5 Strategy

Material Issues

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

Honda's Sustainability

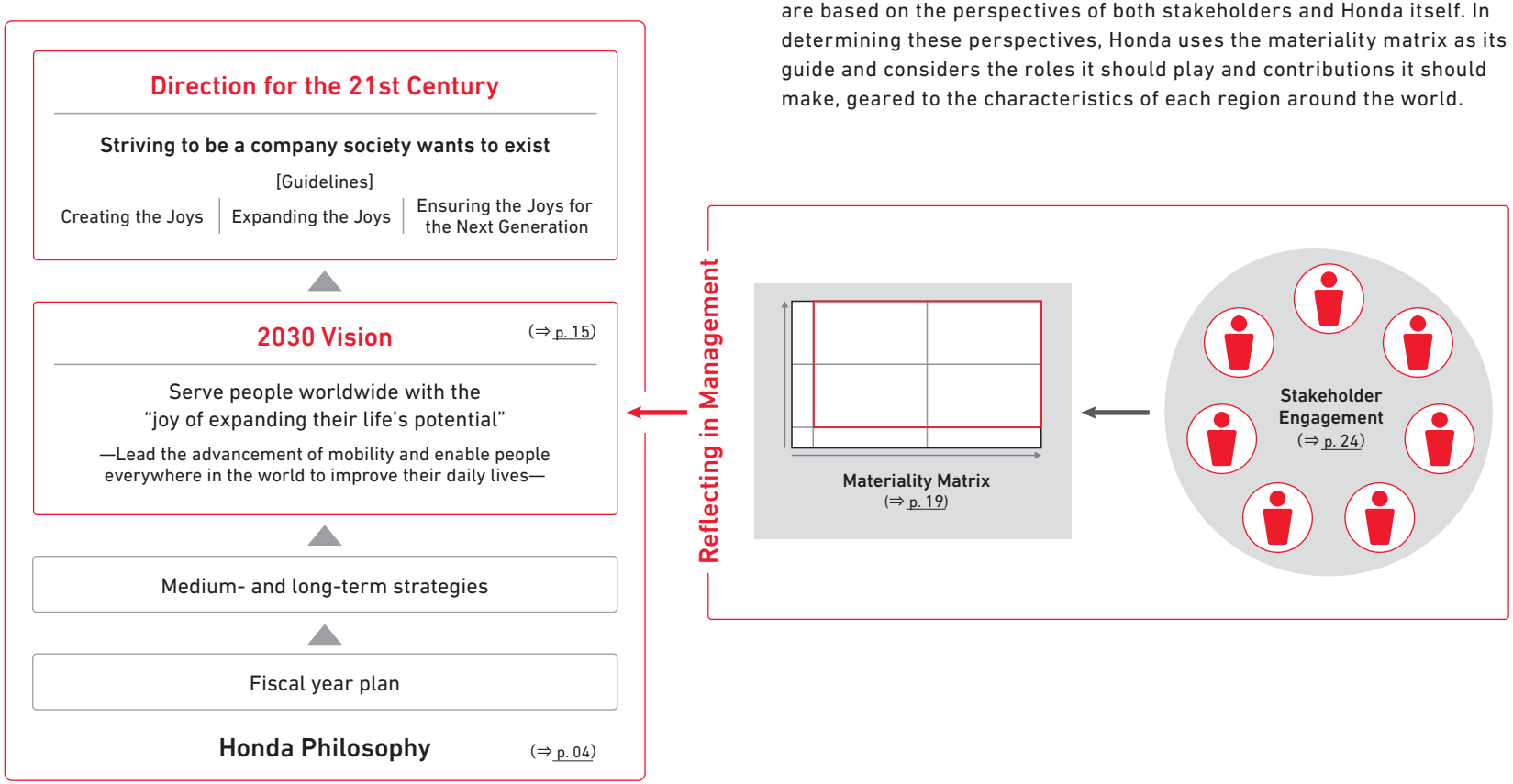
The Honda Philosophy forms the values shared by all Honda Group companies and all of their associates. It is the basis for Honda's corporate activities and the associates' behavior and decision-making.

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

The "2030 Vision" is one milestone indicating in concrete terms the direction Honda ought to take toward realizing these objectives.

For Honda to achieve sustainability, it is important to meet stakeholders' expectations and needs by providing value through its products and services. Equally important is to fulfill its corporate social responsibility, for instance, by considering its impact on the environment and society and to contribute to the resolution of social issues through its business activities.

To this end, Honda devises medium- and long-term strategies that are based on the perspectives of both stakeholders and Honda itself. In determining these perspectives, Honda uses the materiality matrix as its guide and considers the roles it should play and contributions it should make, geared to the characteristics of each region around the world.



Roadmap for Sustainable Growth

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

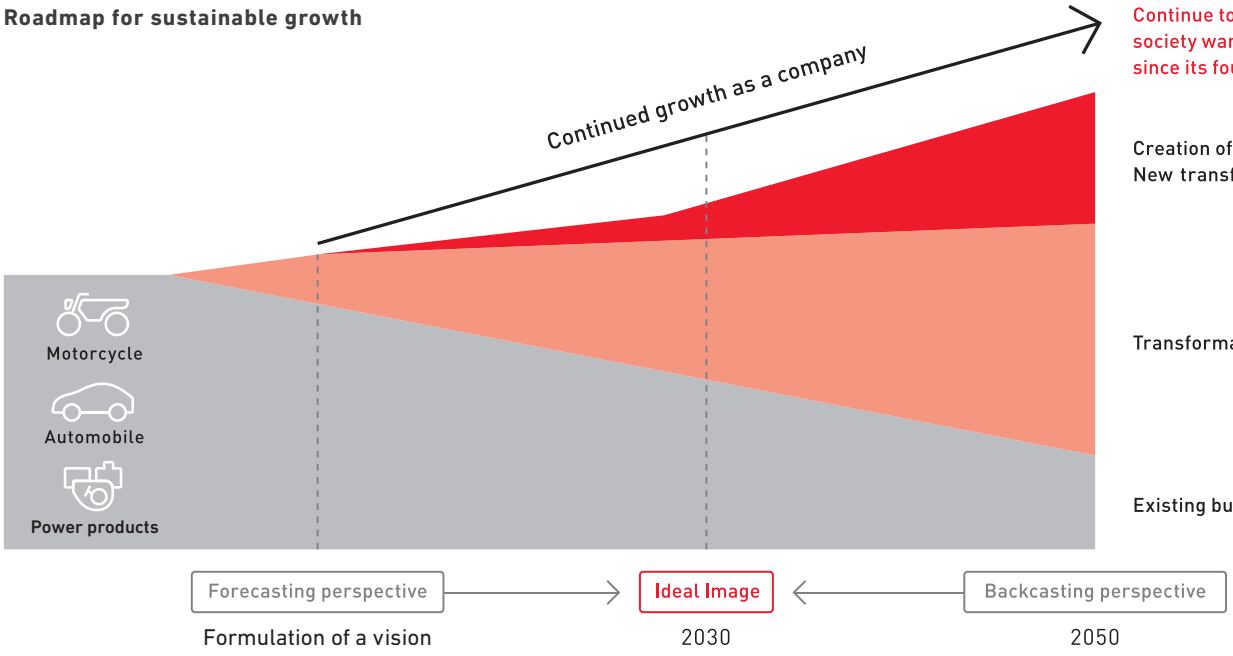
The "2030 Vision" embodies an ideal image of what Honda wants to be in the year 2030 in order to continue being a company society wants to exist in 2050, when the Company will have marked more than 100 years since its founding.

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

Honda has been completely dedicated to addressing two challenges, namely "elimination of our environmental impact" and the "realization of safety protecting precious human lives." Aiming to realize a sustainable society, the Company will work tirelessly to achieve carbon neutrality through the electrification of automobiles and to reduce traffic collision fatalities by incorporating safety technologies into automobiles.

