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Value Creation Strategy

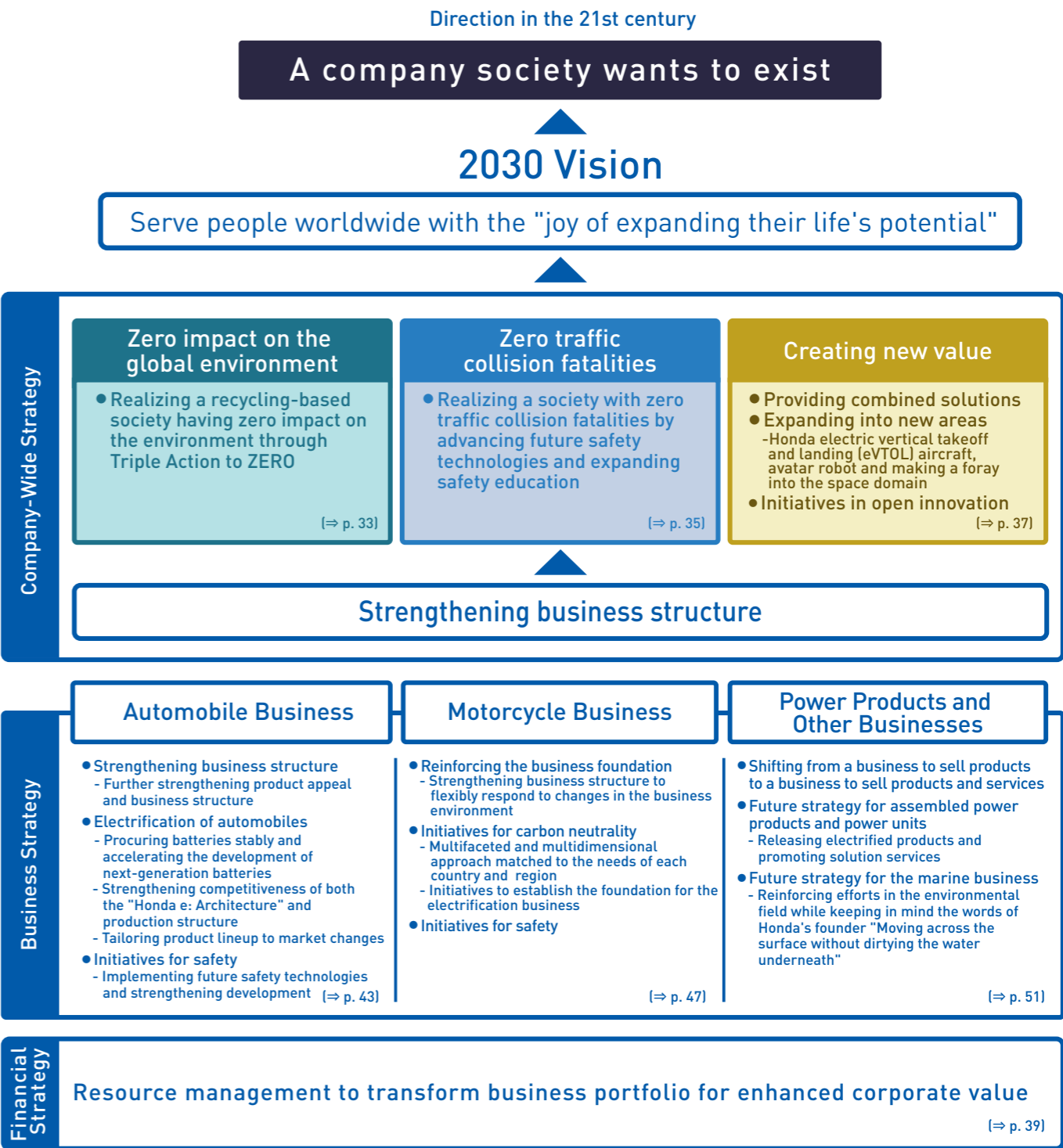
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Corporate Strategy

Toward Achieving Honda's Visions

With a Focus on the Environment and Safety and Creating New Value

To remain a company society wants to exist, Honda is undertaking corporate activities to "Serve people worldwide with the 'joy of expanding their life's potential'," as stated in its 2030 Vision. As the world's largest power unit manufacturer with annual sales of approximately 30 million units, Honda has been fully focusing on the environment and safety, and for the creation of new value, making company-wide efforts to expand its combined solutions business while taking on challenges in new areas. We will also strengthen our business structure further to generate the investment resources needed for the transformation of our business portfolio.

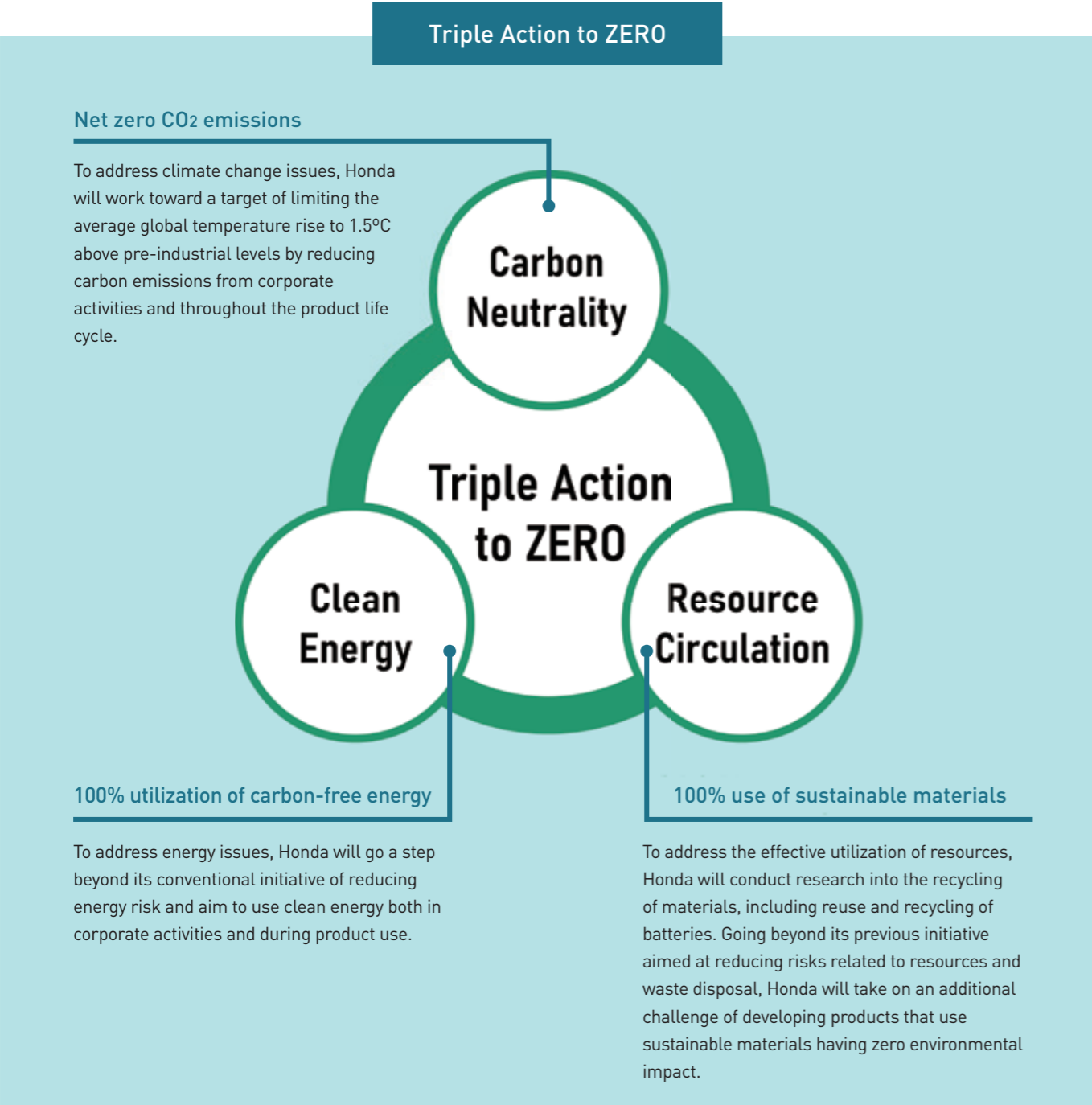


Corporate Strategy – Environment

Initiative toward Zero Impact on the Global Environment

Triple Action to ZERO

Honda will strive for zero environmental impact of not only its products but the entire product life cycle, including its corporate activities, by 2050, focusing on the three-pillars of "carbon neutrality," "clean energy" and "resource circulation" (Triple Action to ZERO). Through this initiative, Honda aims to curb the consumption of natural resources to the extent possible and realize a recycling-based society having zero impact on the environment.



Toward Achieving Triple Action to ZERO

To realize a recycling-based society with zero environmental impact, Honda aims to achieve carbon neutrality for all products and corporate activities Honda is involved in by 2050. In order to make steady progress toward that goal, Honda has defined phased targets for total CO<sub>2</sub> emissions from corporate activities and for ratios of electrified products in overall global product sales, will accelerate efforts accordingly.

Targets		2021 results	2030 targets	State envisioned for 2050
Total CO <sub>2</sub> emissions from corporate activities (compared to 2019)		-18%	-46%	Net zero CO <sub>2</sub> emissions
Sales ratio of electrified products	Motorcycles	0.01%	15%	
	Automobiles	0.37%	30%	
	Power products	0.52%	36%	

Toward Reducing CO<sub>2</sub> Emissions from Corporate Activities

As a response to climate change and energy issues, Honda will reduce total CO<sub>2</sub> emissions from corporate activities. Specific efforts that will be promoted toward the 2030 target are improving production efficiency, implementing energy-saving measures, shifting to low-carbon energy and using renewable energy. In particular, when building or renovating plants, we will aggressively introduce the latest energy-saving technologies and know-how to reduce both energy consumption and CO<sub>2</sub> emissions. Additionally, we also plan to achieve 100% use of carbon-free electricity at our production bases. Honda intends to ultimately achieve net zero CO<sub>2</sub> emissions by 2050 by proactively utilizing clean energy.

