)



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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.

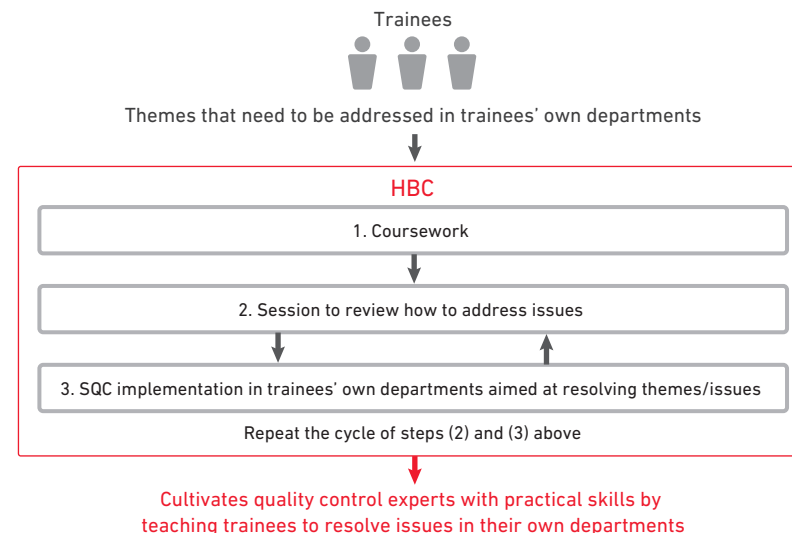
In Japan, Honda offers a training curriculum with four courses divided into basic training and specialized training. As part of this, the Honda QC Basic Course (HBC) is open not only to Honda associates but also to suppliers and focuses on training experts in all aspects of Honda quality management.

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.

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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



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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.

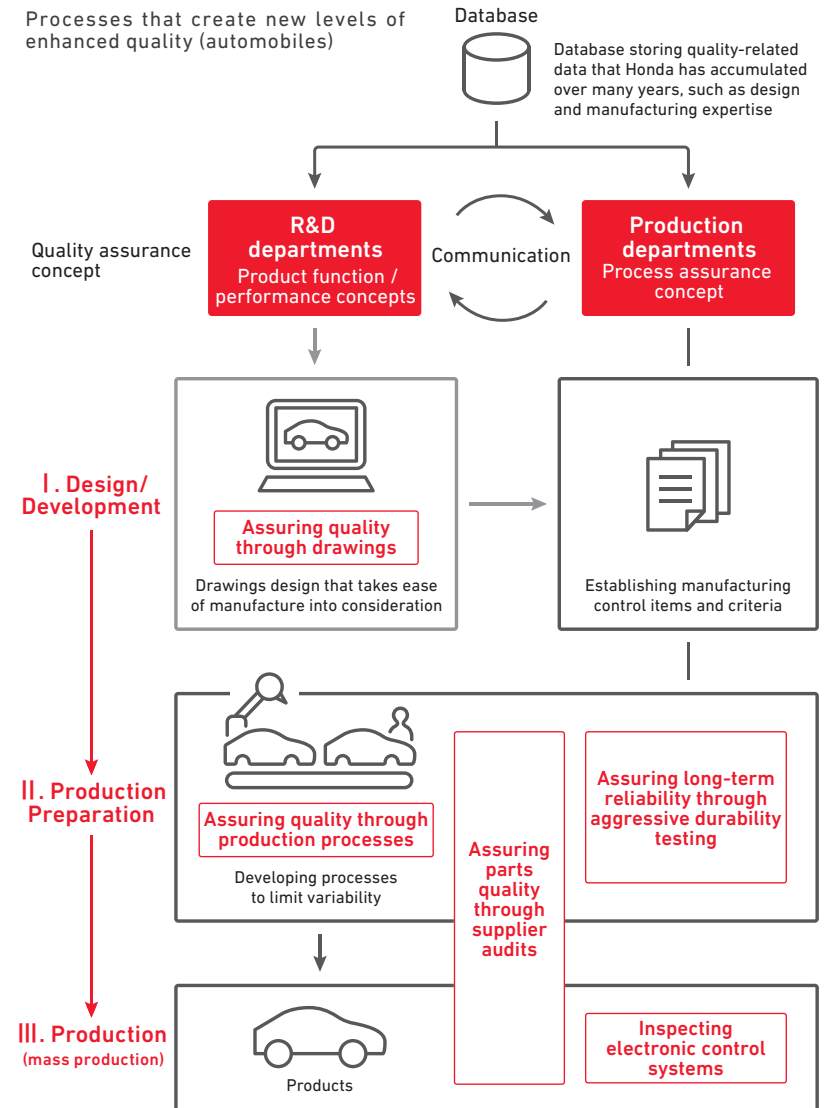
To address this fact, R&D departments consider not only function and performance but also the ease of manufacture and minimization of variations when designing drawings. For their part, production departments implement manufacturing controls to keep variability within applicable standards based on drawings 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.



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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.



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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



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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

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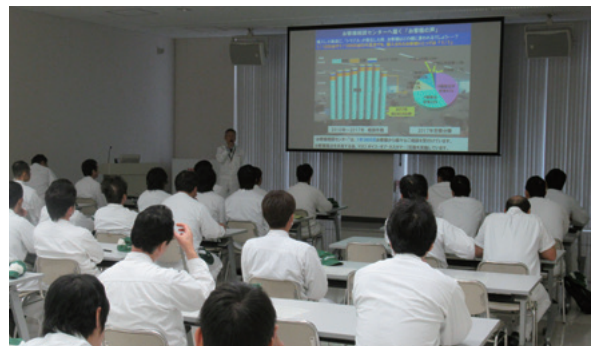
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Customer Relations Center

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

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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)