Honda will strive to achieve sustained growth by expanding its business into new domains that combine hardware with software to create all-embracing social value.

Roadmap for sustainable growth



2030 Vision

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

From the first perspective of "Creating the Joys," Honda will work on "creating value for 'mobility' and 'daily lives'." The Company will focus on three areas, namely mobility, robotics and energy, as it seeks to provide people with the "joy and freedom of mobility" and "joy of making their lives better."

From the second perspective of "Expanding the Joys," Honda will strive to "accommodate the different characteristics of people and society." In this area, the Company will seek to further expand joy by offering products and services that are optimized for all people reflecting different cultures and values and diverse societies, irrespective of whether they are in developed or developing nations.

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

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

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

2030 Vision

Serve people worldwide with the "joy of expanding their life's potential"

—Lead the advancement of mobility and enable people everywhere in the world to improve their daily lives—

Growth through the pursuit of quality

《Creating the Joys》	《Expanding the Joys》	《Ensuring the Joys for the Next Generation》
Creating value for "mobility"and "daily lives"	Accommodate the different characteristics of people and society	Toward a clean and safe/secure society
● Provide people the joy and freedom of mobility ● Provide people the joy of making their lives better	● Provide the ideal products and services that fulfill societies' expectations and meet individual needs	● Lead efforts to realize a carbon-free society ● Lead efforts to realize a collision-free mobile society

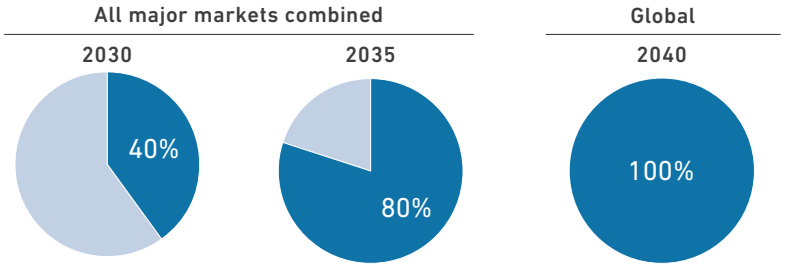
Business viewpoint to focus on: Effective utilization of corporate resources

Initiatives for Zero Environmental Impact

Strategy for Automobile Electrification

Setting "elimination of our environmental impact" as an overarching theme, Honda has been striving for the environmental target of achieving carbon neutrality by 2050. Accordingly, the Company has been working 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. The following highlights Honda's initiatives concerning automobile electrification, which is one important means of achieving the environmental target.

Ratio of EVs and FCVs in overall unit sales



Battery Procurement Strategy

The key challenge in the EV era is the global procurement of batteries. Honda's basic approach to this challenge is to procure batteries from external partners at the moment and to accelerate independent research and development in the future.

Procurement of Liquid Lithium-Ion Batteries

For the procurement of liquid lithium-ion batteries needed now and for the time being, 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" in order to maintain its competitiveness from the perspective of the product life cycle as well. Honda aims to secure a stable procurement volume by strengthening external partnerships.

Initiatives for All-Solid-State Batteries

Honda will accelerate its independent research and development of all-solid-state batteries, aiming for their realization in the second half of the 2020s.

Currently, Honda is conducting technology and production verification at its 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, the Company has 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.

Honda is accelerating research and development 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. The Company will make proactive efforts to strengthen the required structure in the future, including securing more human resources with specialized knowledge.

Liquid lithium-ion battery procurement policy by region

Region	Procurement policy
North America	• Plan to procure Ultium batteries from General Motors Company (GM) • Explore the possibility of creating a joint venture company for battery production
China	• Further strengthen collaboration with Contemporary Amperex Technology Co., Ltd. (CATL)
Japan	• Agreed to procure batteries for mini-EVs from Envision AESC Japan Ltd.

Initiatives for Zero Environmental Impact

Roadmap for EV Product Releases

During the early stage of proliferating EVs (at present to the latter half of the 2020s), Honda will release products matched to the respective characteristics of major markets such as North America, China and Japan.

In realizing the more widespread use of EVs (from the latter half of the 2020s onwards), the Company will evolve its strategy from introducing the "best EVs matched to each region" to releasing the "best EVs from a global perspective."

EV release roadmap by region

Region	EVs to be released
North America	• Introduce mid- to large-size EV models currently being developed with GM • Introduce a large-size EV SUV model for the Acura along with all-new Honda brand Prologue EV in 2024
China	• Leverage the characteristics of the country's advanced EV market and make a swift response via independent, local development • Introduce a total of 10 new Honda-brand EV models by 2027
Japan	• Introduce a commercial-use mini-EV model at the 1 million yen price range in early 2024 • Make the timely introduction of personal-use mini-EVs and EV SUVs

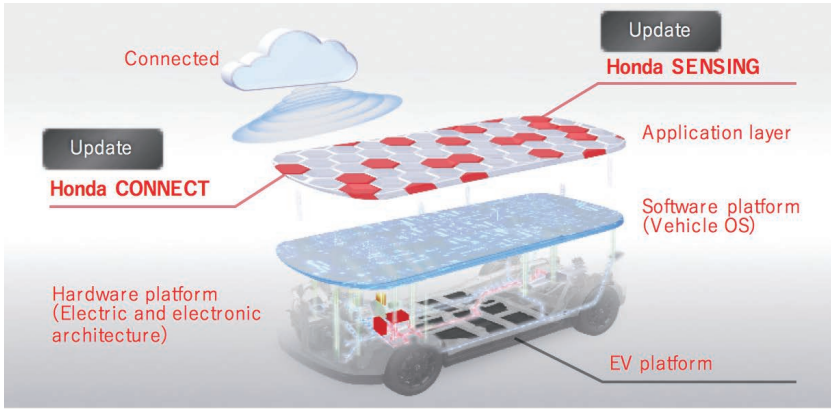
"Honda e: Architecture" Platform for EVs

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, Honda will be able to stay connected with its customers after product sales and provide various services and values. The Company intends to offer added value only Honda can provide to its customers by applying the platform beyond automobiles to other types of mobility products in the future.

Alliance with GM

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

Honda e: Architecture



Initiatives for Zero Environmental Impact

Production Structure

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. As a production structure to sustain the volume, Honda is planning to build a dedicated EV production plant in Wuhan and Guangzhou, China, and a dedicated EV production line in North America.

Honda is committed to "sourcing and manufacturing products close to the market" from the perspective of the product life cycle. As this strategy will in turn generate competitiveness, the Company will examine the required production capacity for each of the major markets in a timely manner.

EV production plant in Wuhan, China (image)

Building a Cross-Domain Connected Platform

In promoting electrification, 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. To do so, it will be necessary to connect energy and information stored in electrified and other products with the users and society. Honda will work on the establishment of a cross-domain connected platform, which will be the key to achieving its goal. Going ahead, in the areas of electrification technologies, including batteries, as well as software and connected technologies, Honda will make efforts to enhance its 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