Toward Reducing CO<sub>2</sub> Emissions of Products

In the area of products, Honda will reduce CO<sub>2</sub> emissions from product use by adopting electrification and other innovative environmental technologies, diversifying energy sources and conducting total energy management. In particular, we have been accelerating product electrification while setting the 2030 target sales ratios of electrified products for respective businesses and expanding and enhancing their lineup. By doing so, Honda has been helping to resolve social issues and striving to expand business opportunities. As for achieving net zero CO<sub>2</sub> emissions, we will work to increase the ratio of electric vehicles (EVs) and fuel cell vehicles (FCVs) within overall unit sales to 100% globally by 2040. The goal is to make all new automobiles to be released in 2040 carbon-free and achieve carbon neutrality throughout the product life cycle by 2050. In addition to climate change issues, Honda believes product electrification will also be helpful in dealing with air pollution and for preserving clean air, as electrified products emit cleaner exhaust.

Efficient Utilization of Resources for Realizing a Circular Economy Society

As for efficient utilization of resources, Honda is proactively promoting 3R (reduce/reuse/recycle) activities while giving consideration to risks of resource depletion and environmental contamination caused by waste disposal.

To reduce waste generated from corporate activities, Honda has set the goal of reducing the total waste generation by 14.5% as compared to business as usual (BAU\*) in all corporate activities in FY2031. For water resources as well, Honda is giving consideration to water supply risk that affects its businesses and depletion risk that impacts local communities. Honda has thus established the target of reducing total industrial water intake by 14.5% as compared to BAU in all corporate activities in FY2031.

As for resource circulation of products, Honda has been carrying out research on reuse schemes and technologies, as well as recycled materials (biomass materials), for all parts and materials used in each product. At the same time, we have set an internal milestone for achieving 100% use of sustainable materials by 2050 and already initiated related efforts toward that goal. We will also take on the challenge of building a new recycling-based value chain by setting up an appropriate schemes transcending industrial borders.

\*Business as usual: Production volume that varies depending on the production plan

Establishing a Circular Economy Society by Utilizing Resources Even More Efficiently

Honda recognizes that in order to achieve Triple Action to ZERO, it is essential to integrate efforts to reduce CO<sub>2</sub> emissions and those to circulate resources from the viewpoint of the product life cycle. As such, we will promote life cycle assessment (LCA), which calculates total CO<sub>2</sub> emissions from all domains of corporate activities and life cycle CO<sub>2</sub> emissions spanning from the procurement of raw materials to product disposal and visualizes the effects of CO<sub>2</sub> reduction efforts, and utilize the process broadly in reducing environmental impact.

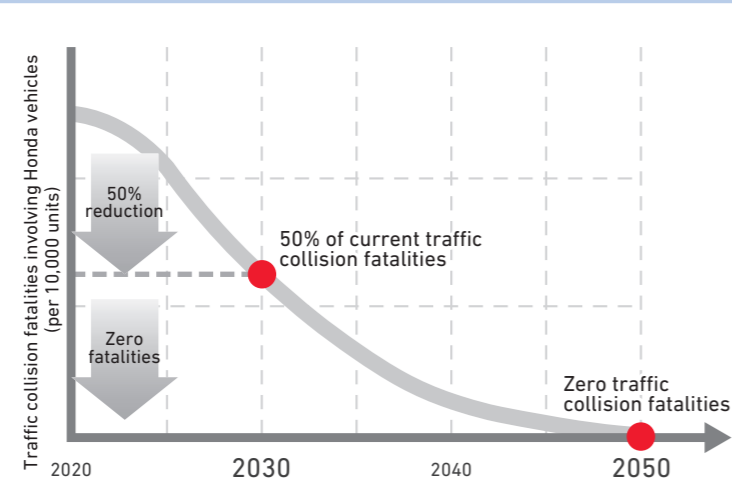
# Corporate Strategy – Safety

## Initiatives for Zero Traffic Collision Fatalities

### Reducing Traffic Collision Fatalities by Half by 2030 and to Zero by 2050

In April 2021, Honda announced that it “will strive for zero traffic collision fatalities involving Honda motorcycles and automobiles globally by 2050.” In achieving this goal, Honda has also set a milestone of reducing global traffic collision fatalities involving Honda motorcycles and automobiles by half globally by 2030. This applies not just to new models but also to Honda motorcycles and automobiles already on the market.

Scenario for Zero Traffic Collision Fatalities by 2050



#### For achieving zero traffic collision in developed countries

Honda will apply the Honda SENSING 360 omni-directional safety and driver-assistance system and technologies for pedestrian protection, enhanced collision mitigation and advanced, automatic reporting system of collisions (including those involving pedestrians), which fully cover fatal collision situations, to all automobile models to be released in developed countries by 2030.

#### For achieving zero traffic collision fatalities in emerging countries

In emerging countries, Honda will install safety technologies applicable to both motorcycles and automobiles in all models while simultaneously seeking to provide to all people opportunities to receive safe riding education. As for safety technologies for motorcycles, Honda will equip more models with its advanced braking system and headlights that provide better visibility to other road users. Moreover, we installed Honda SENSING capable of detecting motorcycles to the VEZEL released in 2021 and will progressively expand its use in subsequent models. This is one of the Safety for Everyone technologies that make the most effective use of Honda's characteristics of manufacturing both motorcycles and automobiles.

#### For achieving zero traffic collision fatalities globally by 2050

Honda will strive for achieving “zero traffic collision fatalities involving Honda motorcycles and automobiles globally by 2050” by leveraging two technologies. One is the Intelligent Driver-Assistive Technology, which is the world's first AI-based technology providing assistance that is suited to the ability and situation of each individual to reduce driving errors and risks, helping the driver achieve safe and sound driving. The other is the Safe and Sound Network Technology that connects all road users, both people and mobility products, through telecommunications, making it possible to predict potential risks and help people avoid such risks before collisions actually occur.

## Intelligent Driver-Assistive Technology Eliminating Human Errors When Driving

With the goal to unravel the underlying causes of driving errors that make the driver feel anxious, Honda has been conducting research and development of “technologies to understand people” with an original method that utilizes fMRI\*. In addition to technologies to understand human behavior and conditions, which Honda has amassed to date, the Intelligent Driver-Assistive Technology uses, for the first time in the world, advanced driver-assistance system (ADAS) sensors and cameras to recognize potential risks in the vehicle's surroundings, which enables AI to detect driving risks. At the same time, AI will determine optimal driving behavior on a real-time basis and offer assistance suited to the cognitive state and traffic situations of each

individual driver.  
With the next-generation driver-assistive functions currently under research and development, Honda will strive to offer the new value of “error-free” safety and peace of mind which are suited to the driving behavior and situation of each individual driver and keep them away from any potential risks. Moving ahead, we will continue our development efforts to further evolve the Intelligent Driver-Assistive Technology, aiming to establish relevant elemental technologies in the first half of the 2020s and put this into practical use in the second half.  
\*Functional magnetic resonance imaging (one of the methods to obtain images of brain's functioning areas based on changes in blood flow)

### Intelligent Driver-Assistive Technology (Human x AI)

Three values Honda will offer with its next-generation driver-assistive technology

No driving operation errors

– Operational assist –  
Vehicle offers AI-based assist to reduce drifting and prevent a delay in operations.

No oversight/No prediction errors

– Cognitive assist –  
Vehicle communicates risks with visual, tactile and auditory sensations.

No errors due to daydreaming and careless driving

– Attentiveness assist –  
Vehicle helps reduce driver fatigue/drowsiness.

### Next-generation driver-assistive technologies (under R&D)

AI to recognize risks

AI to understand driver's conditions

Risk indicator

3D audio

Seatbelt control

Bio feedback

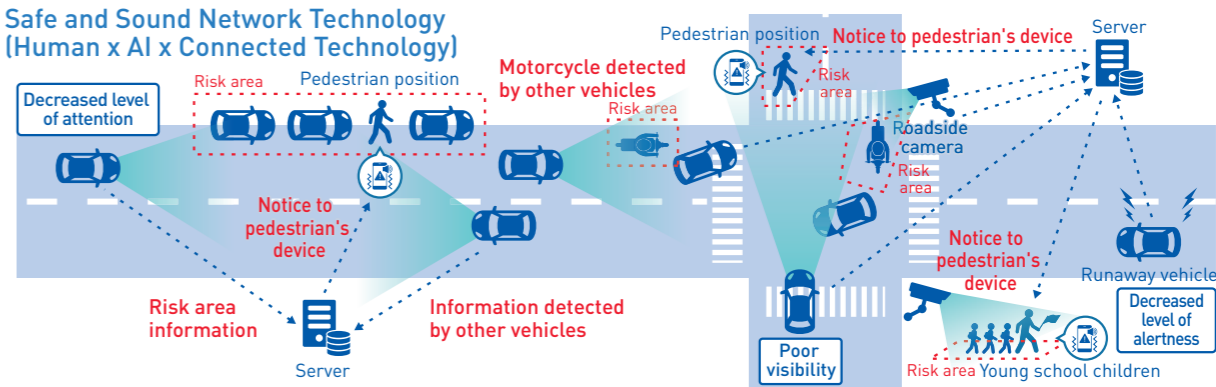
## Safe and Sound Network Technology Connecting All Road Users

As an effort to realize a collision-free traffic society for all road users, Honda is striving to create a “cooperative safety society” where utilization of telecommunication technologies will enable everyone sharing the road to be connected and coexist.

With the Safe and Sound Network Technology, potential risks in the traffic environment will be detected based on information obtained from roadside cameras, on-board cameras and mobile phones. The information will be aggregated in the server to reproduce that traffic environment in the virtual space. In that virtual space, in consideration of the conditions and characteristics of each individual road user, the system predicts and simulates the behaviors of road users at high risk of a collision. Then, the system derives the most appropriate

support information to help the road users avoid risks. Such support information will be communicated intuitively to automobile drivers, motorcycle riders and pedestrians through “cooperative risk human-machine interface (HMI),” which will make it possible for the system to encourage road users to take action to avoid a collision before it happens.