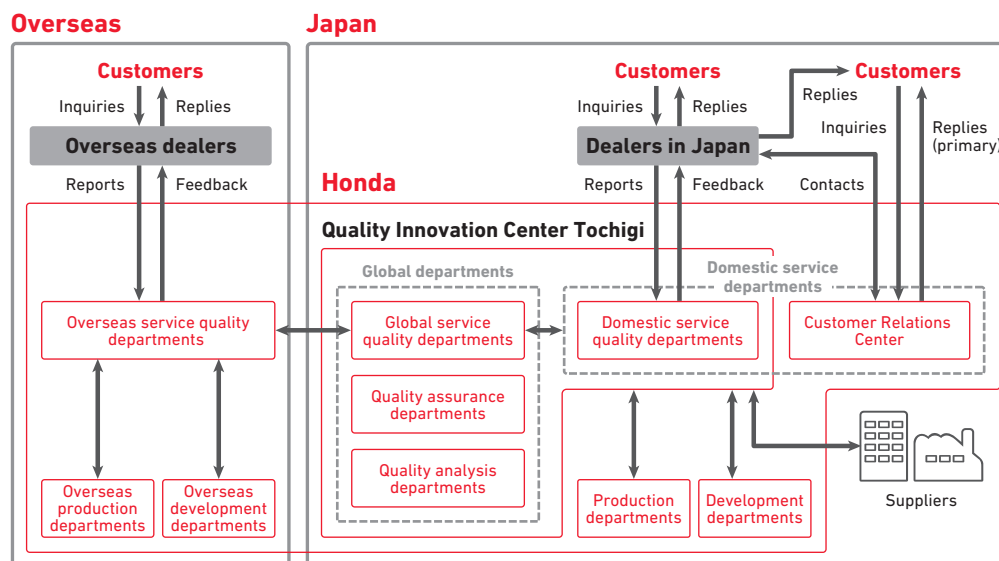
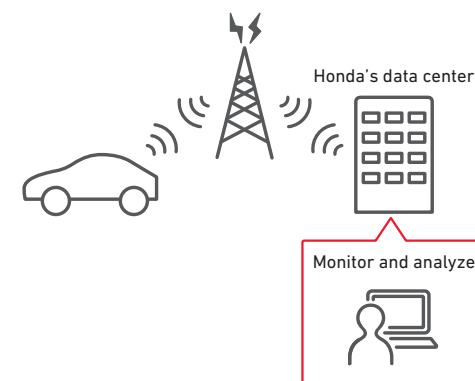


Image of the prediction system



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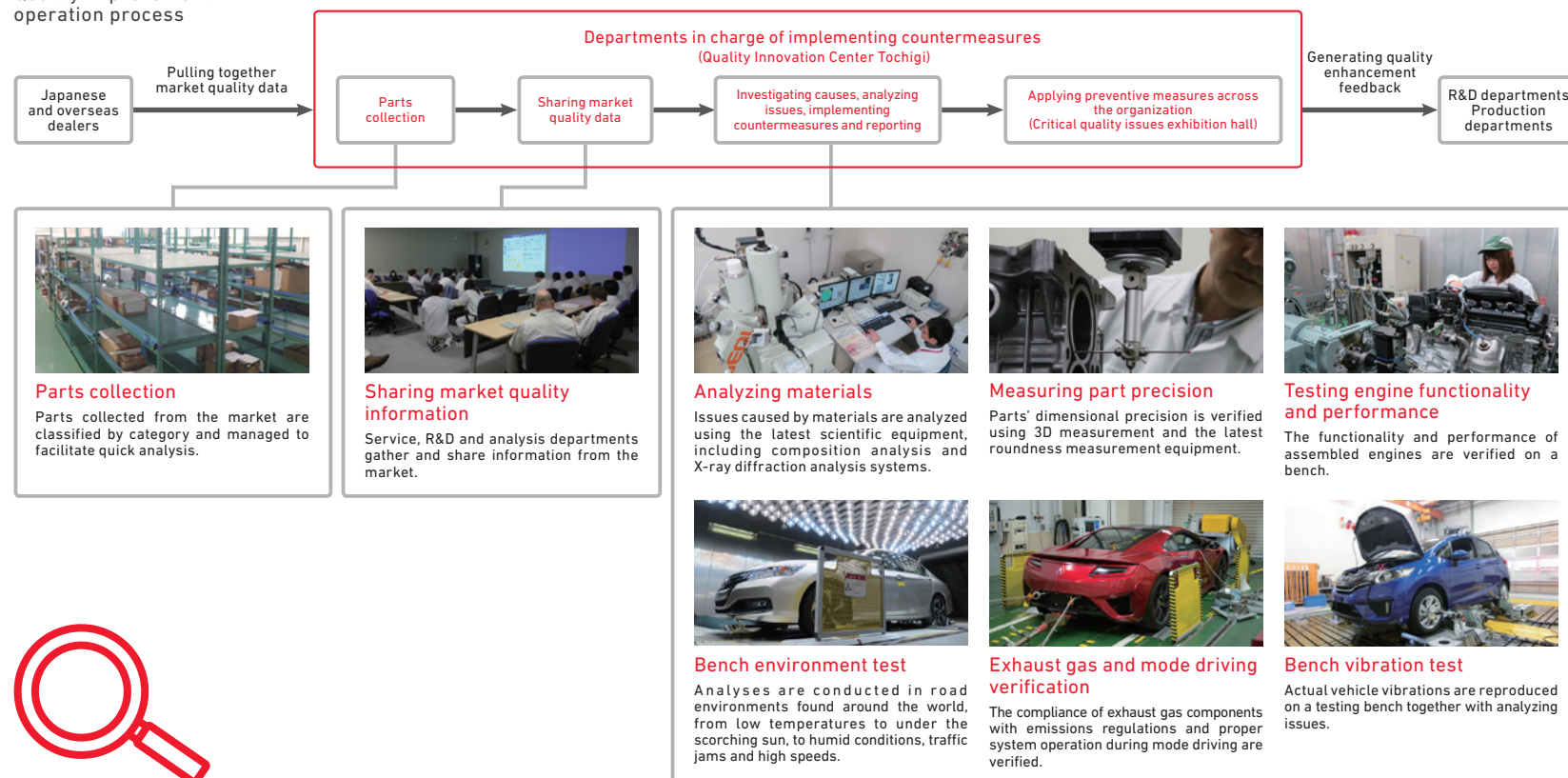
Quality Initiatives

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



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Quality Initiatives

Critical Quality Issues Exhibition Hall Presents Examples of Key Quality Issues

A critical quality issues exhibition hall was established at the Quality Innovation Center Tochigi in 2009 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



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Quality Initiatives

Analysis in Partnership with Overseas Entities

Overseas production plants play a central role in conducting the same type of quality enhancement activities as 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



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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

<Airbag recalls>

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.



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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

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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."



Our Fundamental Beliefs

Respect for the Individual

Initiative

Equality

Trust

Three Principles of Personnel Management

Respecting Initiative

Honda respects the individuality, creative thinking and judgment of each associate.

Ensuring Fairness

At Honda, every person should have equal employment opportunities. An individual's race, gender, age, religion, national origin and social or economic status have no impact on the individual's opportunities.

Encouraging Mutual Trust

Honda and its associates should respect, trust and recognize each other as individuals and make sincere efforts to fulfill our responsibilities.

Associate Relations Policies

To put these Three Principles into practice, Honda has established the following Associate Relations Policies:

1. Respecting individual human rights

- We accept the individual characteristics and differences of our associates and respect their willingness and initiative.
- We will always respect each individual's basic human rights and will not allow forced labor or child labor.