Materiality Analysis

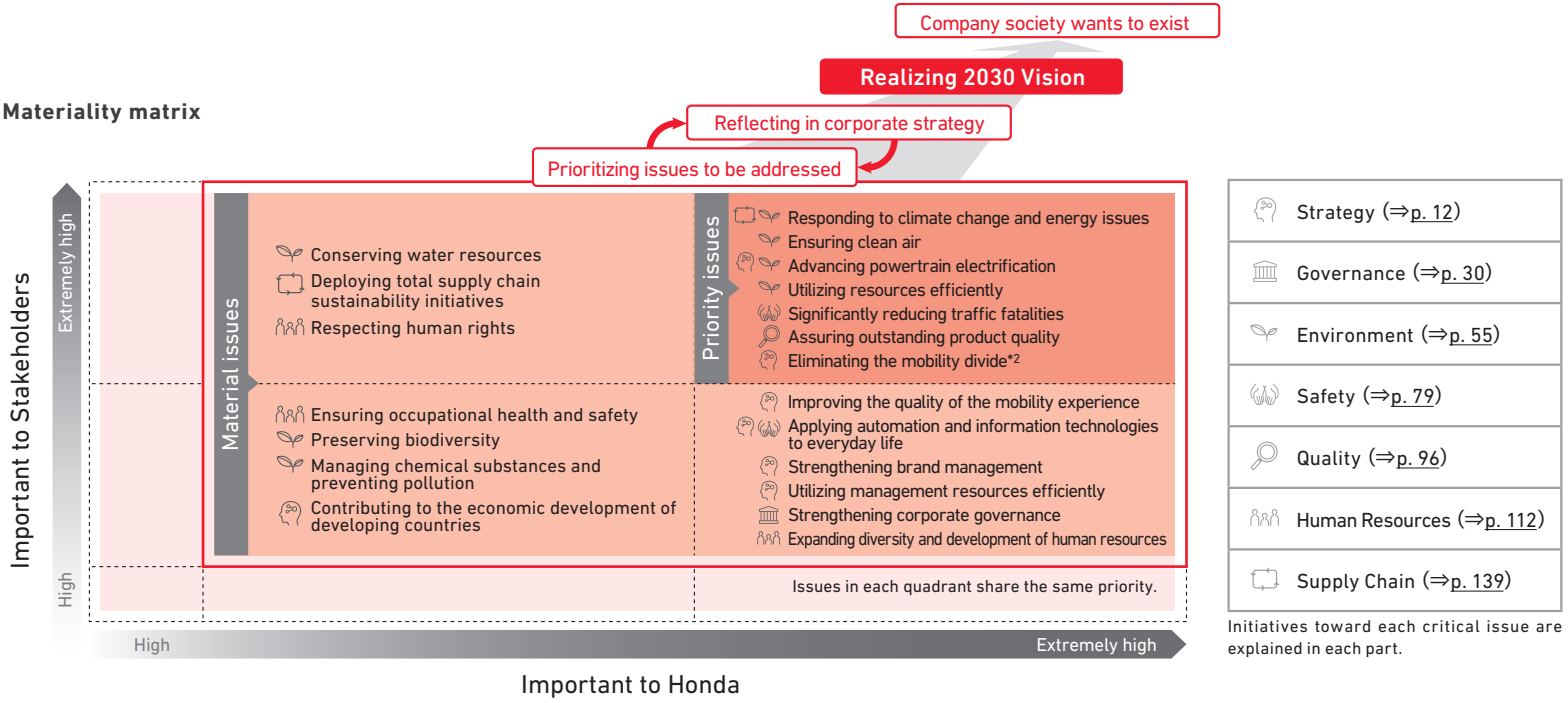
Evaluation of Issues from the Stakeholders' Perspective

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

The materiality matrix was prepared in two stages: identifying issues and then categorizing them according to their materiality. Issues were identified through dialogue among members of respective operating divisions within the Company. The process also took into account various viewpoints including global and value chain perspectives, the status of technological innovation, the Sustainable Development Goals (SDGs)*1 and social issues pursuant to the Paris Agreement. We evaluated the materiality of these issues in light of the views of stakeholders through dialogue with leading environmental, social and corporate governance (ESG) rating agencies and NGOs in Europe and the United States that focus on sustainability issues. The contents were also evaluated and assessed by management at the Company's Sustainability Strategy Committee meetings and other occasions.

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

Materiality matrix



Initiatives toward each critical issue are explained in each part.

*1 The SDGs are international objectives related to such areas as poverty, hunger, energy, climate change and a peaceful society adopted at the United Nations Sustainable Development Summit in 2015.
*2 Disparity in quality of life between those who do and do not have access to mobility

Honda's Initiatives and the SDGs

Contributing to the Achievement of the SDGs

In order to share joys with stakeholders, Honda seeks to contribute to the advancement of a mobile society with its original and useful technologies that anticipate the needs of the times.

This approach aligns with the United Nations' SDGs, specifically, Goal 9 "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation," Goal 12 "Ensure sustainable consumption and production patterns" and Goal 17 "Strengthen the means of implementation and revitalize the global partnership for sustainable development," and aligns with Honda's overall corporate activities.

Honda also believes that creating value for society while pursuing economic value will lead to sustainable corporate management and ultimately contribute to the sustainability of society.

In accordance with the material issues for the realization of the 2030 Vision (⇒ p. 19), Honda will contribute to the achievement of the SDGs through its corporate activities.

Honda's Initiatives and the SDGs

Honda's Initiatives

Common Efforts of Honda's Corporate Activities

By leveraging its proprietary technologies that anticipate the needs of the times, Honda will promote the spread of products that will provide increased value to mobility and people's daily lives. Through these products, relevant industries and technologies that can help resolve social issues will become prevalent in society. Also, Honda intends to play a leading role in resolving environmental, safety and other social issues in cooperation with its stakeholders.

Initiatives by priority issue

Priority issues	Honda's initiatives		SDGs supported by Honda
Responding to climate change and energy issues	Initiatives for zero environmental impact (⇒p.16) Responses to climate change and energy issues (⇒ p. 60) Logistics initiatives (⇒ p. 143) Reducing environmental impact together with suppliers (⇒ p. 149)	With a view to leading the way in realizing a carbon-free society, Honda undertakes corporate activities while giving consideration to everything from the purchase of raw materials to end use of its products. Honda believes its measures against climate change, including vehicle electrification and the use of portable batteries and hydrogen energy, will lead to stabilizing food production, ensuring energy supply and facilitating the creation of more comfortable communities.	2, 3, 7, 9, 11, 13
Advancing powertrain electrification	Strategy for automobile electrification (⇒p.16) Advancing powertrain electrification (⇒ p. 63)		
Preservation of Clean Air	Preservation of clean air (⇒ p. 68)	Honda is pushing ahead with the preservation of clean air and water resources by developing technologies to clean exhaust emissions from product usage and reducing the amount of harmful substances in exhaust air and wastewater from production processes.	7, 12, 13
Utilizing resources efficiently	Efficient utilization of resources (⇒ p. 65)	Honda is cooperating and collaborating with both internal and external stakeholders to realize zero risk in relation to resources and waste generated during the stages spanning from resource procurement to product disposal. From the standpoint of resource circulation, Honda strives to offer products that fully contribute to the environment and reduce waste.	11, 12
Significantly reducing traffic fatalities	Toward a collision-free mobile society (⇒ p. 80)	Under its global safety slogan, "Safety for Everyone," Honda aims to realize a collision-free society in terms of hardware and software through the development and spread of safety technologies for automobiles, such as the Honda SENSING advanced safety and driver-assistance system, while engaging in worldwide initiatives to provide education on traffic safety including motorcycles.	3, 11
Eliminating the mobility divide	Business domains (⇒ p. 06, 07) Value creation history (⇒ p. 08) Honda's sustainability (⇒ p. 13)	Honda seeks to provide more options of mobility to reduce the gap in social participation. As such, the Company is supporting the expansion of opportunities and venues for persons with disabilities to be active by providing welfare vehicles. Looking ahead, Honda will provide a sustainable means of mobility through its technologies and services and help resolve social issues through business activities while leveraging its unique strengths in having a broad range of businesses and products, including motorcycles, automobiles and power products.	11, 17