Aiming for real-world implementation of this technology after 2030, Honda will build the system and complete verification of its effectiveness in the first half of the 2020s, then accelerate industry-wide and public-private collaboration with an aim to standardize the technology in the second half of the 2020s.



# Corporate Strategy – Creating New Value

Creating New Value

## Providing Combined Solutions

Honda aims to offer greater value not only with each of its products, but also by linking various products to realize connectivity beyond product domains. Because technologies and a framework to regard electrified and other products as "terminals" and connect energy and information stored in each product with the users and society will be the key to achieving this goal, we will work on the establishment of a cross-domain connected platform and create value. In the areas of electrification

technologies, including batteries, as well as software and connected technologies, we aim to accelerate development in the future and will make efforts to enhance our development capabilities, which will include strengthening recruitment from outside Honda. Also, in these areas, Honda will proactively pursue partnerships that generate synergy between Honda and the other parties, such as inter-industry collaboration and alliances as well as investments in venture companies.

Connected platform

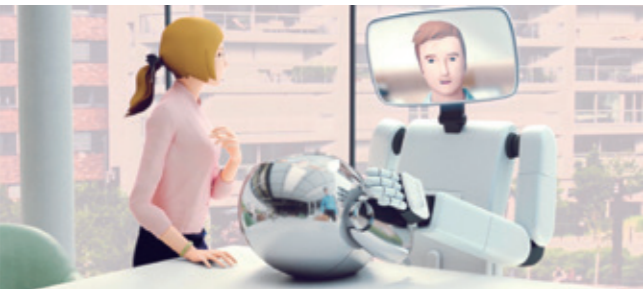


## Expanding into New Areas

Since 2020, Honda R&D Co., Ltd. has become specialized in the research of future technologies. In addition to its advanced technologies aimed at realizing a zero environmental impact society and a collision-free society, Honda R&D is making progress with research on technologies which will expand mobility into the 3rd and 4th dimensions, into the skies, the ocean, outer space and the area of robotics.

Three specific research themes, namely Honda eVTOL, Honda

Avatar Robot and taking on a challenge in the space domain, all derive technologies from Honda's existing businesses at their core. Thus, we are tackling these themes, believing they are an extension of Honda's core businesses as a mobility company. Looking ahead, we will steadily secure resources for conducting research on future and advanced technologies and strengthen our unique and original technology development.



Honda avatar robot



Honda eVTOL

## Initiatives in Open Innovation

Honda R&D Co., Ltd., a research and development subsidiary of Honda, established Honda Research Institute (HRI) in 2003. The purpose of the institute is to evolve cutting-edge intelligence research, which explores the fields of brain research and visual/aural recognition in addition to traditional mechanical engineering. With bases in Frankfurt in Germany, Silicon Valley and Columbus in the United States and Wako City in Saitama Prefecture, Japan, HRI has been working to develop and advance its research domains while establishing a global network of researchers in the areas of advanced sciences. Honda R&D Innovations, Inc., a Honda subsidiary in Silicon Valley, has been engaging in co-creation and open innovation with transformative startups. The company has been promoting

the Honda Xcelerator program since 2015 primarily in Silicon Valley but also in Israel, Europe, China, Japan and other areas. Honda Xcelerator helps startups with innovative ideas through funding, access to a collaborative workspace, test vehicles and support from Honda mentors. Besides conducting the research and development of basic technologies, including personal mobility, automated vehicles, artificial intelligence, smart materials, robotics, energy, human machine interface and production technology, the program focuses on developing businesses, collaborating and forming alliances toward the realization of a carbon neutral society and establishing a sustainable business environment encompassing resource circulation and recycling.

### IGNITION New Business Creation Program to Give Shape to Associates' Ideas and Dreams

Honda IGNITION is a new business creation program that solicits business proposals from Honda associates. The program is being conducted in cooperation with venture capital firms, and during the evaluation process, proposers undergo a stringent review and receive advice from the investor's perspective. An internal task force also provides support for making proposals more viable. After going through the process, Ashirase, Inc. and Striemo, Inc. were established in June and August 2021, respectively, as the first and second business ventures originated from IGNITION.

#### Ashirase, Inc.

Ashirase, Inc. has developed "Ashirase," an in-shoe navigation system to support the visually impaired with walking, and plans to initiate its sales during FY2023. It is a navigation system consisting of a smartphone app and a three-dimensional vibration device with a motion sensor, which is attached inside the shoe. Based on the route set with the app, the device vibrates to provide navigation. The Ashirase device enables the user to intuitively understand the route, thereby eliminating the need to be constantly mindful of the direction and allowing the user to walk more safely and with a more relaxed state of mind.



Wataru Chino  
Representative  
Director  
Ashirase, Inc.

After a family member got involved in an accident, I started working with an aspiration to realize safer and freer mobility for the visually impaired. Even though we may face a number of difficulties toward releasing Ashirase, we will overcome these difficulties one by one and make our utmost efforts to provide the freedom of mobility to the visually impaired.

#### Striemo, Inc.

Striemo, Inc. has been developing a one-person, three-wheeled electric micro-mobility product, also named "Striemo." It features a carefully designed and balanced center of gravity (adjusted by 0.1 mm) and an original balance assist mechanism, which enable stable riding with less likelihood of falling through its entire speed range, from walking slowly to riding a bicycle. Striemo is scheduled to go on sale in Japan before the end of 2022 and in Europe in 2023.



Yotaro Mori  
Co-Founder & CEO  
Striemo, Inc.

I have developed Striemo based on my challenging spirit to create a means of transportation which lets anyone go out more spontaneously just like putting on our shoes to go out. My goal is to make Striemo one of the most commonly used mobility products in people's everyday lives around the world and create a better world where people enjoy the freedom of mobility.

## Message from the CFO



### Accelerating Transformation of Our Business Portfolio through Appropriate Resource Allocation to Achieve Enhanced Corporate Value

Director, Executive Vice President and Representative Executive Officer, and Chief Financial Officer (CFO)

## Kohei Takeuchi

### Direction of Business Portfolio Transformation

## To Continue Being a Company Society Wants to Exist

As stated in its 2030 Vision, Honda has been undertaking initiatives to "Lead the advancement of mobility and enable people everywhere in the world to improve their daily lives," and by doing so, to "Serve people worldwide with the 'joy of expanding their life's potential'." More specifically, we will not only work to achieve carbon neutrality and zero traffic collision fatalities, but also take on the challenge of providing greater value by combining hardware with software and services as a step to transform ourselves into a mobility company that focuses on services and solutions. Society is undergoing a drastic change as digital technology continues to evolve. Amid such a climate, creating and delivering new value suited to customer needs is essential for Honda to continue being a company society wants to exist.

## Helping People and Society

In creating and delivering new value, we need to accelerate product electrification toward achieving carbon neutrality, and at the same time, transform our business by shifting from

non-recurring hardware (product) sales business centered on development, manufacture and sales of products to a business focusing on and connecting to customers, namely, people. This means evolving into a recurring business, in which Honda, in addition to selling hardware, continues to offer various services and value to our customers after the sale. This will also serve to drive our desire to "help people" and "expand the potential of people's lives," which we have upheld since our founding.

In 2030 onward, we will strengthen our move toward this direction and extend the scope in which we offer value from people to the entire social system. We will provide combined solutions through mobility products to contribute to the resolution of broader social issues. Simultaneously, we will work to provide new value with no time or space restrictions to customers by focusing on the three fields of Honda eVTOL, Honda Avatar Robot and making a foray into the space domain.

Even though these goals will entail significant changes in our previous sense of value and business style, Honda will proceed and make the most of its strengths cultivated to date to transform its business portfolio. By providing new value to customers, we intend to continue being a company society wants to exist.

### Financial Foundation and Resource Investments Supporting the Transformation

## Strengthening Business Structure to Support the Transformation

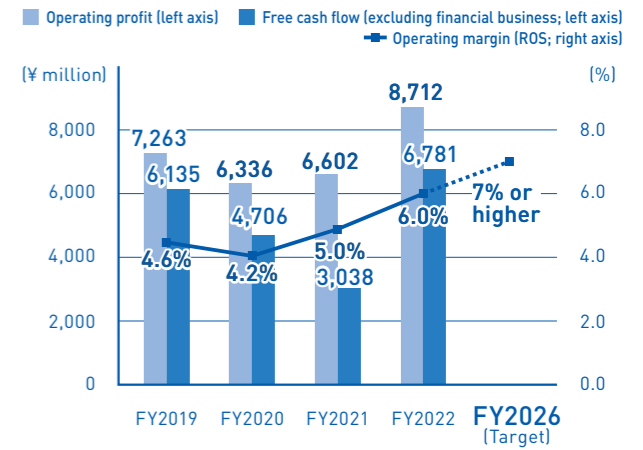
To realize the transformation of its business portfolio, Honda as a whole has worked as one team to strengthen our business structure. Particularly in the automobile business, we have adopted the Honda Architecture and endeavored to optimize our production capacity. These efforts have led to a steady improvement in the earnings structure of the automobile business.

In the latest business results in FY2022, the entire Company's return on sales (ROS), which is an indicator of profitability, increased 1.4 percentage points from 4.6% in FY2019 to 6.0%. We faced approximately a 20% decline in the Group's automobile unit sales amid the difficult business environment due to the COVID-19 pandemic and semiconductor shortage. However, as a result of strengthening our business structure and working to mainly reduce fixed costs in all businesses and regions, we have successfully acquired a better structural capability to generate profits.