2. No discrimination

- Based on the principle that all human beings should have equal employment opportunities, we will strive to create opportunities for free and fair competition.
- We will not tolerate discrimination or harassment of any form in the workplace on the basis of an individual's race, ethnicity, national origin, religion, gender or age, among other characteristics.

3. Complying with laws and ordinances

- We will respect the social norms, customs and culture of each country.
- We will comply with the laws, regulations and ordinances enacted in each country and region.

4. Creating an environment of free, open-minded dialogue

- The associates and the Company will respect each other's views and endeavor to promote mutual understanding. Maintaining a relationship of mutual trust, the associates and the Company will make every effort to engage in sincere discussions about any issues that might arise or exist.
- Respecting freedom of association, or not to associate, and collective bargaining, the Company will attempt to resolve any and all issues in line with the laws, conventions and usages of each respective country and region.

5. Maintaining a working environment where each associate can work with a sense of security

- The Company will provide a safe and healthy workplace where all associates can concentrate on work with a sense of security.

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Human Resources Vision and Strategies

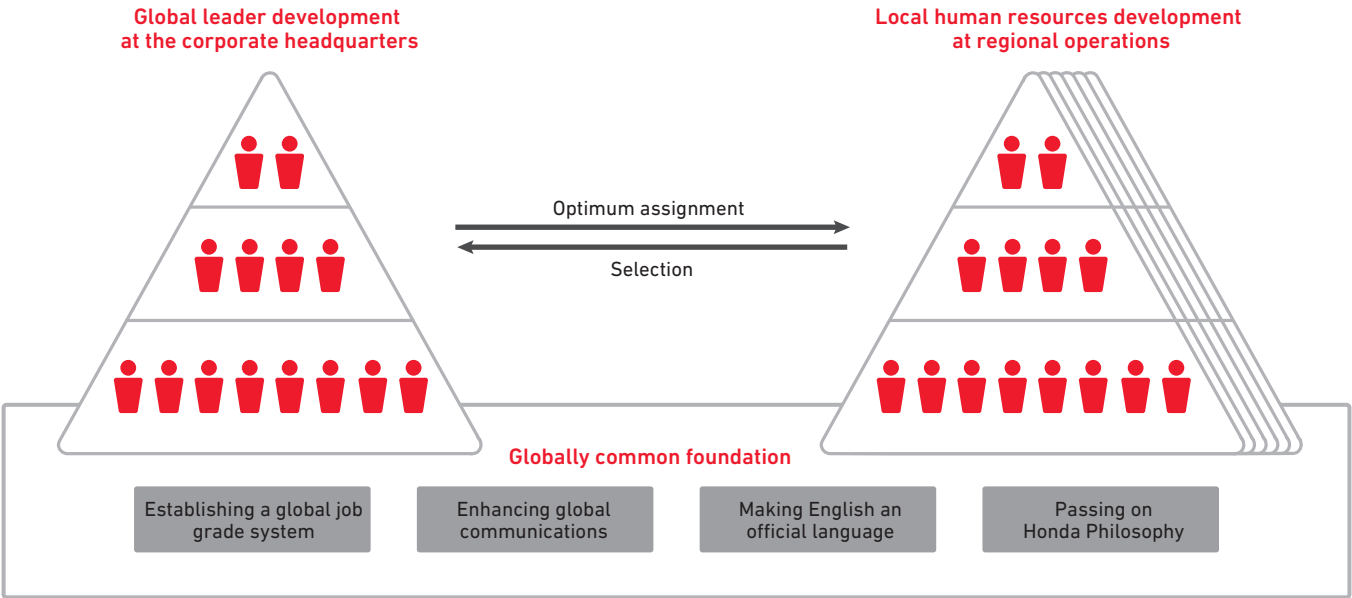
In accordance with its Company Principle, “maintaining a global viewpoint, Honda is dedicated to supplying products of the highest quality yet at a reasonable price for worldwide customer satisfaction,” Honda has been proactively developing business with a view to entering the global markets since its 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



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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.

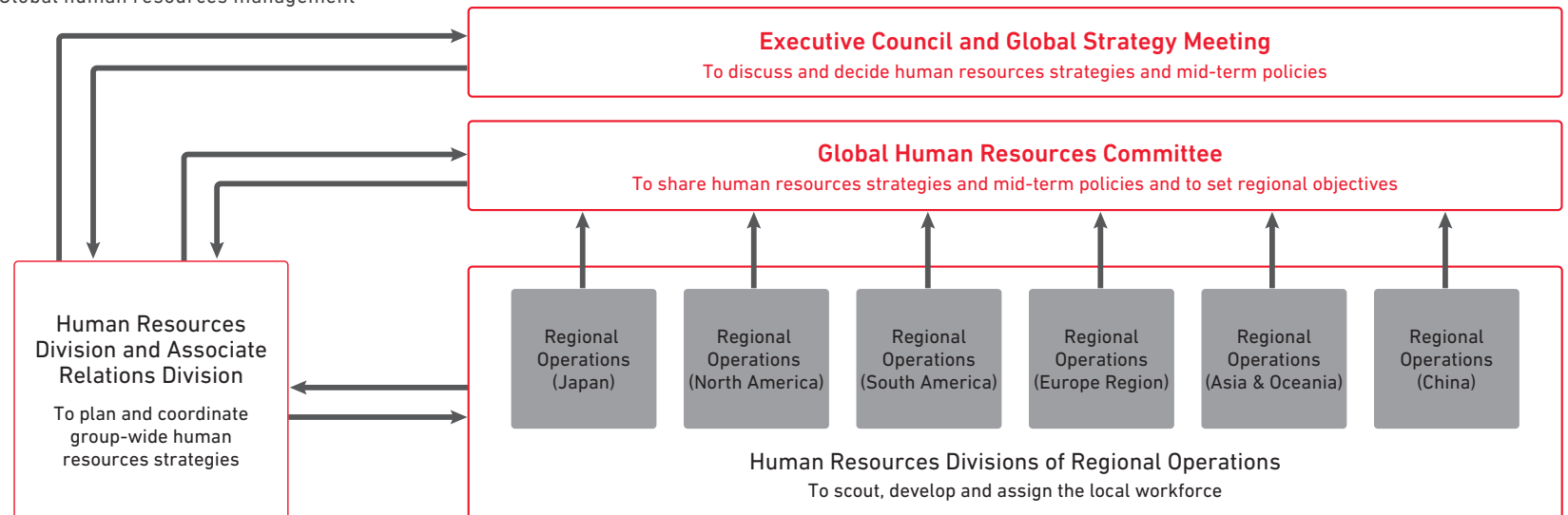
Human Resources Management Structure

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.



Global human resources management



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Human Rights

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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.



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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 per associate

> 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.