Honda's Initiatives and the SDGs

Initiatives by material issue

Material issues	Honda's initiatives		SDGs supported by Honda
Conserving water resources	Conserving water resources (⇒ p. 69)	Honda contributes to the conservation of precious freshwater by thoroughly managing the amount of water intake and quality of wastewater at its plants and by installing equipment capable of 100% water recycling and reuse. Honda also manages a water conservation fund in North America, which supports the improvement and preservation of coastal areas for future generations.	6
Deploying total supply chain sustainability initiatives	Strengthening supply chain sustainability (⇒ p. 140) Reducing environmental impact together with suppliers (⇒ p. 149)	Together with suppliers around the world, Honda is making efforts throughout the supply chain to realize a sustainable society while taking into account the environment, safety, human rights, compliance and social responsibilities. In doing so, Honda has formulated the Honda Green Purchasing Guidelines and Honda Supplier Sustainability Guidelines and has been confirming adherence based on these guidelines. Honda has initiated an ESG survey on suppliers having significant influences on the Company and will expand application of the survey in collaboration with overseas purchasing sites.	8, 13, 16
Respecting human rights	Human rights (⇒ p. 116) Honda human rights policy (⇒ p. 137) Initiatives related to diversity (⇒ p. 120)	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 respecting human rights." In its company-wide risk management activities, Honda also regards human rights as an important risk and manages it accordingly.	5, 8, 16
Utilizing management resources efficiently	Roadmap for sustainable growth (⇒ p. 14)	Understanding opportunities and responsibilities in the value chain is essential in identifying, among a number of social issues, Honda's priority issues in management. Honda aims to create new value by considering how to transform and evolve the value of existing businesses in step with the rapidly changing social expectations and customer needs from the two perspectives of forecasting and backcasting.	8
Strengthening governance	Corporate governance (⇒ p. 31)	Honda seeks sustainable growth and the enhancement of corporate value over the medium to long term and strives to be a company society wants to exist. Honda strives to enhance corporate governance as one of the most important tasks for its management. At the same time, it will continue to work for ensuring the transparency of its management through appropriate disclosure of corporate information to further bolster trust and appreciation from society.	16, 12
Expanding diversity and the development of human resources	Diversification aimed at leveraging total workforce strength (⇒ p. 118) An approach based on on-the-job training (⇒ p. 118) Initiatives related to diversity (⇒ p. 120)	Honda respects individual differences and encourages the integration of these individualities. While positioning workforce diversification as a company-wide priority task, Honda is working to expand women's participation, promote an understanding and acceptance of LGBT persons, increase opportunities for experienced associates and expand employment of people with disabilities. Also, Honda carries out personnel education based on on-the-job training (OJT) and ensures to assign associates to the most suitable positions by setting up the Global Job Grade System.	4, 5, 8, 10
Ensuring occupational health and safety	Occupational safety and health (⇒ p. 128)	Honda has been seeking to realize a work environment which brings the joy that all people can work with a true sense of security under this principle. At Honda, the Health and Safety Audit Committee performs health and safety audits throughout the Company by using an Occupational Safety and Health Management System (OSHMS).	8
Biodiversity conservation	Biodiversity conservation (⇒ p. 70)	Honda believes that minimizing the environmental impact resulting from its products and corporate activities represents its greatest contribution to biodiversity conservation. Accordingly, Honda has specified the priorities in the Honda Biodiversity Guidelines, including the development of environmental technology, initiatives based on corporate activities and initiatives for living in harmony with local communities. The Company has been proactively promoting them.	14, 15
Managing chemical substances and preventing pollution	Management and reduction of chemical substances (⇒ p. 70)	Honda manages and works to reduce chemical substances contained in automotive components from the product design and development stages. Relevant information is tabulated and managed throughout the supply chain via a system to collect information on materials and chemical substances contained in components. Honda is also making efforts to reduce heavy metals that are considered to have negative impacts on the environment, including water quality.	3, 6
Contributing to the economic development of developing countries	2030 Vision (⇒ p. 15)	Under its 2030 Vision, Honda aims to enrich people's lives by providing more efficient means of mobility and greater opportunities for business or learning. In expanding business overseas, Honda has evolved its business model from exporting finished products to local production and then to local development, thereby strengthening production and development functions in emerging countries. Honda aims to contribute to each region through employment and OJT-based education.	1, 4

Sustainability Management Structure

Structure for Deliberating Sustainability Initiatives

Honda established the Corporate Integration Strategy Meeting chaired by the Chief Executive Officer (CEO) with the aim of building consensus on the company-wide direction based on recognition of the environment both internally and externally, as well as material issues that Honda as a whole should tackle. Policies and initiatives for sustainability issues are discussed and examined in the meeting.

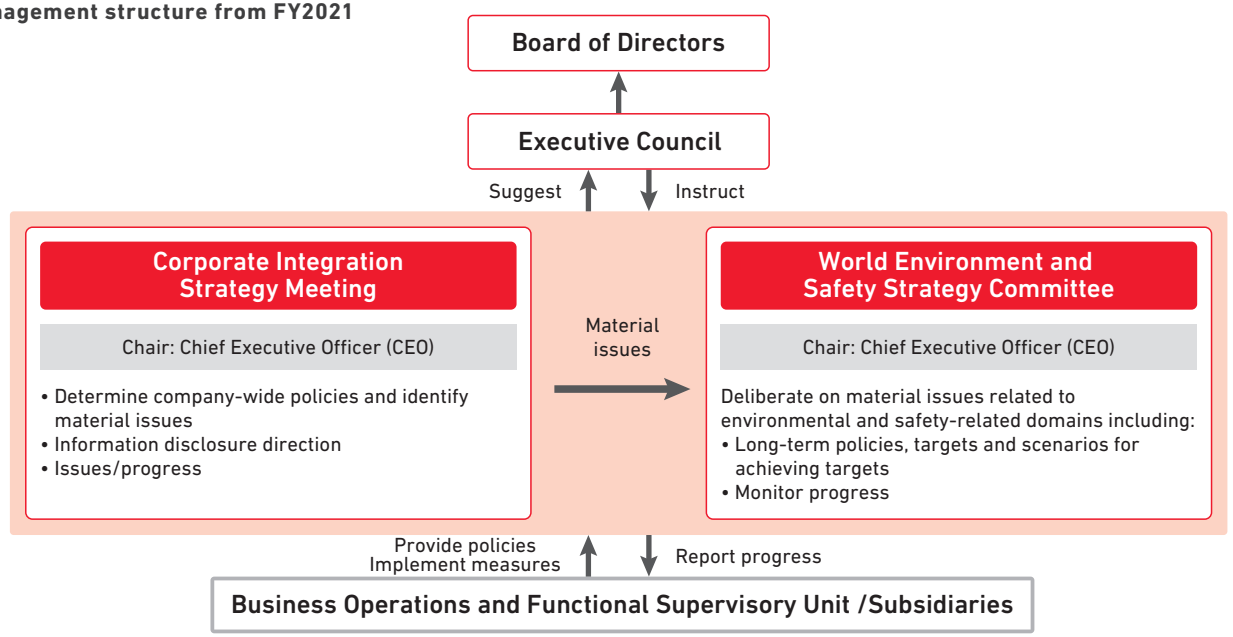
While continuing activities to "increase Honda's value of existence and receive due recognition from society by showing to the public its entire corporate activities rooted in the Honda Philosophy," the Corporate Integration Strategy Meeting will plan company-wide strategies that reflect a sustainability perspective.

To promote and reinforce efforts in the environmental and safety-related domains, which represent the most important material issue as a mobility company, Honda has established the World Environment and Safety Strategy Committee chaired by the Chief Executive Officer (CEO).

Since strategies in the environmental domain also include Honda's response to climate change, the CO_2 emissions reduction targets set by the Committee are examined and decided by the Board of Directors.

Taking into consideration the material issues examined at these committees, Honda determines corporate strategies through the Executive Council and Board of Directors. The Company then breaks them down into policies and measures for business operations, functional Supervisory Unit and subsidiaries for actual execution.

Sustainability management structure from FY2021



Stakeholder Engagement

Basic Approach

To be a "company that society wants to exist," Honda must put into practice a communication cycle. This means to: 1) appropriately and accurately convey to society the value that it seeks to provide; 2) engage in dialogue with diverse stakeholders to grasp and understand the demands and expectations placed on the Company; 3) translate these into concrete measures and implement them; and 4) listen to stakeholders' evaluations of its activities.