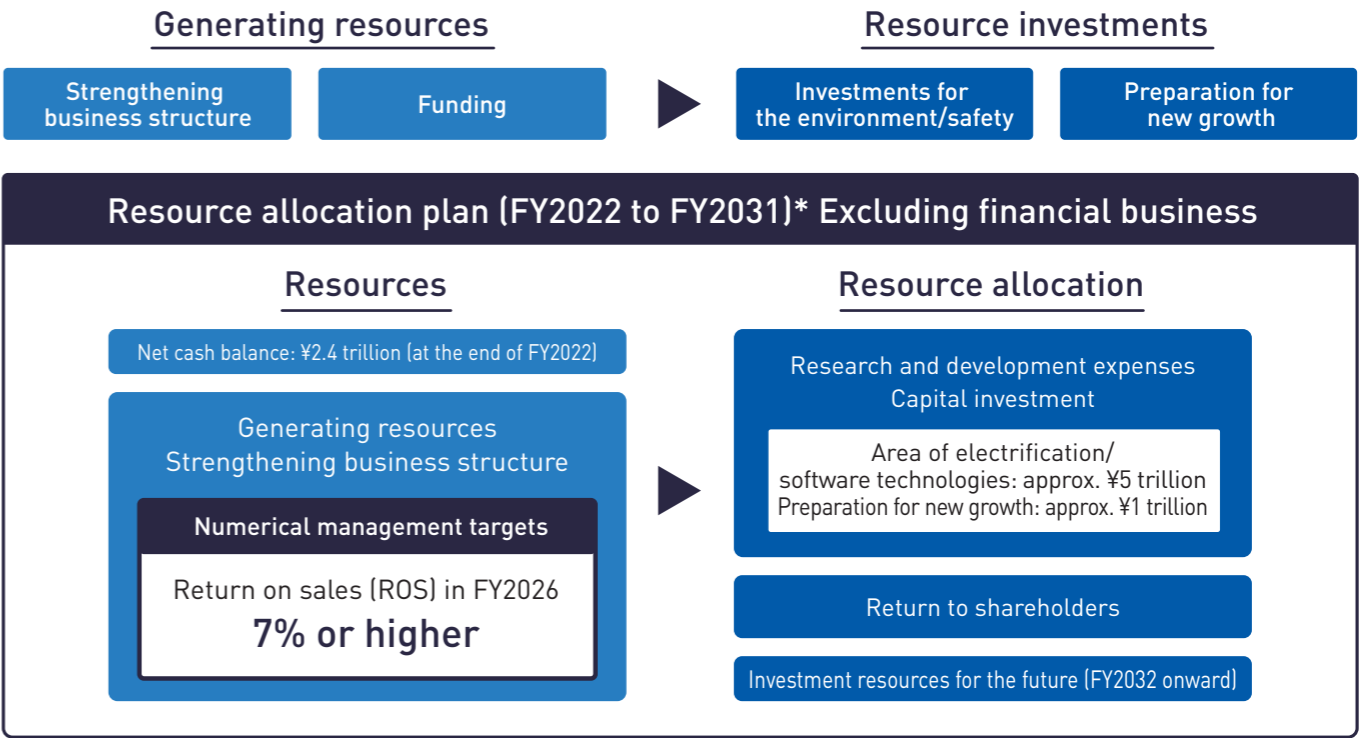
The future outlook in the business environment still remains uncertain, with the continued spread of COVID-19 infections and escalation of geopolitical risks. Nonetheless, by further reinforcing the earnings structure built to date, we expect to achieve ROS of 7.0% or higher, which has been our medium- to long-term target, in FY2026. Moreover, Honda's net cash

balance at the end of FY2022 was ¥2.4 trillion. Honda was able to maintain a healthy level of net cash balance amid the difficult business environment and is confident that we have already established a financial foundation to generate the investment resources needed for the transformation of our business portfolio.

### Business Performance



### Resource Management to Enable the Transformation of Business Portfolio



## Message from the CFO

### Resource Investments to Accelerate New Value Creation

Based on the established financial foundation, we plan to allocate roughly ¥8 trillion for research and development expenses over the next 10 years as a resource investment for the transformation. This mainly includes about ¥3.5 trillion in the area of electrification and software technologies and about ¥1 trillion for preparation for new growth. In the area of electrification and software technologies, we currently have a plan to invest about ¥1.5 trillion over the next decade for the construction of dedicated electric vehicle (EV) plants and for other purposes, and a total amount of resource investment in this area, combined with the research and development expenses, will amount to ¥5 trillion.

Moreover, we will invest in startups with high-potential advanced technologies and business models at a scale of ¥10 billion per year. At the same time, we will utilize alliances to expand the range of Honda technologies and businesses, provide attractive products and services and accelerate the development of new businesses, while carefully choosing what to proceed with independently and what to promote through collaboration

### Diverse Funding Methods Including Green Bonds

In March 2022, Honda issued Green Bonds totaling US\$2.75 billion. By allocating the proceeds from these Green Bonds to the development and production of zero-emission vehicles, such as EVs and fuel cell vehicles (FCVs), Honda will work to realize a society with zero environmental impact. We will utilize such external funding methods on an as needed basis in the future and promote our efforts toward the transformation.

In order to transform our business portfolio, it will be essential to utilize resources generated by strengthening our business structure and make Company-wide efforts to create new value. Going forward, we will strive to further strengthen our business structure, work to ensure more efficient and effective resource management and realize the transformation.

#### Initiatives for Enhancing Corporate Value

### Utilizing ROIC to Strengthen Our Management with a Focus on Capital Cost

When viewing corporate value from a financial perspective, sustained cash flow growth, which will be achieved through the transformation of our business portfolio, and higher capital efficiency are needed to enhance corporate value. In order to ensure appropriate resource management to support the business portfolio transformation, we will utilize the return on invested capital (ROIC) figures to strengthen our management with a focus on capital cost.

In each business, we will utilize optimum management indicators matched to the corresponding business structure and work to continuously generate returns exceeding the capital cost.

In our business domains other than financing, such as motorcycles, automobiles and power products, we will utilize ROIC to lead the generation of resources for the transformation from the viewpoint of financial management. We aim to maximize profit, which is the numerator of ROIC, while optimizing capital invested, which is its denominator, by thoroughly utilizing assets we own and carefully identifying necessary investments. Through these efforts, we aim to increase the capital efficiency and generate a maximum amount of resources to support our transformation.

As for the financial services business, which is basically debt financing, we will use the return on equity (ROE) to balance profitability and soundness in order to optimize capital efficiency and support the transformation.

### Distributing Profit with a Focus on Shareholder Returns

In distributing profit, we regard returning profit to shareholders as one of the most important management tasks and will make related decisions from a long-term perspective, while taking into consideration internal reserves for future growth and consolidated business results. We will work to pay dividends stably and continuously at the consolidated dividend payout ratio of about 30% and buy back our own shares as appropriate.

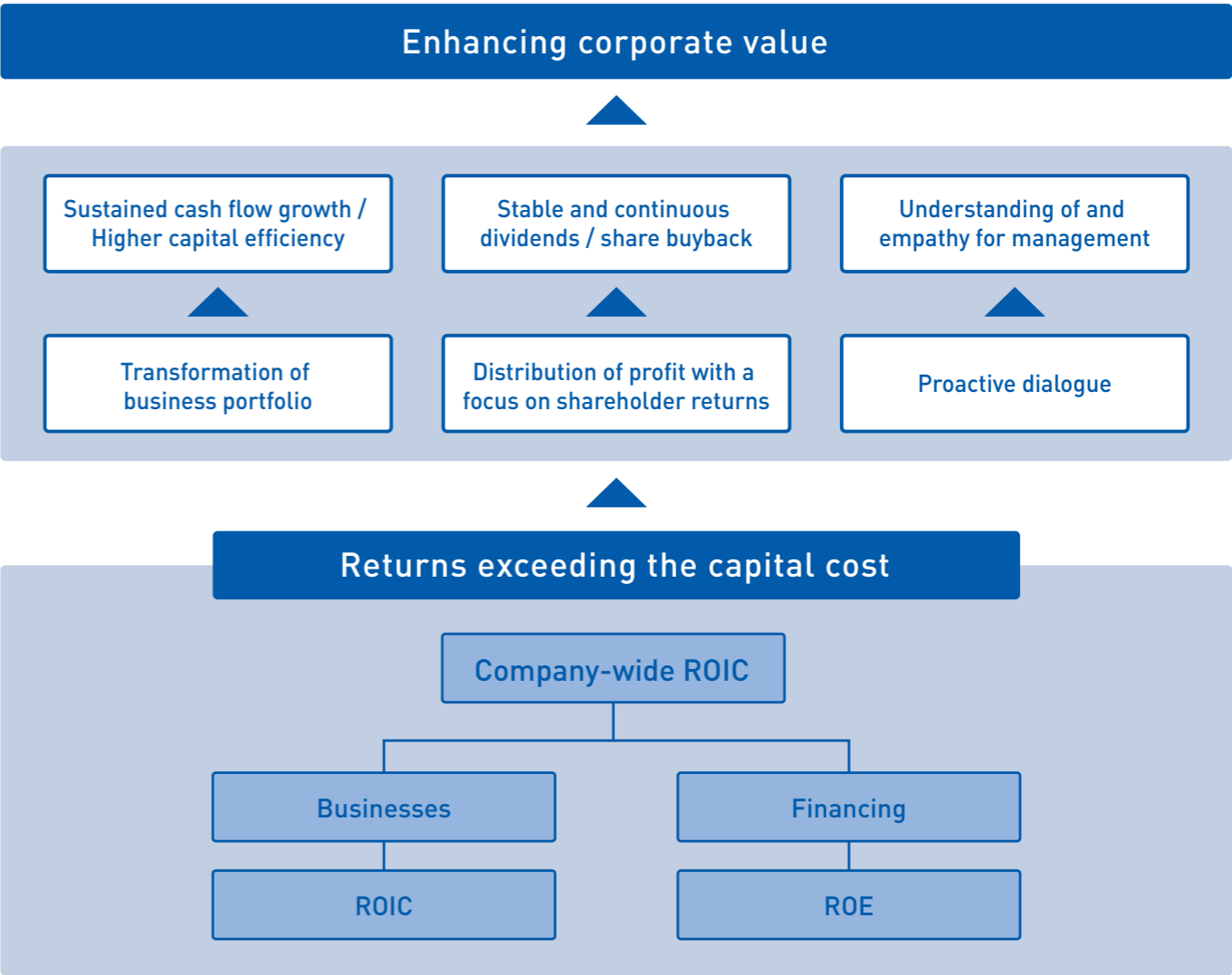
### Increasing Trust in Our Management through Proactive Dialogue

We believe that enhancing corporate value requires repeated efforts to make known Honda's appeal and potential throughout the capital markets, in addition to sustained cash flow growth and higher capital efficiency. To this end, we will proactively hold dialogues with shareholders, investors and other stakeholders. Because a correct understanding and fair assessment of the direction of our management are extremely

important in transforming our business portfolio, we will provide appropriate information after determining what the capital markets need and want to know. While doing so, we will utilize valuable feedback from stakeholders in our management and link it to enhanced corporate value.