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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.

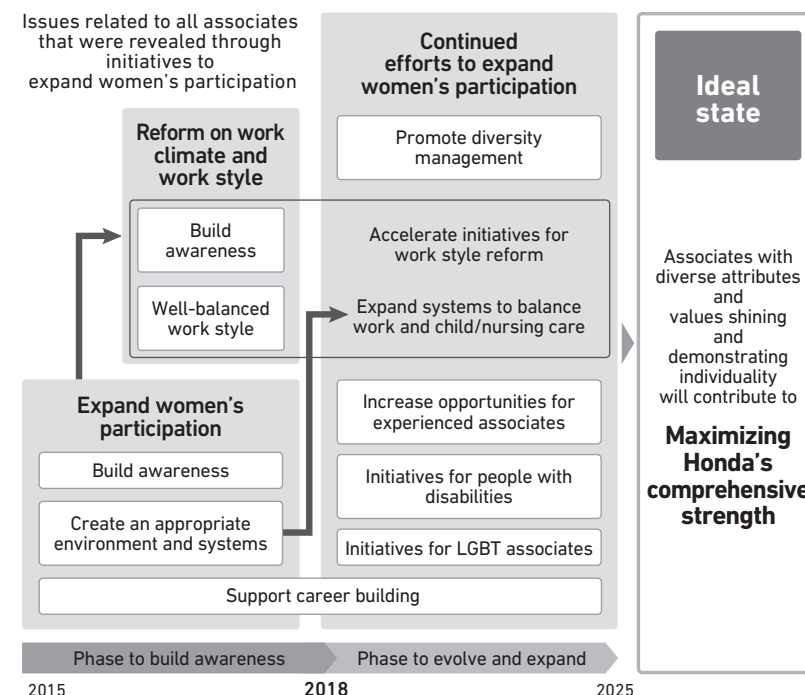
In FY2019, the scope of efforts has extended from female associates to all associates, and Honda is moving on to the next phase of evolution and expansion. It has been exploring ways to strengthen its efforts for all associates, including superiors responsible for managing diverse human resources, experienced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



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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

<Initiative 1> 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~)

<Initiative 2> 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~)

<Initiative 3> 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~)

<Initiative 4> 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~)



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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

> p.116

DATA

Percentage of women in the
Honda workplace: FY2019

> p.116

DATA

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

> 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) • 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) • Company nurseries (opened in the Tochigi district in April 2017 and in the Wako district in April 2018) • 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.

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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

> 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

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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

> 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

> p.116

DATA

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

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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

> 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

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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

> 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

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Starting salary in Japan

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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

> 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.

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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

> p.117

DATA

Number of Industry Accident Fatalities (in Japan and Overseas)

> 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

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Creating working environment criteria

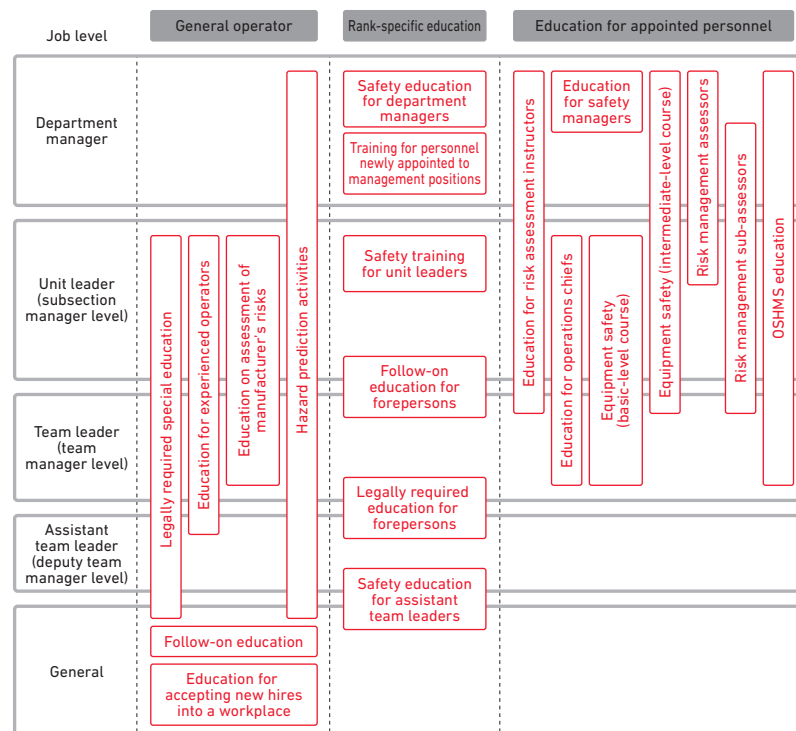
Honda stipulates workshop environmental criteria in its Comfortable Workplace Guidelines and Hazardous Operations Management Regulations. In accordance with the three basic items of work and health management*, the Company performs periodic inspections and improvements to appropriately maintain and manage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

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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.

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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.



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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.



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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.

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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



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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)

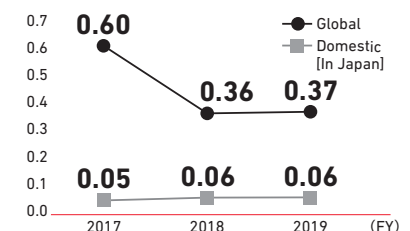
	FY2019
All associates	3.46
Male	3.47
Female	3.44
Percentage of respondents for all associates	96.2%

*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

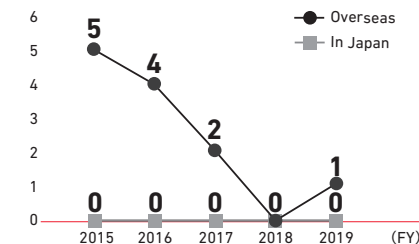
Frequency rate of lost workday injuries



• 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

supply chain

Material Issues

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

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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.