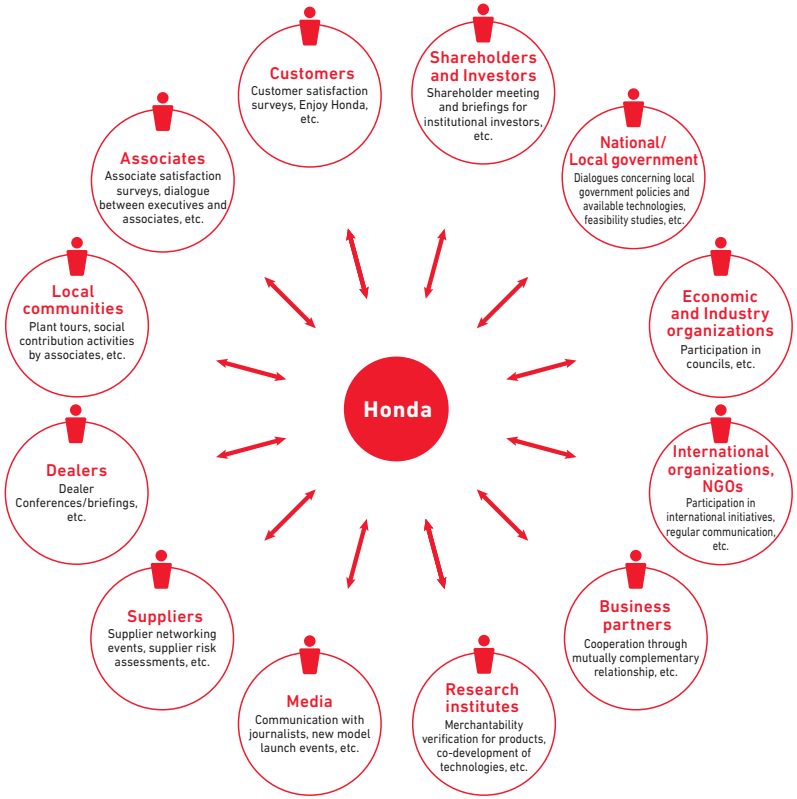
Especially in recent years, the growing scale and globalization of companies, along with the rapid proliferation of IT, have heightened the impact of companies on society, and vice-versa. As this process continues to accelerate, Honda considers that stakeholder dialogue is a beneficial tool that leads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

Based on this understanding, Honda engages in dialogues globally through various opportunities. These dialogues are conducted between key stakeholders (that are either impacted by Honda's business activities or whose activities impact Honda's business activities) as shown in the diagram indicated at the right and respective divisions within Honda.

As an example, engagement with shareholders and investors consists of dialogue aimed at ensuring that Honda is understood accurately through shareholder relations and investor relations activities.

In addition, opinions gained from dialogues with leading ESG rating agencies and NGOs are reflected in the Materiality Analysis (⇒ p. 19), which is utilized in identifying issues Honda ought to be addressing.

Stakeholder engagement



Stakeholder Engagement

Examples of Initiatives in FY2022

Stakeholder	Key means of dialogue	Overview	Frequency	Corresponding items in the materiality matrix	Point of contact	Reference
Customers	Customer satisfaction survey	To ensure customer satisfaction worldwide, we conduct a customer satisfaction survey for customers who have received after-sales service at a dealer around the world and engage in improvement activities to provide high-quality service operations.	Annually	Strengthening brand management	Customer-related divisions	⇒ p. 104
Shareholders and investors	Financial results press conference	We hold press conferences and teleconferences to review our financial results and various initiatives. We use the feedback and requests thus obtained in maximizing our corporate value.	4 times/year		Financial divisions	https://global.honda/investors/
	Individual sessions and conferences	We hold sessions and opinion exchange meetings to explain our financial conditions as well as production, R&D and business strategies. We use the feedback and requests thus obtained in maximizing our corporate value.	Year round			
Suppliers	Suppliers Conferences	We hold periodic conferences to share with suppliers the direction of our business and the substance of our initiatives and to communicate Honda's company-wide policies and purchasing policies. We also present Supplier Awards to recognize those suppliers who have achieved outstanding results in each aspect of QCDDE*. At the end of a conference, we conduct a questionnaire survey for participants to identify their level of satisfaction and what can be improved for the next event as an effort to further enhance this activity.	Annually	Assuring outstanding product quality Deploying total supply chain sustainability initiatives	Purchasing divisions	⇒ p. 154
	Business plan networking events and meetings to share business status	We share our medium- to long-term management policies, business plans and information on sustainability-related matters (ESG issues, compliance, corporate governance and risk assessment).	Annually			
	ESG inspection for suppliers	We conduct an ESG inspection for key suppliers to prevent compliance violations and reduce environmental impact in accordance with the Honda Supplier Sustainability Guidelines. (⇒ p. 147).	Annually	Deploying total supply chain sustainability initiatives; Strengthening corporate governance		⇒ p. 152
Economic and industry organizations	Participation in activities of industry organizations	We participate in various councils to identify the expectations and demands of society through activities of industrial organizations, create a sustainable business environment and contribute to society.	Year round		Division in charge of government and industry relations, others	
International organizations and NGOs	Participation in international initiatives	We participate in various councils to identify the expectations and demands of society and contribute to society toward the realization of a sustainable society.	Year round		Divisions in charge of sustainability planning, others	
Local communities	Driving safety promotion activities	For preventing collisions, we are proactively engaging in traffic safety awareness activities based on the ideas "To pass on safety education from person to person" and "To provide a participatory hands-on education program." Targeting not just drivers and riders but also all people involved in the traffic society, from children to senior citizens, the activities are currently carried out in 43 countries and regions around the world.	Year round	Significantly reducing traffic fatalities	Divisions in charge of promoting driving safety	⇒ p. 83
	Helping persons with disabilities wishing to resume driving	In addition to providing driving assist devices, we support occupational therapists and other professionals to promote the creation of a local support environment with the aim of helping people wishing to resume driving.	Year round	Eliminating mobility divide		⇒ p. 87
	Beach cleanup project	We undertake joint activities among members of the Honda Group and local residents to clean up the beaches using our originally developed equipment. Since the launch of the project in 2006, we have conducted the activities about 400 times at more than 200 locations across Japan, and the cumulative total of beach trash collected by the project amounts to 490 tons.		Expanding diversity and the development of human resources	Divisions in charge of promoting social contribution activities	⇒ p. 158
	Activities to conserve *satoyama* landscapes	We have concluded an agreement with Hachioji City, Tokyo, in which Honda's associates and their families carry out *satoyama* landscape conservation activities within the Kamikawa no Sato special green conservation area.	About 11 times per year			
National and local governments	Support activities to prevent the spread of COVID-19	We undertook support activities while examining what Honda can do to prevent the spread of COVID-19 and help resolve issues and problems encountered in various parts of the world in the face of the pandemic.			Divisions in charge of promoting social contribution activities, others	https://global.honda/sustainability/community/activities/COVID19.html
Associates	Associate survey	We conduct an associate survey and measure associate engagement for building a healthier work environment.	Associate survey: once every 3 years Measurement of associate engagement: every year	Expanding diversity and the development of human resources	Human resources divisions	⇒ p. 128

* Quality, cost, delivery, development and environment

Stakeholder Engagement

Cooperation with External Organizations

To carry out our responsibility as a global mobility company, Honda engages in dialogues with government, economic and industry organizations and also cooperates with external bodies. In Japan, Honda executives serve as vice chairman and committee head within the Japan Automobile Manufacturers Association(JAMA); committee head in the Japan Business Federation (Keidanren); and vice chairman and committee head in the Tokyo Chamber of Commerce and Industry.

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

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

* Political contributions were made to the People's Political Association in the amounts of ¥25 million in FY2019, ¥25 million in FY2020 and ¥25 million in FY2021. Honda has confirmed that these expenditures do not infringe on "the Honda Guideline for the Prevention of Bribery and Corruption."