Your continued support for our accomplishments in the future is truly appreciated.

#### Initiatives for Enhancing Corporate Value

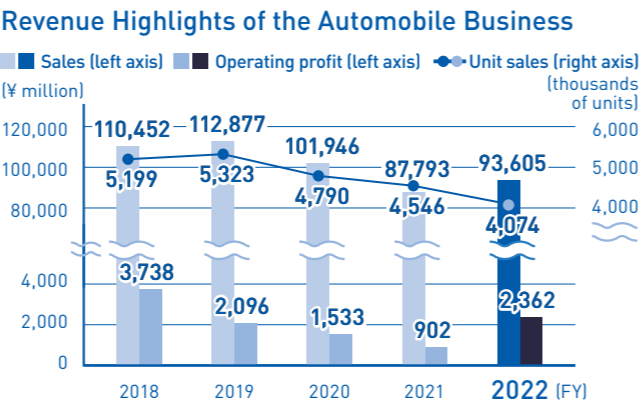


Automobile Business

Business Overview

Delivering Attractive Automobile Products and Services to the Entire World

"Let's change the landscape of the automobile industry." Honda's automobile business began under this slogan in 1963 and has currently grown to annual sales of about 5 million vehicles globally. To enrich the lives of its customers, Honda seeks to provide automobiles and services that are secure, stress-free and uniquely Honda and that support the freedom of mobility for all.



Value Honda Seeks to Provide

"Joy of Driving" and "Joy of Using," Together with Realizing Carbon Neutrality and Safety

"Joy of Driving," "Joy of Using"

Honda will continue to provide unique user experiences through the evolution of hardware and software and user communications. This approach is based on the "joy of driving," a Honda strength that brings vitality and fun to people's lives, and the "joy of using," which makes everyday life more convenient.

Leading the Realization of a Carbon-Free Society

In order to realize a carbon-free society, we aim to increase the ratio of electric vehicles (EVs) and fuel cell vehicles (FCVs) in overall unit sales in all major markets combined to 40% by 2030, 80% by 2035 and then 100% globally by 2040.

Leading the Realization of a Society with Zero Traffic Collisions

We will work to reduce traffic collision fatalities involving Honda motorcycles and automobiles globally by 50%\* by 2030. The ultimate goal is to achieve zero traffic collision fatalities involving Honda motorcycles and automobiles globally by 2050 through the early establishment of future safety technologies.

\*Achieve a 50% reduction by 2030 in traffic collision fatalities involving Honda motorcycles and automobiles per 10,000 vehicles from the 2020 level

Changes in the Business Environment and Associated Issues

Forging a Business Foundation amid an Uncertain Environment

In a digitalized society, more flexible and individually optimized lifestyles are becoming possible as various things and experiences are getting connected seamlessly. Even automobiles are required to offer integrated services and new, customized experiences in addition to their universal value, namely, the freedom of mobility with a sense of security. We will steadily reinforce the area of software and connected technologies to provide new value that responds to such a society.

With increasingly tighter environmental regulations being adopted across the world, an expansion of the EV business in the automobile industry is expected to intensify competition for rare metals and other resources among automakers or countries/regions. Under such an uncertain environment, we will take more concerted efforts to strengthen our business structure in order to unfailingly promote electrification and initiatives for safety.

Direction of Business Growth

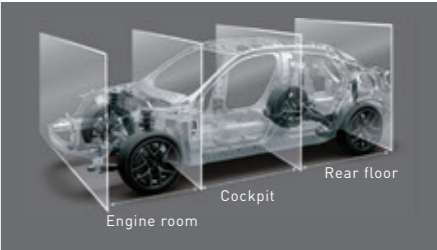
Strengthening Business Structure

Further Strengthening Product Appeal and Business Structure

As a result of Honda's ongoing effort of reforming its *monozukuri* (the art of manufacturing), the new VEZEL and Civic released in 2021 have gained high recognition in the market. Honda will further evolve its strengths, such as packaging technologies to realize an open space and visibility as well as weight reduction technologies, and continue to enhance product appeal in order to bring joy to customers.

Additionally, Honda has adopted the Honda Architecture, which is designed to integrate platform layouts and share parts, on a full scale starting with the new Civic. By upgrading the architecture further and adopting it broadly in more models, we intend to develop and manufacture quality products in a more efficient manner.

Moreover, strengthening the business structure is important not just to increase profit but also to encourage investment in the electrification and new growth areas. By 2025, we will reduce the total number of variations at the trim and option level for our global models to one-third of what we had in 2018 to consolidate them into even more competitive models. Also by 2025, we will curtail production costs by 10% versus 2018 and reduce the number of research and development manhours by 30%. We will repurpose those manhours to develop future, next-generation technologies.



Three modules of the Honda Architecture.

Electrification of Automobiles

Procuring Batteries Stably and Accelerating the Development of Next-Generation Batteries

The key challenge in the era of electrification is the global procurement of batteries. Honda will procure batteries from external partners from now to the second half of the 2020s and aims to accelerate independent research and development from the late 2020s to establish production technology in-house.

From Now to the Second Half of the 2020s: Procurement through External Partnerships

For liquid lithium-ion batteries needed for the time being, Honda aims to secure a stable procurement volume by strengthening external partnerships. In order to maintain its competitiveness from the perspective of the product life cycle as well, Honda has set respective procurement policies for each of the major markets, based on its commitment to "build EV batteries close to the vehicle production site."

Liquid Lithium-ion Battery Procurement Policy by Region

Region	Procurement policy
North America	<ul style="list-style-type: none"><li>Plan to procure Ultium batteries from General Motors Company (GM)</li><li>Establish a joint venture company for EV battery production with LG Energy Solution Ltd.</li></ul>
China	<ul style="list-style-type: none"><li>Further strengthen collaboration with Contemporary Amperex Technology Co., Ltd. (CATL)</li></ul>
Japan	<ul style="list-style-type: none"><li>Agreed to procure batteries for mini-EVs from Envision AESC Japan Ltd.</li></ul>

Second Half of the 2020s Onward: Accelerating Independent Development of Next-Generation Batteries

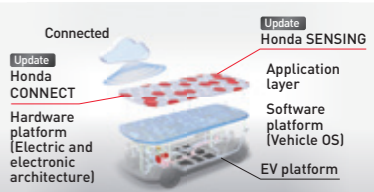
Honda will accelerate its independent research and development of all-solid-state batteries in and after the second half of the 2020s. We have been conducting technology and production verification at our lab to determine the batteries' target performance. Additionally, to ensure performance at the mass production level and verify superiority in terms of cost and safety, we have decided to build a demonstration line in Sakura City, Tochigi Prefecture, which will enable product design encompassing production processes. The plan is to invest approximately ¥43 billion and make it operational in spring 2024. We are accelerating research with a goal to adopt these batteries to models to be introduced to the market in the second half of the 2020s. Nonetheless, mass production of these batteries is a challenge even for Honda. We will make proactive efforts to strengthen the required structure in the future, including securing more human resources with specialized knowledge.

Strengthening Competitiveness of Both the "Honda e: Architecture" and Production Structure

"Honda e: Architecture" Platform for EVs

In 2026, Honda will begin adopting the Honda e: Architecture, a new EV platform that combines hardware and software platforms of EVs. More specifically, it combines an EV's hardware platform, including batteries, with a next-generation electronic platform serving as a foundation for over-the-air (OTA) technology

necessary for updating vehicles' functions later. By blending hardware and software, we will be able to stay connected with our customers after product sales and provide various services and values. We intend to offer added value only we can provide to its customers by applying the platform beyond automobiles to other types of mobility products in the future.



## Automobile Business

### EV Production Structure

GAC Honda Automobile Co., Ltd. (GAC Honda), an automobile production and sales joint venture in China, has begun construction of its new EV plant, taking a forward step in establishing a suitable EV production system and capability in preparation for an increase in the number of EV models in its product lineup. The new EV plant, with a planned annual production capacity of 120,000 units, will become a symbolic production operation that supports a broad EV lineup that GAC Honda will roll out in the coming years. It also will serve as a core operation of Honda EV production in China, together with the new EV plant which will be built by Dongfeng Honda Automobile Co., Ltd. and is planned to begin operation in 2024.



GAC Honda's new EV plant

### Tailoring Product Lineup to Market Changes

#### From the Present to the Second Half of the 2020s (Stage of Increasing the Use of EVs)

During the stage of increasing the use of EVs, from the present to the second half of the 2020s, Honda will release products matched to the respective characteristics of major markets such as North America, China and Japan.