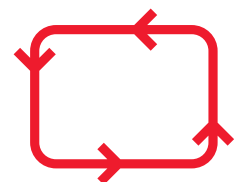
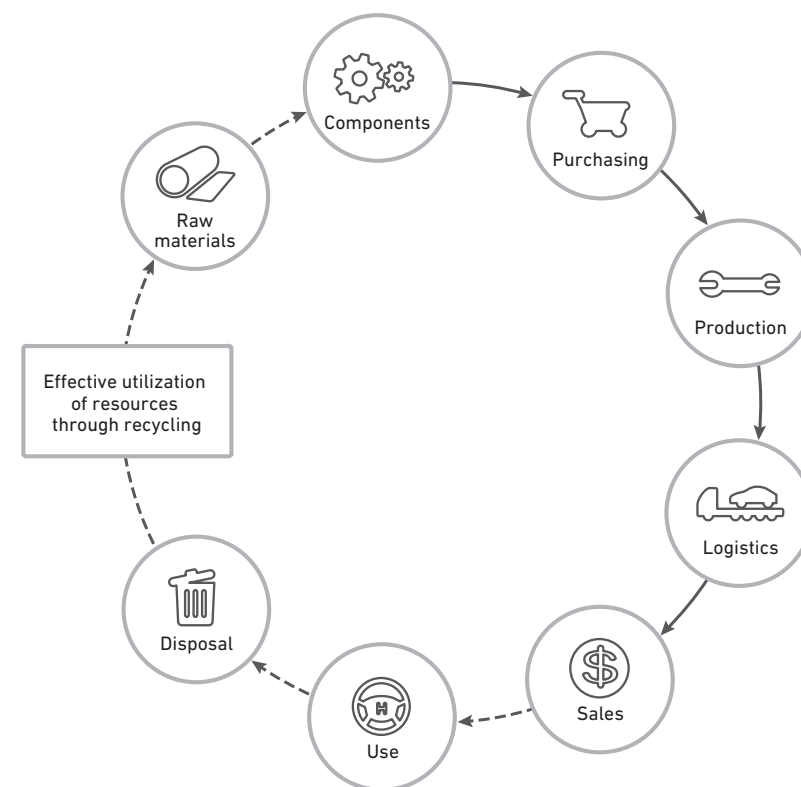
In addition, as awareness of compliance and human rights issues grows worldwide, companies are being asked to verify working conditions and legal compliance not only for themselves but also for their suppliers, as well as to make efforts to take corrective action if required.

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



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Basic Approach to Logistics

Management of Logistics from ESG Perspective

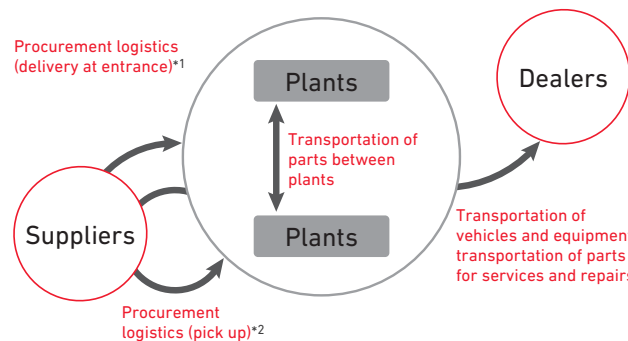
At Honda, many parts that are used in its products are sourced from suppliers and transported to its plants. Then, they are incorporated into the Company's products, and the completed models are sent directly from the plants to dealers. In addition to this, parts are also transported between plants,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

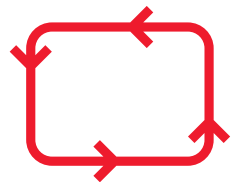
Honda is conducting management from an environmental, social and governance (ESG) perspective.

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.



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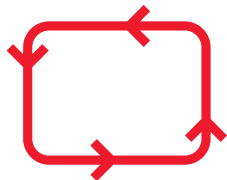
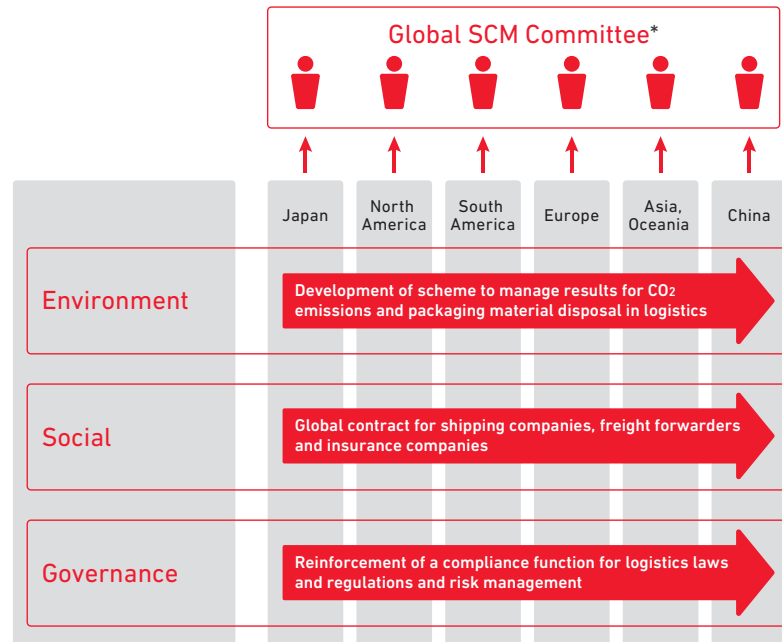
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Global Management of Logistics

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 CO₂ reduction, management of transportation companies, response to laws and regulations, insurance policy and risk management, in an integrated fashion.

Logistics global management framework



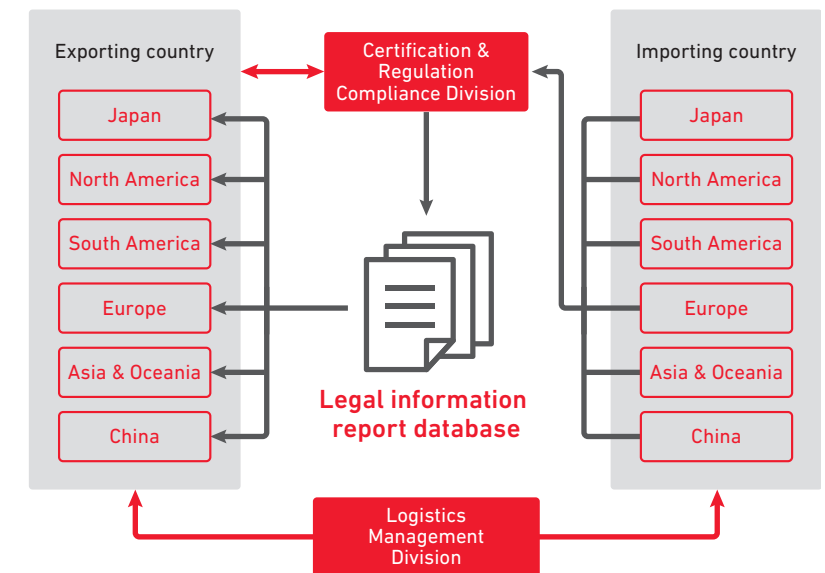
* A committee to debate Supply Chain Management (SCM) issues at the global headquarters and in respective regions in order to achieve medium-term goals

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



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Logistics Initiatives

Grasping and Reducing CO₂ 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.