Stakeholder Engagement

External Evaluations

Honda Selected to the Dow Jones Sustainability World Index

In December 2021, Honda was selected for the fifth consecutive year as a component of the Dow Jones Sustainability World Index after being ranked within the top five in the global Automobiles sector in the annual review of the Dow Jones Sustainability Indices (DJSI), one of the key benchmarks for socially responsible investing. At the same time, the Company was selected for the seventh consecutive year as a component of the Dow Jones Sustainability Asia/Pacific Index.

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

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

Selected for a Silver Class Rating in Sustainability Assessment by S&P Global Inc.

Honda won a Silver Class rating in the Automobiles sector of the Sustainability Award 2022 issued by S&P Global Inc. S&P Global evaluates the sustainability of approximately 7,500 companies worldwide in terms of economic, environmental and social criteria. Companies deemed to be particularly outstanding in each sector are rated in categories of Gold Class, Silver Class and Bronze Class each year.

Sustainability Award
Silver Class 2022
S&P Global

Securing a B Rating in the CDP Japan 500 Climate Change Report 2021

In December 2021, CDP released the results of a survey on climate change initiatives and reduction of GHG emissions for major companies worldwide.

Honda received a B rating in the CDP Japan 500 Climate Change Report 2021, one of those categories.

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

Please refer to the Environment section of the Performance Report (⇒ p. 55) for the items required by the FSB Task Force on Climate-related Financial Disclosures (TCFD), one of the CDP evaluation indices.

Research and Development

Basic Approach

In 1960, with a view to creating new value through the cultivation of uncharted domains, Honda spun off the research and development division from Honda Motor Co., Ltd. and established Honda R&D Co., Ltd. as an independent research and development subsidiary.

Since then, Honda R&D has demonstrated a spirit embodied in Honda's Fundamental Beliefs, which encourages diverse individuals to demonstrate their respective capabilities to the fullest. At the same time, the company has thoroughly pursued core values and accordingly undertaken research with a particular focus on people's values. By doing so, Honda R&D has taken on challenges of creating new value. This stance will remain the same even when facing significant changes in society, such as the rapid global movement toward a carbon neutral society and digitalization. Honda believes that maintaining a global perspective and pursuing the joy for each customer through its technologies, products and services represent the true essence of Honda's corporate activities and research and development operations.

Aiming to Transform into a Mobility Company Focused on Services and Solutions

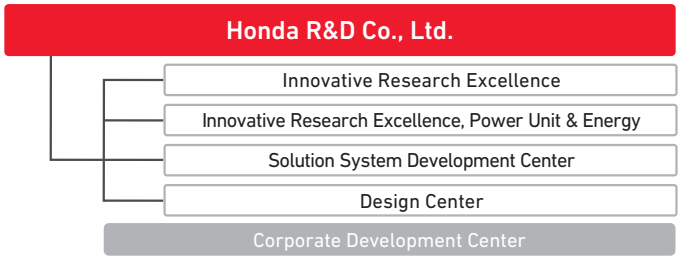
Honda consolidated functions related to research and development of motorcycles as well as automobiles into Honda Motor Co., Ltd. in April 2019 and April 2020, respectively. This reorganization enables a unified structure that integrates development, sales, production and purchasing operations to provide competitive products in a timely manner.

In April 2022, Honda Motor Co., Ltd. established the Business Development Operations as a new organization tasked with combining hardware with software and services. The goal is to transform Honda into a mobility company that can achieve new growth and new value creation. Honda is further accelerating its development efforts in the fields of software and each of the core electrification components in order to facilitate the development and early launch of the electrification business, new businesses and combined solutions business.

In addition, Honda R&D has been reorganized into the Innovative Research Excellence center, Innovative Research Excellence – Power Unit & Energy center, the Solution System Development Center and the Design Center. The Innovative Research Excellence center is a facility dedicated to innovative mobility technologies for the future and the creation of advanced technologies. The Innovative Research Excellence – Power Unit & Energy center brings together the experts of the power unit and environmental energy fields, which represent the strengths of Honda and serve as a source of its competitive edge beyond product boundaries. The Solution System Development Center creates new value in people's daily lives, while the Design Center is tasked with delivering brand messages transcending product boundaries in the form of consistent designs, which are the origin of Honda's value creation.

Toward the creation of new value, Honda will pursue research and development not only internally but also in collaboration with other companies and business partners with a vision to "serve people worldwide with the 'joy of expanding their life's potential'."

Research and Development Structure



Innovation Management

Efforts to Expand into New Domains through 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. It was originally launched in 2017 by Honda R&D Co., Ltd., a research and development subsidiary of Honda, and was later transitioned into a company-wide initiative in April 2021, thereby giving all Honda associates in Japan a chance to create a new business.

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. The main purpose of this program is to nurture innovative ideas, create new value and swiftly link such innovation to resolving societal issues. Honda will proactively work to create value not only through efforts undertaken internally, but also by creating venture companies and engaging in open innovation initiatives with external companies. By expanding the fruits born from such efforts to society, Honda is committed to offering further value to a wider range of customers.

Since its founding, Honda has taken on the challenge of creating new value while respecting the ideas and dreams of individual associates. Honda will create things and services that do not yet exist by encouraging associates in all areas, not just engineers but also those in production, sales, administration and various other departments, to take the lead in realizing their ideas and dreams with support from their respective organizations and experts. At the same time, Honda will consciously foster an organizational culture that spurs innovation.

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

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 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 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 initiatives include reduction of greenhouse gas (GHG) emissions, which are considered to be a cause of climate change, as well as energy use; efficient use of resources, including water and minerals; and appropriate treatment 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

Global Management

Environmental Management Promotion Structure and Management Cycle

Honda recognizes that environmental issues such as climate change and energy/resource issues, which require global responses, are material issues that impact Honda's business operations. Based on this recognition, the Environmental Committee was established in 1991, chaired by the Chief Executive Officer (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.

Chaired by the CEO, this re-established Committee deliberates on the PDCA cycle of each region as well as risks and opportunities concerning climate change, energy and resources. It also explores Honda's short-, medium- and long-term environmental strategies based on these risks and opportunities.

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 necessary measures.

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 World Environment and Safety 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 PDCA cycle by each Regional Operation and environmental division.

Environmental regulations prompted by climate changes and risks related to natural disasters are managed, monitored, reflected in risk management activities and integrated into company-wide priority risks (⇒ p. 48).

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 2022). Therefore, coverage of environmental management systems is virtually 100%. Honda is in the process of obtaining certification for newly built plants.

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.

Global Management

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

Cost of environmental conservation activities and investments

> p. 77

DATA

Economic benefits (Effect on revenue and expenses)

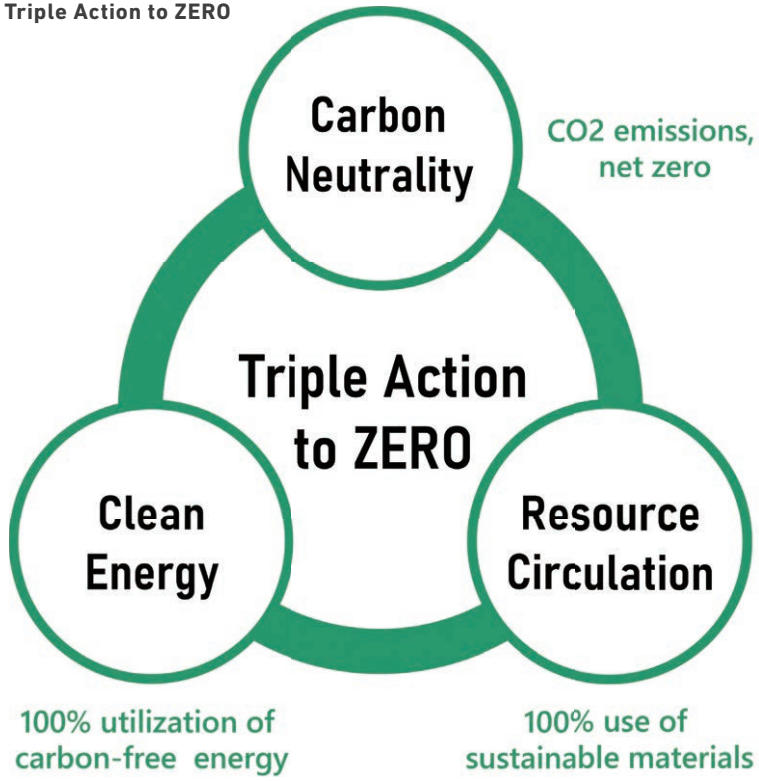
> p. 77

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.