#### EV Release Roadmap by Region

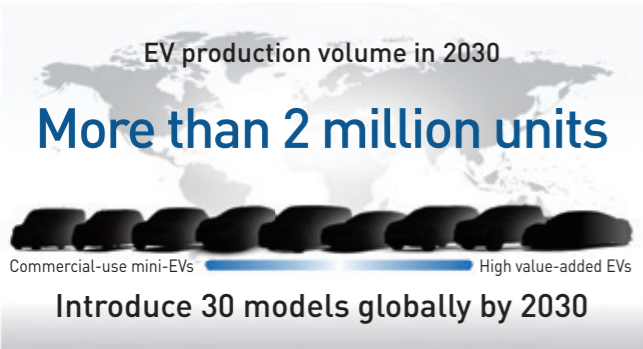
Region	EVs to be released
North America	<ul style="list-style-type: none"><li>Introduce two mid- to large-size EV models currently being developed with GM in 2024 (all-new Honda brand Prologue EV SUV and an EV SUV model for the Acura)</li></ul>
China	<ul style="list-style-type: none"><li>Leverage the characteristics of the country's advanced EV market and make a swift response via independent, local development</li><li>Introduce a total of 10 new Honda-brand EV models by 2027</li></ul>
Japan	<ul style="list-style-type: none"><li>Introduce a commercial-use mini-EV model at the ¥1 million price range in early 2024 and subsequently plan to make the timely introduction of personal-use mini-EVs and EV SUVs</li></ul>

#### Second Half of the 2020s Onward (Stage of More Widespread Popularity of EVs)

From the second half of the 2020s onward, during which EVs are expected to enter a stage of more widespread popularity, we will evolve our strategy from introducing the "best EVs matched to each region" to releasing the "best EVs from a global perspective."

#### Global Automobile Lineup

By 2030, Honda is planning to launch 30 EV models globally, with a full lineup from commercial-use mini-EVs to flagship-class models, and achieve annual production volume of more than 2 million units.



#### Sports Models to Deliver Fun

While taking on challenges toward carbon neutrality and electrification, Honda always wishes to offer FUN for our customers. We are considering the global launch of two sports models, a specialty and a flagship model, which will embody Honda's abiding sports mindset and distinctive characteristics. These models will also inherit the "joy of driving" even in the era of electrification, a trait that is expected of Honda and on which Honda has continued to focus. We will set and work toward ambitious targets in our efforts to tackle the challenge of achieving carbon neutrality and another challenge related to sports models.



Two sports models, specialty and flagship

#### Alliance with GM

Through an alliance with GM, Honda is planning to introduce affordable EVs with a cost and driving range that will be as competitive as gasoline-powered vehicles in 2027, starting with North America. Under the joint development, Honda will work to expand the foundation for the widespread use of EVs globally, including extending its efforts to joint procurement.

#### Establishment of an EV Joint Venture Company with Sony

In June 2022, Honda concluded a joint venture agreement with Sony Group Corporation to establish a new company, Sony Honda Mobility Inc. We position the establishment of the new company as an attempt to extend the concept of mobility, pursuing new value of mobility which cannot be achieved by a mobility manufacturer alone. Aiming for 2025, we will release a software-defined, high value-added model that integrates the strengths of the two companies. The model will be a joint project with Sony and clearly differ from Honda's usual automobile lineup. Nonetheless, we hope to adopt new value generated from the project, including advanced software programs and new forms of entertainment, in developing future Honda products.

## Initiatives for Safety

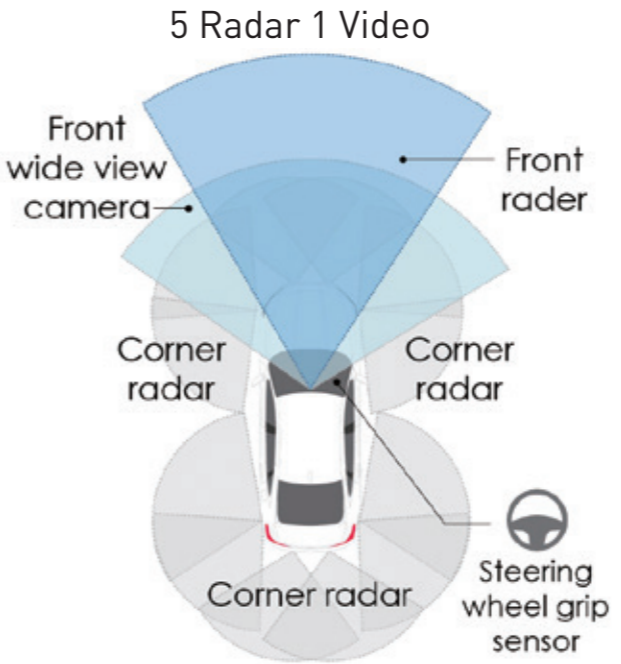
### Implementing Future Safety Technologies and Strengthening Development

Under its slogan "Safety for Everyone," Honda has been undertaking research and development of safety technologies both in terms of hardware and software with the aim of realizing a collision-free society for all road users. To realize such a society, we will add our Honda SENSING 360 omni-directional safety and driver-assistance system to all automobile models sold in developed countries by 2030. While doing so, we will work to cover collision patterns by progressively increasing models equipped with a function to detect motorcycles and utilizing our expertise and know-how cultivated in the research and development of the Level 3 automated driving system in further updating the Intelligent Driver-Assistive Technology used in advanced driver-assistance systems (ADAS).

#### Honda SENSING 360 Omni-Directional Safety and Driver-Assistance System

Honda SENSING 360 realized 360-degree sensing by adding a total of five units of millimeter-wave radar in front and at each corner of the vehicle, in addition to the monocular camera that is used by the current Honda SENSING. This expanded sensing range covers blind spots around the vehicle, which are difficult for the driver to visually check, and contributes to the avoidance of collisions with other vehicles and pedestrians as well as a reduction of the driver burden.

#### Honda SENSING 360



#### Honda SENSING Capable of Detecting Motorcycles

As an automobile technology to protect motorcycles, we have been progressively installing Honda SENSING capable of detecting motorcycles to various models, starting with the Vezel released in 2021. Additionally, the new Civic has received a Five Star rating from ASEAN NCAP, a third-party safety evaluation program in the ASEAN region, under its newly launched protocols that include evaluation of motorcycle protection technologies. The Civic became the first vehicle to receive the rating among vehicles equipped with an ADAS capable of detecting motorcycles. Going ahead, we intend to lead society in terms of expanded and widespread application of our Safety for Everyone technologies that make the most effective use of Honda's characteristics of manufacturing both motorcycles and automobiles.



Honda SENSING capable of detecting motorcycles

#### Conducting Connected Car Verification Test Jointly with SoftBank

SoftBank Corp. and Honda R&D Co., Ltd., a research and development subsidiary of Honda, have conducted a use case based verification of technologies to reduce collisions between pedestrians and vehicles using a 5G standalone mobile communication system (5G SA) and a cellular V2X communication system. The verification has been conducted in an effort to realize a society where both pedestrians and vehicles can enjoy mobility safely and with total peace of mind. In the future, we will utilize network technologies involving a connection between pedestrians and vehicles and continue our efforts toward the realization of a society that ensures safe and secure mobility.



Identifying a pedestrian showing hazardous behavior using an on-board camera (image)



Human-machine interface (HMI) on pedestrian's device

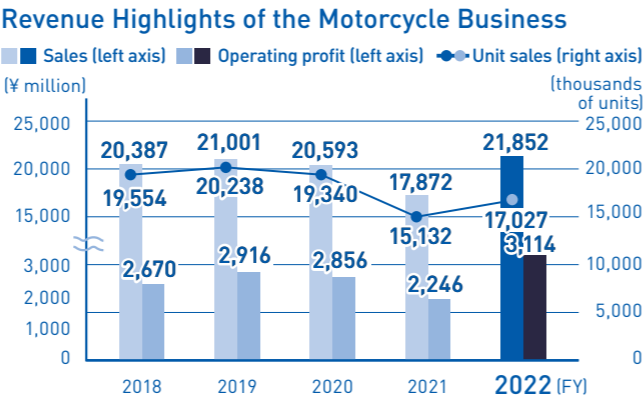
Motorcycle Business



Business Overview

Origin of Honda's *Monozukuri* and Business

Motorcycles represent the origin of both Honda's *monozukuri* (the art of manufacturing) and business. We have put into practice *monozukuri* rooted in each country and region, and our motorcycle business has grown to manufacture more than 20 million units globally each year, with over 30,000 dealers across the world. Our platform designs and global supplementary supply system, both capitalizing on the world's largest production capacity, have resulted in appealing products with superior cost competitiveness. All of our management resources have contributed to our strong earnings structure, and we have delivered a cumulative total of more than 400 million motorcycles to customers. Going ahead, we will open up new possibilities in the motorcycle market and lead the world as a top-notch company while continuing to meet the expectations of customers worldwide.



Value Honda Seeks to Provide

Leading Environmental and Safety Efforts for Additional Convenience and Greater Freedom

Motorcycles are an essential means of mobility supporting people's lives in emerging countries, including countries in Asia. They are integral to social infrastructure, and we believe it is important that we offer our motorcycles at affordable prices. In the motorcycle business, we will undertake business

activities with the goal of bringing more joy to customers while aiming to deliver additional convenience and greater freedom to people worldwide as we take on the challenge of realizing a safe and secure mobility society and offering next-generation minimum mobility products toward 2030.

Changes in the Business Environment and Associated Issues

Shifting to a Business Geared to a New Era

With more stringent environmental regulations being enforced across the world, emerging countries, including India, Thailand and Indonesia, have followed the move in developed countries and announced their respective governmental targets of electrification, and accordingly, are beginning to show signs of change. Amid such an environment, electrified vehicles have been gaining popularity in some parts of India, the world's largest motorcycle market, on the back of the growing environmental consciousness and surging gasoline prices. In other emerging countries, however, a shift to electrified vehicles still involves uncertainty as the demand for such motorcycles is contingent on government incentives. There are some practical issues as well, because charging infrastructure is vulnerable in many regions. Facing such changes in the business environment and varying

local characteristics, we need to take a multifaceted and multidimensional approach toward achieving carbon neutrality in the area of motorcycles. Regarding safety, the most recent international trend is to give responsibility of a collision not just to the road users but to all stakeholders involved in the traffic system. It represents a paradigm shift to a Safe System approach under the Safe System concept advocated by the United Nations (UN) and the World Health Organization (WHO). As for our 2030 target of reducing traffic collision fatalities by 50%, we will increase the application of safety technologies to motorcycles themselves, while at the same time connecting more motorcycles to social infrastructure and further reinforcing our activities to spread safe riding practices.