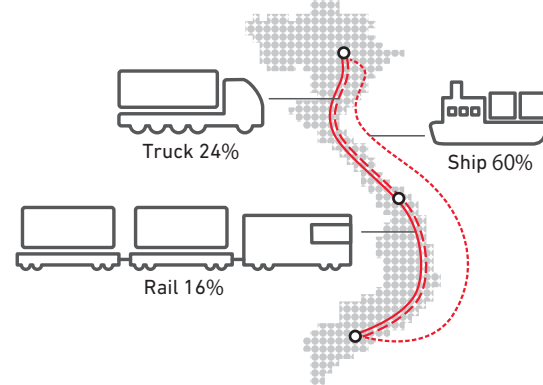
Honda continues to promote CO₂ emissions monitoring of all products throughout the world, such as managing CO₂ emissions from international marine transportation.

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 CO₂ emissions by approximately 1,000t.

Traffic route through modal shift in Vietnam



Modal shift in Vietnam



Inside one of the containers

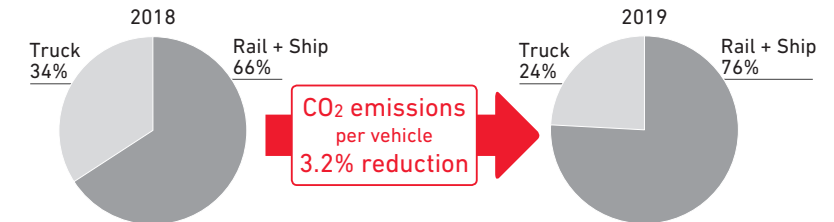


Container ship



Loading a container for rail freight

Expansion of rail and ship transport in Vietnam



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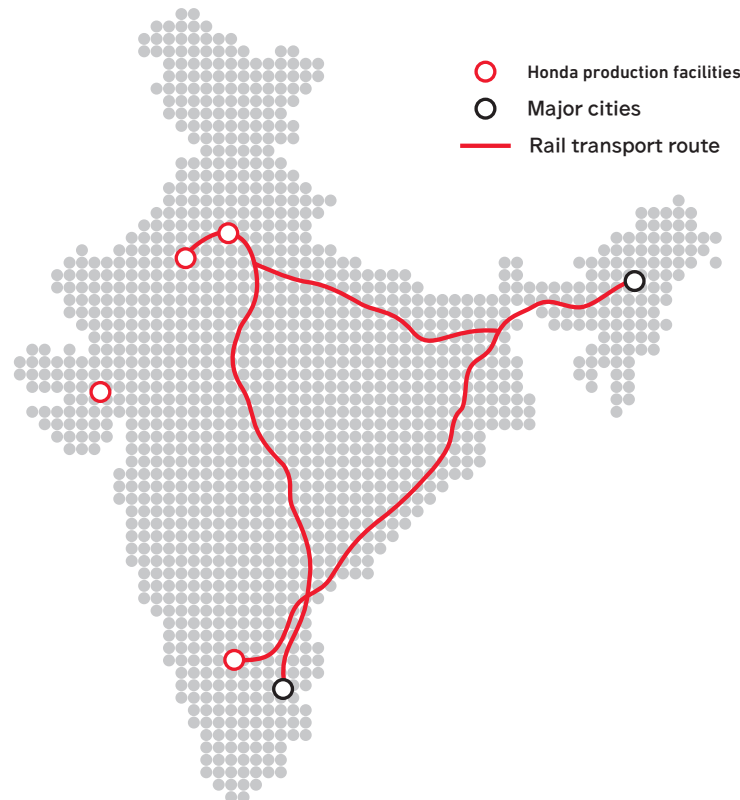
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Logistics Initiatives

Initiative in India

In India, CO₂ 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



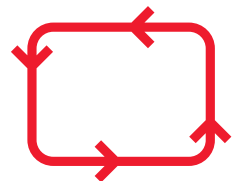
Honda motorcycles transported by rail



Inside a container



Railway transportation



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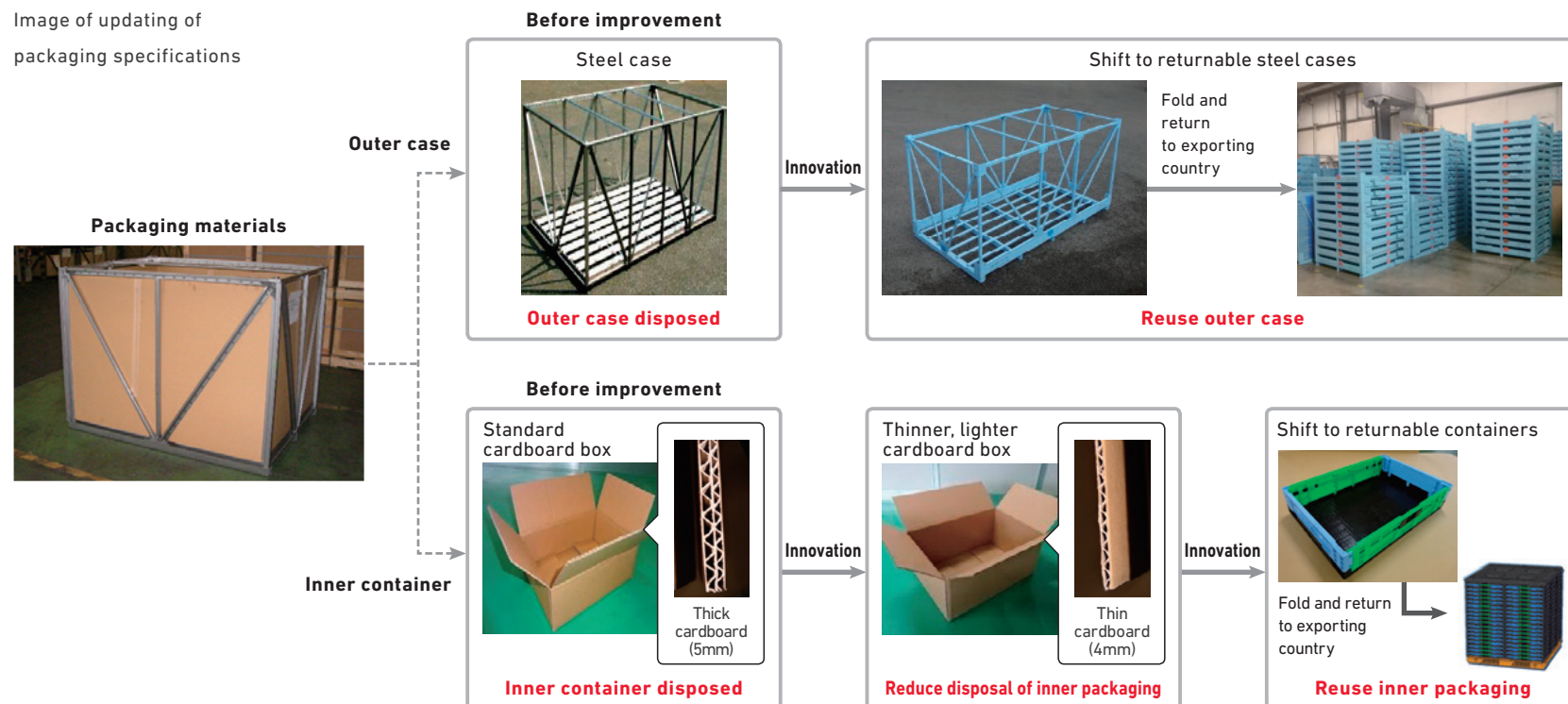
Logistics Initiatives

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.