Triple Action to ZERO



Triple Action to ZERO

In order for people to live on the earth in a sustainable manner, Honda seeks to realize a recycling-based society with zero environmental impact. Accordingly, the Company has set even higher targets than our previous Triple ZERO initiative.

Efforts will be centered around the Triple Action to ZERO, which integrates three elements, namely carbon neutrality, clean energy and resource circulation, into one concept.

CO_2 emissions, net zero by 2050

To address climate change issues, Honda will work toward a target of limiting the global temperature rise to 1.5°C above pre-industrial levels by reducing carbon emissions from corporate activities and throughout the product life cycle.

100% utilization of carbon-free energy by 2050

To address energy issues, Honda will go a step beyond its conventional initiative of reducing energy risk and aim to use clean energy both during product use and in corporate activities.

100% use of sustainable materials by 2050

To address the effective utilization of resources, Honda will conduct research into the recycling of materials, including reuse and recycling of batteries. Going beyond its previous initiative aimed at reducing risks related to resources and waste disposal, Honda will take on an additional challenge of developing products that use sustainable materials having zero environmental impact.

Responses to Climate Change and Energy Issues

Climate Change: Risk and Opportunity Analysis Based on Multiple Scenarios

Honda performs scenario analysis, noted as an important tool in the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and creates strategies based on multiple scenarios for today and for the future.

Each scenario contains uncertainty caused by varying factors, which makes it important to conduct analysis and verification assuming different situations. Honda believes that identifying risks and opportunities in respective scenarios will enable more sustainable corporate management.

Accordingly, Honda has developed strategies based on multiple scenarios. The Company utilizes these strategies in undertaking business and promoting products and seeks to reduce risks and create opportunities, thereby ensuring that it offers services and products with greater resilience.

The table below provides a list of Honda's efforts in each risk and opportunity category. Honda is making a range of efforts to increase the resilience of its strategies against the identified risks and opportunities.

	Risks for Honda			Opportunities for Honda		
	Climate-related risks (From TCFD recommendations)	Specific response / corresponding section		Climate-related opportunities (From TCFD recommendations)	Specific opportunity / corresponding section	
Transition risk ⇒ 2℃/1.5℃ Major impact ・Changes in the market to eliminate forms of mobility with greater CO_2 emissions ・Diversification of energy needed for product use and services	**Policy and legal risks** ・More stringent regulations for GHG emissions ・Greater obligation to report emissions	・Promotion of better fuel efficiency and electrification ・Disclosure of emissions from the entire product life cycle	(⇒ p. 06, 07, 62, 63) (⇒ p. 73)	**Products and services** ・Development of new products and services ・Expansion of low-carbon products and services ・Diversification of business activities	・Reduction of TCO* through eMaaS ・Sales expansion of electrified products and services ・Expansion of product sales under the multi-pathway strategy	(⇒ p. 61) (⇒ p. 06, 07, 16, 63) (⇒ p. 61)
	Technology risk ・Replacement with low-carbon products	・Promotion of electrified products	(⇒ p. 06, 07, 62, 63)	**Markets** ・Access to new markets	・Market expansion through high value-added products and services	(⇒ p. 06, 07)
	Market risk ・Changes in consumer behavior ・Uncertainty in market signals ・Higher raw materials costs	・Product development under the multi-pathway strategy ・Product designs based on 3Rs (reduce, reuse and recycle)	(⇒ p. 61) (⇒ p. 65, 66)	**Energy source** ・Use of energy with lower emissions ・Shifting to distributed energy sources	・Reduction of production costs through the use of renewable energy and energy saving ・Expansion of battery sharing through Honda Mobile Power Pack	(⇒ p. 64) (⇒ p. 68)
	Reputation risk ・Changes in consumer perceptions ・Accusations against the industry ・Growing concerns among stakeholders	・Promotion of low-emissions products and services ・Transition to carbon neutral status ・Communicating resilient strategies	(⇒ p. 61, 62, 63) (⇒ p. 61) (⇒ p. 60)	**Resource efficiency** ・Utilization of more efficient transportation means ・Promotion of recycling	・Active promotion of 3Rs	(⇒ p. 65, 66, 67)
Physical risk ⇒ 4℃ Major impact ・Disruption of infrastructure caused by extreme weather events ・Increased necessity for products and services that respond to extreme weather events	**Acute risk** ・Increased severity of floods and other extreme weather events ・Increase in floods and other extreme weather events ・Disruption of supply chain	・Formulation of a global BCP ・Establishment of a global value chain ・Measures against procurement risk	(⇒ p. 47, 48) (⇒ p. 149) (⇒ p. 152)	**Resilience** ・Improvement of reliability and operational capability of supply chain ・Expanding products and services related to ensuring resilience	・Stable production structure based on a global value chain ・Contribution to early recovery by providing products and services responding to disasters ・Stable energy supply through eMaaS	(⇒ p. 152) (⇒ p. 63) (⇒ p. 61)
	Chronic risk ・Shifts in rain and other climate patterns ・Higher average temperatures	・Efforts to reduce water intake and energy use ・More efficient energy consumption (for air conditioning)	(⇒ p. 64, 65, 69) (⇒ p. 64)			

* Total cost of ownership

Responses to Climate Change and Energy Issues

Honda's Approach

The mobility environment is currently undergoing dramatic changes. Amid such changes, Honda is moving forward with its response to climate change through initiatives that link Honda's business strategy with its environmental strategy. The Company is proactively striving to reduce environmental impact while foreseeing changes in the marketplace and among customers as well as placing its priority on contributing to the lives of customers.

In October 2020, Honda announced its intent to realize carbon neutrality. Going a step further, in April 2021 the Company announced its vision to "realize carbon neutrality for all products and corporate activities Honda is involved in by 2050" in order to achieve a circular society with zero environmental impact. The concept behind this vision is to reduce carbon emissions based on the targets laid out in the Paris Agreement to keep the temperature rise below 1.5°C.

In order to make steady progress toward carbon neutrality by 2050, Honda has defined corresponding targets and has been promoting efforts accordingly. In the area of products, in addition to the ratios of electrified products in global sales, Honda has selected another 2030 milestone concerning CO_2 emissions intensity from the use of products. In the area of corporate activities, Honda aims to reduce its total CO_2 emissions by 46% from FY2020.

Honda has already applied to the Science Based Targets (SBT) initiative to receive validation of these targets.

Honda determined the introduction of internal carbon pricing (ICP) to further accelerate reduction of CO_2 emissions in its business activities at the 2021 meeting of the World Environment and Safety Strategy Committee. Preparation for the introduction is currently underway.

There is more than one approach to the protection of the global environment, and efforts to maximize the use of renewable energy are also crucial. Recognizing there are diverse approaches to solutions toward the use of renewable energy and CO_2 reduction, Honda has formulated a "multi-pathway" concept to proactively offer environmentally friendly products matched to each region.

A symbolic technology in this area is "Honda e: Technology," a set of Honda's electrification technologies. As for maximizing the use of renewable energy, Honda is moving ahead with the development of technologies necessary to build a future society, which links energy management service with mobility service. In 2019, the Company announced the "Honda eMaaS" concept along with a plan to formulate proposals for commercialization and conduct market feasibility tests. The concept combines Energy as a Service (EaaS), a next-generation service to optimize power supply and energy use, and Mobility as a Service (MaaS), a next-generation mobility service. Honda will align its groups of products in different fields and offer diverse value to society and customers.