Direction of Business Growth

Strengthening Business Structure

Strengthening Business Structure to Flexibly Respond to Changes in the Business Environment

In working to achieve these environmental and safety goals, we first need to strengthen our business structure without fail because this will provide a foothold for our efforts. To this end, we need to respond to changes in the business environment quickly and flexibly and reinforce its structure to withstand uncertainties over the future. Specifically, we will work to augment our earnings structure over the medium to long term.

Efforts over the Medium Term

Over the medium term, we will make the following efforts to mitigate impacts on revenue of world affairs and changes in the business environment.

- Respond to supply risk of parts
- Respond to impacts of material price fluctuations
- Undertake cost reduction efforts globally
- Reinforce investment management

Through these efforts, we will work to maintain the current high profitability in the area of motorcycles toward our medium-term target of 7% or higher Company-wide ROS.

Efforts over the Long Term

Over the long term, we will mainly promote the following efforts in order to create a structure more immune to changes.

- Standardize specifications and parts beyond categories, displacements and motorcycle classes
- Implement an appropriate platform to increase business efficiency in engineering operations and the supply chain

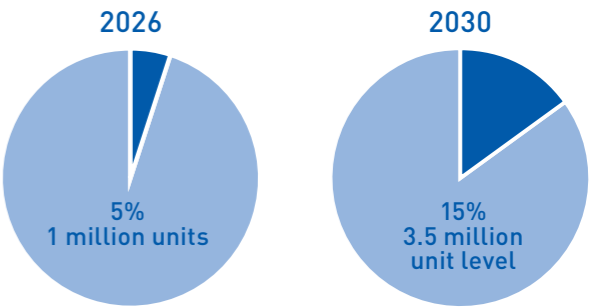
Through these efforts, we will enable more compact operations throughout the value chain of the internal combustion engine (ICE) domain and shift resources to the areas of electrification and safety.

Initiatives for Carbon Neutrality

To achieve carbon neutrality by 2050, we have defined phased targets for the ratio of electrified products in global unit sales also in the field of motorcycles and will accelerate initiatives accordingly. Specifically, Honda aims for unit sales of 1 million electrified products within the next five years and 3.5 million by 2030, which accounts for 15% of all unit sales. Ultimately, we will strive to make 100% of our products carbon free by 2040 through the advancement of ICEs and electrification. On the other hand, emerging countries constitute the primary market for motorcycles, and we need to give consideration to the complex mix of social needs of each country and region, such as energy demand, employment and convenience of life. As such, it is necessary to strike a fine balance between the convenience of motorcycles and carbon neutrality. In addition to the development of electrified vehicles, we will take a multifaceted and multidimensional approach toward carbon neutrality, such as

applying technology for significantly improving the fuel efficiency of ICE vehicles and technology for using carbon-neutral fuel.

Sales Ratio of Electrified Vehicles



Multifaceted and Multidimensional Approach Matched to the Needs of Each Country and Region

Initiatives in the ICE Domain

For ICE vehicles, we have been developing technologies to improve the fuel efficiency of the engine alone, including technologies to improve thermal efficiency and reduce friction, as well as technologies to achieve even higher fuel efficiency for the entire vehicle. We will adopt these technologies progressively starting in 2025. We will work to develop a technology to use carbon-neutral fuels, which are gasoline mixed with ethanol and other substances, while taking into consideration the local

characteristics of each region. Specifically, in addition to Brazil, where a flexible-fuel (E100)\* compatible model is already available, we will first release an E20 compatible model in India, one of the primary markets for motorcycles, in or after 2023 and subsequently an E100 compatible model in 2025.

\*Gasoline fuel mixed with ethanol. There are various mixture ratios from 100% gasoline to 100% ethanol, with E100 being 100% ethanol and E20 being 20% ethanol.

## Motorcycle Business

### Initiatives to Establish the Foundation for the Electrification Business

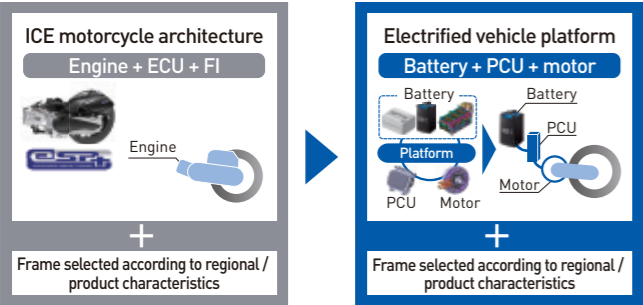
#### Our Policy for Promoting the Electrification Business

Working with the Business Development Operations established in April 2022, we will transform ourselves from a non-recurring hardware (product) sales business to a recurring business that provides various services and value to customers.

As one initiative, based on a policy to contribute to the provision of the freedom of mobility and expanded use of renewable energy by connecting electrified mobility products and energy services, we will enhance the range of electrified products through the electrification of our motorcycles and automobiles and with our Mobile Power Pack swappable batteries, and at the same time, expand the utilization of renewable energy by enabling infrastructure-linked smart power operations.

In addition, based on the competitive manufacturing know-how cultivated through the development of ICE vehicle platforms, we will develop and utilize a platform for electric motorcycles that combines the three main components of electrified vehicles (battery, power control unit (PCU) and motor). Honda intends to deliver electrified vehicles that ensure the joy of mobility at an affordable price by meeting customer needs with highly efficient manufacturing.

As for batteries, which are a key component of electrified vehicles, we will proactively utilize our own resources and aim to equip our motorcycles with all-solid-state batteries, which are currently under development.



#### Product Offerings for the Expansion of Electrified Vehicles

(1) Commuter EVs

The demand for electric motorcycles for business use has increased in recent years in step with growing environmental consciousness among companies. Accordingly, Honda has released the Honda e: business-use motorcycle series, which has been adopted by Japan Post and Vietnam Post<sup>\*3</sup>. In addition, we have conducted joint feasibility tests with Thailand Post<sup>\*4</sup> and initiated local production and sales of the Benly e: series of electric motorized scooters in Thailand in September 2022, thereby accelerating the overseas marketing of business-use electrified vehicles. These models are highly desirable for business use such as small cargo delivery and are equipped with Honda’s Mobile Power Pack, which helps resolve the issues of cruising distance and charging time to promote widespread use. Going forward, Honda will add and expand products for not only business use but also personal use. We will also consider options other than swappable batteries in view of the market environment, applications and technological advancement in the future.

#### Initiatives for Promoting More Widespread Use of Battery Services

The enhancement of the charging infrastructure is key to the widespread acceptance of electric motorcycles. As part of the development of the charging infrastructure, we have established a joint venture company in Indonesia to made battery sharing a more widespread practice that utilizes Honda’s Mobile Power Packs and vehicles equipped with them. A small-scale battery-sharing service is currently available in Bali. In India, a battery-sharing service for rickshaws is slated to begin in 2022. We are also planning similar initiatives in other Asian countries. In Japan, ENEOS Holdings, Inc. and four motorcycle manufacturers (Honda, Kawasaki Motors, Ltd., Suzuki Motor Corporation and Yamaha Motor Co., Ltd.) established Gachaco, Inc. in April 2022 and plan to launch a battery-sharing service for motorcycles in fall 2022.

In addition, we are proactively participating in standardization initiatives on a global scale to popularize safe and convenient replaceable batteries. Specifically, four Japanese motorcycle manufacturers agreed on common specifications based on JASO TP21003<sup>\*1</sup> whereas Honda participates in a battery consortium in Europe<sup>\*2</sup> and works with partner companies to standardize swappable batteries.

<sup>\*1</sup> Guideline for swappable batteries of electric two wheel vehicles, a JASO Technical Paper 21003 issued by the Society of Automotive Engineers of Japan, Inc.

<sup>\*2</sup> Swappable Batteries Motorcycle Consortium (SBMC) established to promote the widespread use of electric motorcycles and small electrified mobility products



#### Initiatives by Electrified Vehicle Category

Region	Initiatives
Commuter EVs	<ul style="list-style-type: none"><li>Two personal-use smart EVs adopting connected and BaaS technologies scheduled to become commercially available in Asia, Europe and Japan in 2024 and 2025</li></ul>
Commuter EMs / EBs	<ul style="list-style-type: none"><li>Plan to release more compact, reasonably priced electrified vehicles in China, Asia, Europe and Japan, which will be adapted to the respective market characteristics and respond to the need to use such motorcycles more affordably</li><li>A total of five EM/EB models to be released by 2024</li></ul>
FUN EVs	<ul style="list-style-type: none"><li>Develop a platform for large FUN EV models</li><li>Plan for commercial release of three models in Japan, the United States and Europe between 2024 and 2025</li><li>Plan for commercial release of one small electrified vehicle model for children by 2025</li></ul>

(2) Commuter EMs<sup>\*5</sup>/EBs<sup>\*6</sup>

EMs/EBs currently account for more than 90% of the global electric motorcycle market (approximately 50 million units). In China, which is the world’s largest market, they have become a popular and convenient means of transportation in daily life. Honda has been providing products by utilizing its local supplier infrastructure and manufacturing system.

(3) FUN EVs

Honda will proactively promote electrification not only in the commuter field but also in the FUN field.

Through these initiatives, we plan to launch a total of more than 10 new commuter and FUN electrified vehicles by 2025.

<sup>\*3</sup> Vietnam Post Corporation

<sup>\*4</sup> Thailand Post Company Limited

<sup>\*5</sup> Electric moped with a maximum speed ranging from 25 km/h to 50 km/h

<sup>\*6</sup> Electric bicycle with a maximum speed of 25 km/h or slower; excluding battery-assisted bicycles

## Initiatives for Safety

We will strive for “zero traffic collision fatalities involving Honda motorcycles and automobiles globally by 2050.” Technology research is obviously a way to achieve this goal. However, particularly in emerging countries, traffic safety education activities, developing required infrastructure and engaging the local governments can also serve to prevent many accidents. Honda will also make focused efforts in these areas. We will lead the realization of a collision-free mobile society both in terms of “hardware” and “software” by leveraging our capabilities cultivated to date.