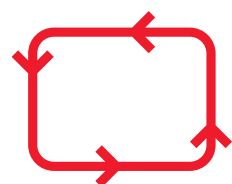
Such export of parts involve usage of packaging materials, which are classified into outer case and inner container. In the past, these packaging materials were disposed of in the importing country. To counter this, Honda has innovated packaging technology to reuse containers and reduce the weight of packaging materials, thereby reducing both waste and CO₂ 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



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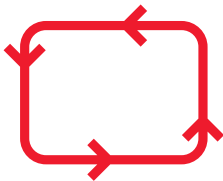
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Basic Approach to Purchasing

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.

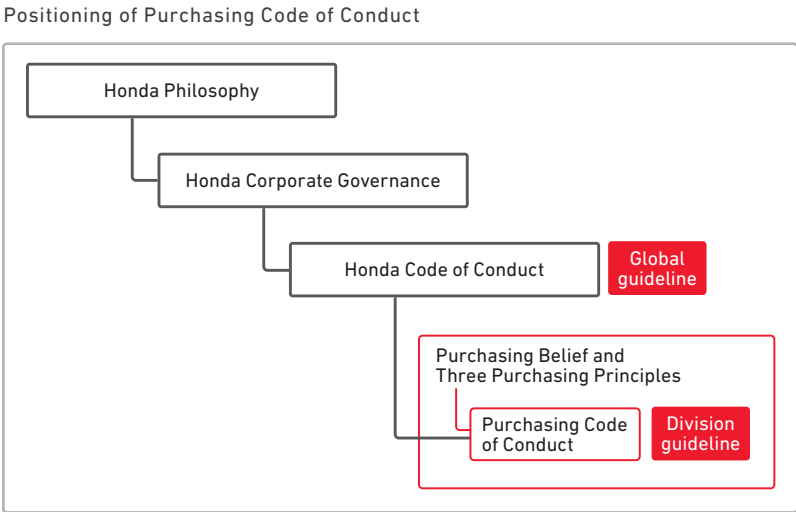
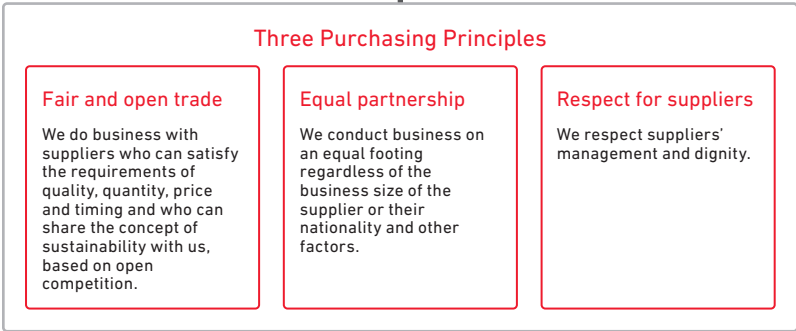


Purchasing Belief and Three Purchasing Principles

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.



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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

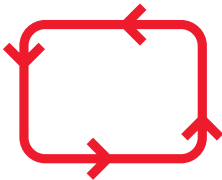
Honda Supplier Sustainability Guidelines

> https://global.honda/about/dam_img/sustainability/report/pdf/supply-chain/supplier-sustainability-guidelines.pdf

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



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Changes in purchasing practices

Strengthened QCDD

Expanded and strengthened global QCDD

Launched full-scale environmental initiatives

Strengthened overall sustainability

1950s

1960s

1990s

2000s

2010

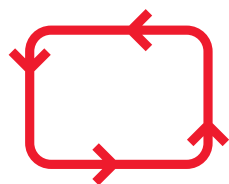
2015

- 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)



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Purchasing System

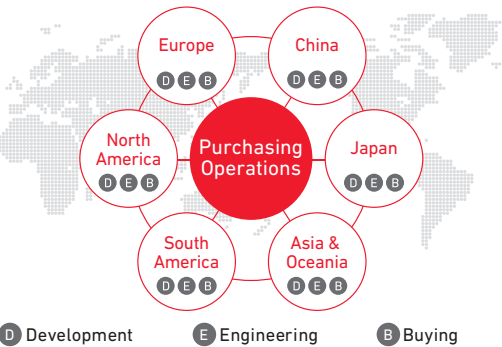
Honda conducts business in six regions worldwide and has respectively established purchasing functions. In line with Honda’s corporate philosophy of “building products close to the customer,” each region is encouraged to source locally. The rate of local procurement in the United States, Honda’s largest 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.

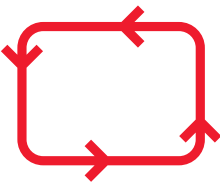
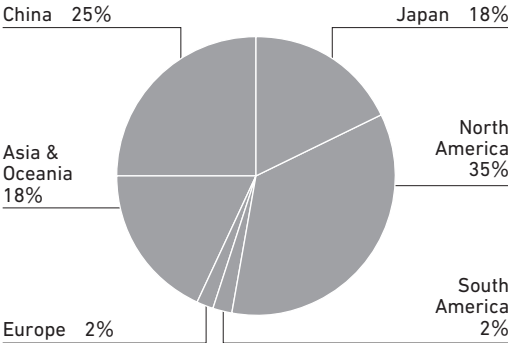
Honda’s global purchasing network



Global meeting structure



Regional distribution of purchasing volume (FY2019)



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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.