#### Direction toward Motorcycle Safety

Based on the comprehensive Safe System approach advocated by the UN and WHO, we will promote initiatives in accordance with the traffic environment in each region while engaging various stakeholders.

As one such initiative, we will continue to reduce costs and extend the scope of application to deliver to more customers a sense of security through our existing technologies. These technologies include advanced brake systems, such as the Antilock Brake System (ABS) and Combined Brake System (CBS), and LED headlights that make riders more visible from other road users.

We strive for the ultimate goal of achieving zero traffic collision fatalities involving motorcycles, riders of which are deemed a vulnerable road user (VRU). However, it has its limits if Honda works alone and focuses only on technologies concerning motorcycles. This is why we will encourage collaboration with the automobile and other mobility industries as well as with government agencies to realize a society where motorcycles are connected to more road users and social infrastructure for greater safety. At the end of 2020, the Connected Motorcycle Consortium (CMC), which was established jointly by Honda, Yamaha Motor Co., Ltd. and BMW Motorrad, developed and publicized the CMC Basic Specification for Cooperative-Intelligent Transportation System (C-ITS) for powered two-wheelers.

#### Initiatives in the Area of Software Technologies

As an initiative to reinforce software development, we will work with Drivemode, Inc.<sup>\*7</sup>, a wholly owned Honda subsidiary since 2019, to reinforce new value creation in the area of connected technologies. Cutting-edge connected services will be progressively released starting from a commuter EV scheduled to be released in 2024. What we will provide is a user experience that sustainably enriches the quality of traveling time through connected technologies, for example, by proposing optimal routes considering EV travel distance, showing charging spots, providing coaching on riding safety and supporting after-sales services.

Looking ahead, Honda will work toward the establishment of a connected platform where greater value will be generated not only by connecting its motorcycles, but by linking a wide range of Honda products and realizing connectivity beyond their product domains.

<sup>\*7</sup> Software development company to transform mobility user experience aimed at building smarter, safer, connected driving technology for everyone on the road

#### Riding Safety Promotion Activities

Since its founding, Honda has proactively promoted riding safety promotion activities for motorcycles. We undertake a broad range of activities matched to the local conditions in various countries in the world, including Japan, through our dealers and Honda Traffic Education Centers.

In emerging countries facing a continued rise in traffic fatalities, it is essential to expand riding safety training and other educational activities along with applying safety technologies. Even though we already have more than 7,000 motorcycle instructors in Asia and Oceania, we will continue to work with dealers, who serve as a customer contact point, to nurture more instructors and spread safe riding practices jointly with users, local communities and society. With a traffic system and environment varying from country to country, we will also extend our efforts to improve not just riding skills but also hazard prediction ability and safety awareness to both automobile and motorcycle users. In the future, we will extend the scope of our education to both automobile drivers and motorcycle riders so that we could provide better protection to motorcycle riders who are a VRU in a mixed traffic environment.



Power Products Business



Business Overview

Providing Products That Deliver Convenience to Daily Lives by Utilizing the "Power" of Engines

Honda's power products business originated from developing, manufacturing and selling general-purpose engines that can be mounted as a power source on various types of commercial-grade work equipment as well as assembled work equipment fitted with these engines. Currently, we have extended our business domain from general-purpose engines to electrified products, portable batteries and other products, thereby expanding the potential of the power products business to provide new value to mobility and people's daily lives.

Value Honda Seeks to Provide

Supporting People's Daily Lives through Technologies and Continuously Providing Enrichment and Joy

役立つ喜び、もっと広げたい。  
Helping People Get Things Done

Since our founding in 1948, Honda has developed products, provided services and engaged in various activities with an aspiration to "make people's lives easier and more enriching if by only slightly" and "help their lives through technologies." Seeing farmers spending much of their precious life on heavy labor, founder Soichiro Honda wondered if Honda's engine technologies could reduce their workload and liberate Japan from poverty. His passion led to the launch of Honda's power products business in 1953. Since then,

we have continued to provide products closely related to people's lives, including generators, tillers and snow throwers, which embrace our feeling of compassion that how these products, if developed successfully, would make lives much easier for people. The aspiration has connected Honda with people across the world, and we have continuously been tackling social issues while always feeling the joy of helping people.

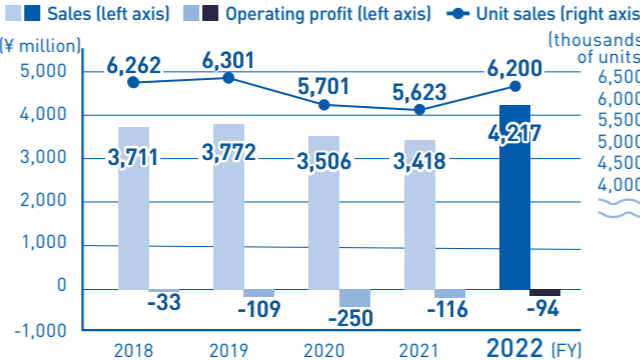
Changes in the Business Environment and Associated Issues

Making Work Equipment Safer and More User-Friendly

A decline in the working population and an increase in older workers require work equipment to become safer and more user-friendly. In order to compensate for a decline in experts and skilled workers, equipment needs to be easy to operate for older or novice workers and effortlessly ensure professional results. As an effort to simultaneously evolve equipment and advance sensor and AI technologies, Honda will gather the know-how of experts and skilled workers, aggregate the collected know-how into data and improve the quality of work. We will also tackle the development of automated work equipment.

The call for decarbonization has become stronger not just in the automobile industry but also in the work equipment industry. Honda will look into a variety of possible approaches while considering what is best for customers, going beyond merely replacing engines with batteries for electrification. In this way, while continuously dealing with issues related to an aging population and the environment, we will constantly improve the quality of work in order to help enhance people's quality of life.

Revenue Highlights of the Power Products and Other Businesses \* Including aircraft and aircraft engines

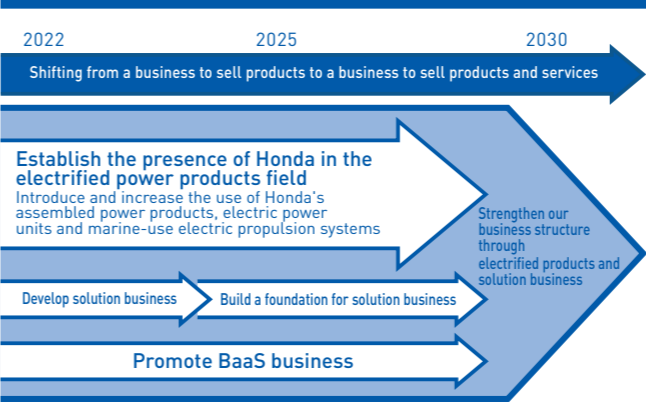


Operating Profit of Aircraft and Aircraft Engines Included Above

FY	2018	2019	2020	2021	2022
millions of yen	-418	-402	-422	-323	-337

Direction and Roadmap of Business Growth

Shifting from a Business to Sell Products to a Business to Sell Products and Services



- Promote the establishment of our presence in developed countries by releasing electrified products.
- Use Internet of Things (IoT) and automated driving technologies and develop a solution business that will help professional gardening, construction and other operators to improve management efficiency.
- Promote a battery as a service (BaaS) business that will contribute to the accelerated progress in electrification and expanded use of renewable energy.
- Aim to become a company leading the resolution of social issues toward 2030 through electrified products combined with the solution business.

Future Strategy for Assembled Power Products and Power Units

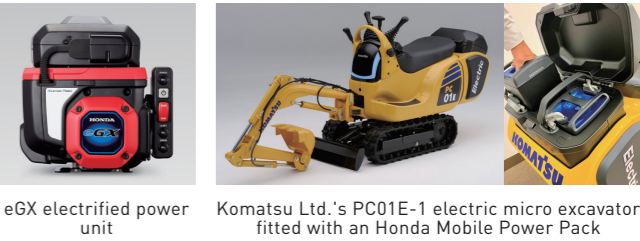
Releasing Electrified Products and Promoting Solution Services

Honda boasts a strong presence in the gardening market for its engine-powered lawnmowers having such strengths as a clean cut and durability. In the future, we will promote the electrification of assembled products and offer strengths equivalent to those of engine-powered products.

To corporate customers in the construction industry, who account for a large share of our engine sales, we will sell electrified power units and provide support for mounting the unit in machinery. By doing so, we will assist small construction machinery manufacturers in electrifying their products.

As for the promotion of electrified products, we will go a step beyond conventional sales and after-sales services and seek to contribute

to the business operation of corporate customers by promoting an improvement in their operational efficiency and helping them to reduce required investment. For example, we will promote a BaaS business utilizing our Honda Mobile Power Pack batteries and expand IoT-based solution services.



Future Strategy of the Marine Business

Reinforcing Efforts in the Environmental Field While Keeping in Mind the Words of Honda's Founder "Moving across the Surface without Dirtying the Water Underneath"

Soichiro Honda once said, "Moving across the surface without dirtying the water underneath." Following his words as its basic philosophy, since 1964 Honda's marine business has consistently focused on the manufacture and sales of more environmentally friendly four-stroke outboard engines. Upholding the philosophy, Honda will continue to reinforce its efforts in the environmental field.

A small electric propulsion system, the concept model of which was announced in 2021, was the first step in this direction. We will move ahead with building technologies for propulsion systems and batteries, and by combining them with AI technologies in the future, aim to develop an environmentally conscious service business. Additionally, through the progress in electrification and AI technologies, we will continue to evolve large-size outboard engines, for which the market is expanding in Europe

and the United States. The BF115-150, a large-size outboard engine redesigned in 2021, has adopted an electronic throttle control mechanism that ensures a customer's smooth accelerator operation. The mechanism is also scalable to adopt a future ship operation support system to be combined with AI technologies.