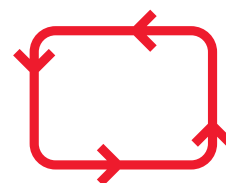
Six Region Sustainability Purchasing Meeting

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 CO₂ 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



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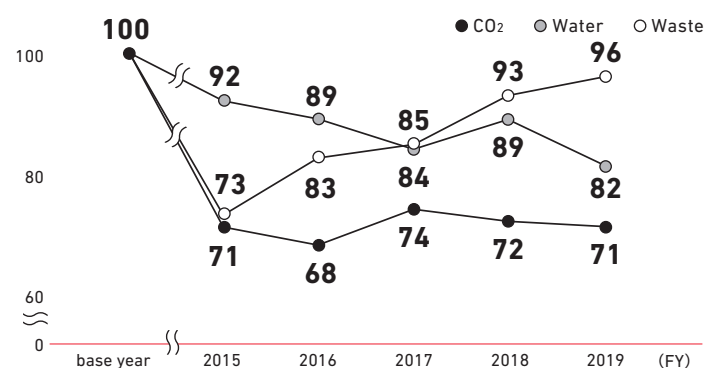
Reducing Environmental Impact at Suppliers' Sites

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 CO₂ emissions/water use/waste generation per unit of production



• CO₂: FY2001, Water/Waste: FY2009

• Scope of data: all consolidated tier 1 suppliers in Japan

Operating a Management System for CO₂ 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 CO₂ emissions at suppliers in FY2012 and commenced full-scale operation in FY2015.

Honda is using this system to share reduction targets (reduce CO₂ 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.

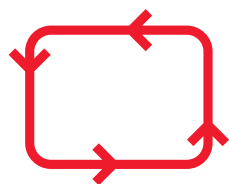
Going forward, the Company will comprehensively analyze data to assist in activities to reduce CO₂ at suppliers.

Initiatives to Reduce Environmental Impact in the Supply Chain

Honda promotes initiatives together with suppliers to reduce environmental impact, that is, reduction of CO₂ emissions and efficient use of resources in each region.

In Japan, Honda sets a specific numerical CO₂ 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.



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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.

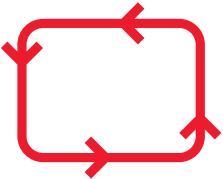
Honda began operating a procurement risk management system with suppliers in Japan in December 2014. Through the operation of this system, the Company established structures to assess damage and identify the impact on production at suppliers in a short time after the occurrence of a major disaster.

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.



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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.

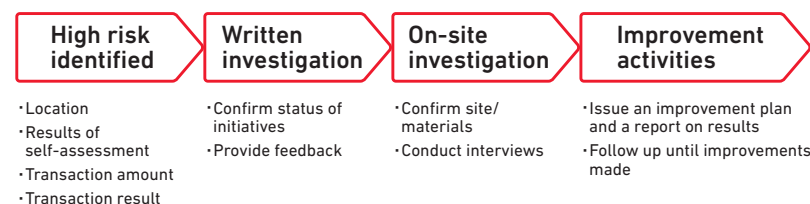
Next, in the on-site investigation, persons in charge from Honda and an auditing company visit a supplier's office to conduct interviews and prepare reports in light of the findings of the written investigation. The status of sustainability initiatives is also examined together with the supplier after 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.

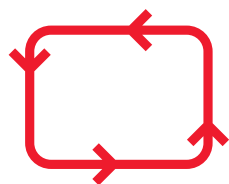
Going forward, Honda will expand application of third-party audits in cooperation with overseas purchasing sites.

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



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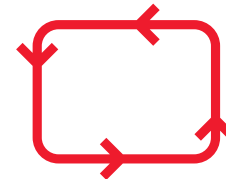
Purchasing Initiatives

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.



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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.

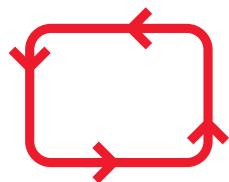
Dialogue with Suppliers

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.



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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



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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



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Honda’s Global System for Social Contribution Activities

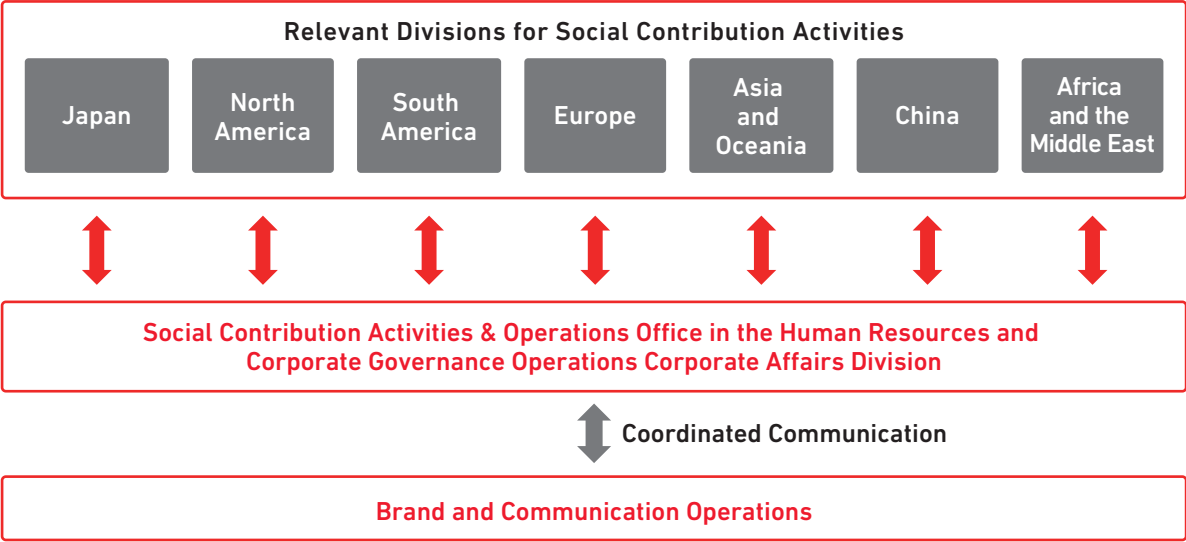
Honda’s social contribution activities are centered on four core policies: supporting our youth for the future; protecting the global environment; promoting traffic safety; and addressing local community needs. Based on these policies, the entire Honda Group engages in activities that recognize the value 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



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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



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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



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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



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Africa & 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>



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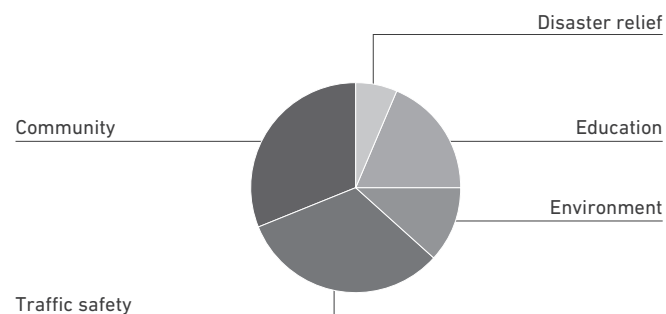
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Expenditure related to social contribution activities

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