In its corporate activities as well, Honda is working to increase the use of renewable energy by introducing a type of renewable energy suited for each region.

In addition to CO_2 reduction, technologies to separate, capture and reuse CO_2 play another important role in realizing carbon neutrality. As such, Honda is also promoting research for net zero CO_2 emissions.

Responses to Climate Change and Energy Issues

Product Initiatives

Three Initiatives to Reduce GHG Emissions

Emissions from "use of products" account for approximately 80% of CO_2 emissions from Honda's entire product life cycle. In light of this, Honda works to reduce CO_2 emissions during usage in all of its products, and manufactures and sells items that can be supplied with confidence as environmentally friendly products.

To date, Honda has carried out the following three initiatives to reduce GHG emissions, most notably CO_2 emissions, while expanding production and sales globally.

① Reducing CO_2 emissions through efficiency improvements of internal combustion engines
② Reducing CO_2 emissions by applying environmentally innovative technologies and diversifying energy sources
③ Eliminating CO_2 emissions through the use of renewable energy and total energy management

By implementing these in phases, Honda is steadily and ultimately reducing CO_2 emissions to net zero.

Honda has been undertaking the three initiatives in accordance with the Honda Environmental Performance Standard (HEPS), which are unique and advanced-level product guidelines formulated in 2011.

In the future, Honda will formulate the HEPS 2.0, an upgraded version of the original HEPS, to achieve zero environmental impact in 2050.

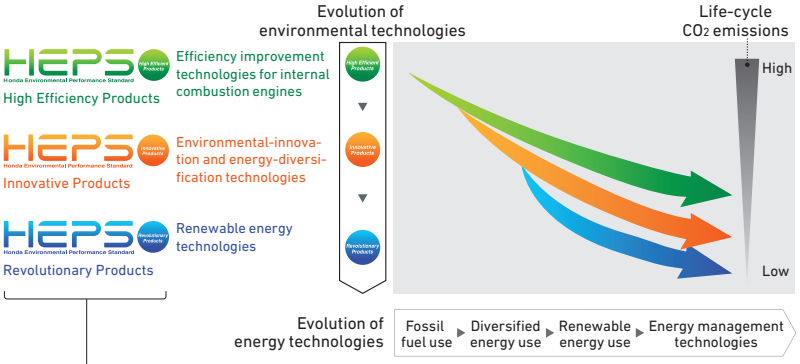
As a result of certification of products that were launched in FY2022, 18 motorcycle models, 6 automobile models and 3 power product models — a total of 27 models — were HEPS-certified. Cumulatively, this brings the number of HEPS-compliant products to 205 motorcycle models, 98 automobile models and 53 power product models, or 356 models in total.

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

DATA

Global Number of HEPS-compliant models

> p. 78



●High Efficiency Products

Products that emit less CO_2 emissions because of improved internal combustion engine efficiency. This category includes products that incorporate technologies for improving fuel combustion and transmission efficiency and reducing friction between engine parts. Compliance is determined based on how well a product reduces or helps reduce CO_2 emissions during use compared with preceding models.

●Innovative Products

Products that emit less CO_2 because they use an environmentally innovative technology or an alternative energy source. This category includes motorcycles that incorporate Honda's patented Idling Stop System, automobiles that incorporate hybrid technologies or direct injection engine technologies, and power products with electronic fuel injection (FI). Alternative energy technologies include motorcycles and automobiles that can run on ethanol and power products that can run on gaseous fuels. Compliance is determined based on how well a product reduces or helps reduce CO_2 emissions during use compared with preceding models.

●Revolutionary Products

Products that reduce or eliminate CO_2 emissions by harnessing renewable energies or facilitating total energy management. This category includes products that incorporate electromotive technologies or technologies for using renewable energy.

Responses to Climate Change and Energy Issues

Advancing Powertrain Electrification

Honda views changes in social needs and the social structure induced by climate change and energy diversification as key challenges and actively promotes product electrification.

Increasing the lineup and use of electrified products will contribute to reducing CO_2 emissions when in use, which in turn will lead to lower climate changes risks, while addressing energy issues by making use of renewable energy.

In addition, the battery mounted on electrified vehicles can be used as a power source for leisure activities or during an emergency, thereby improving the quality of customers' lives.

Based on this belief, Honda has set a target to electrify 15% of motorcycles, 30% of automobiles and 36% of power products in their respective global sales in 2030. To achieve this goal, the Company is seizing all new business opportunities by enhancing and upgrading its product lineup (⇒ p. 16).

Targeted ratios of electrified products*

Motorcycles
15%

Automobiles
30%

Power products
36%

* Ratio of battery electric motorcycles and electric bicycles for motorcycle products; battery electric vehicles and fuel cell vehicles for automobile products; and electrified products for power products.

TOPICS

Selling Only Electrified Vehicles, Including Hybrid Vehicles and Electric Vehicles, in China in the Future

In October 2021, Honda announced that after 2030, it will not release any new gasoline-powered models in China and that all new models coming to the market will be electrified vehicles, such as hybrid vehicles and electric vehicles (EVs). Over the course of five years, Honda will release 10 e:N series models, which represent the first Honda-brand EVs to be released in China. The Company also envisions to export these models from China in the future.

In spring 2022, the e:NS1 and e:NP1 were rolled out by Dongfeng Honda Automobile Co., Ltd. and Guangqi Honda Automobile Co., Ltd., respectively. These two are the first set of the e:N series models developed under the concept of "Dynamic, Intelligence and Beauty." In addition, Honda is currently developing three concept models, e:N COUPE Concept, e:N SUV Concept and e:N GT Concept, with a goal to initiate their sales within the next five years.

In order to release an increasing number of the e:N series models in China in coming years, Honda will accelerate its electrification initiatives in an integrated manner, covering not just product development but also sales, production and a system of stable battery supply.

e:N series

Responses to Climate Change and Energy Issues

Corporate Activities Initiatives

With the aim of achieving net zero CO_2 emissions and wholly deriving power from carbon-free energy sources in corporate activities by 2050, Honda is focusing on a reduction in energy consumption and CO_2 emissions while giving consideration to the potential for expanding production and sales globally.

Toward the realization of these targets, Honda has been promoting reduction in carbon emissions by making efforts in the order of increasing production efficiency, encouraging energy-saving initiatives, shifting to low-carbon energy sources and utilizing renewable energy.

When building or renovating its plants, Honda actively 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 while at the same time enhancing technical support from Japan.

In addition, Honda is actively introducing renewable energy around the world.

In doing so, Honda discriminately adopts a method that can directly contribute to the reduction of CO_2 in local communities. More specifically, the Company focuses on installing new power generation facilities, first examining the installation within its premises and then gradually expanding the scope to outside the premises for greater use of the facilities.

In 2021, the Boiling Springs Wind Farm went into operation in the U.S. state of Oklahoma, from which Honda will receive 120 MW through a virtual power purchase agreement (VPPA). Honda will acquire and use renewable energy certificates corresponding to the amount supplied through the scheme to offset CO_2 emissions from its plants in Ohio, Indiana and Alabama.

In Japan, Honda has concluded agreements to purchase renewable energy-derived power generated by solar power systems installed within its factory premises and operated by a third party. A 3.8-MW system and a 2.0-MW system have commenced operation at the Kumamoto Factory and Saitama Factory's Yorii assembly plant, respectively.

Including these, Honda's business sites across the world used 804 GWh of power derived from renewable energy sources, such as solar and wind, in FY2022.

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


Kumamoto Factory (3.8 MW)


Saitama Factory's Yorii assembly plant (2.0 MW)


Boiling Springs Wind Farm (120 MW)

* Comparison with Saitama Factory's Sayama assembly plant

Efficient Utilization of Resources

Honda's Approach

Honda believes that the difficulty of obtaining or depletion of rare earth metals and other resources used in its products affects the procurement of components and raw materials necessary for manufacturing products and thus poses a significant risk to the Company's business continuity.

Therefore, Honda considers the efficient utilization of resources as 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.

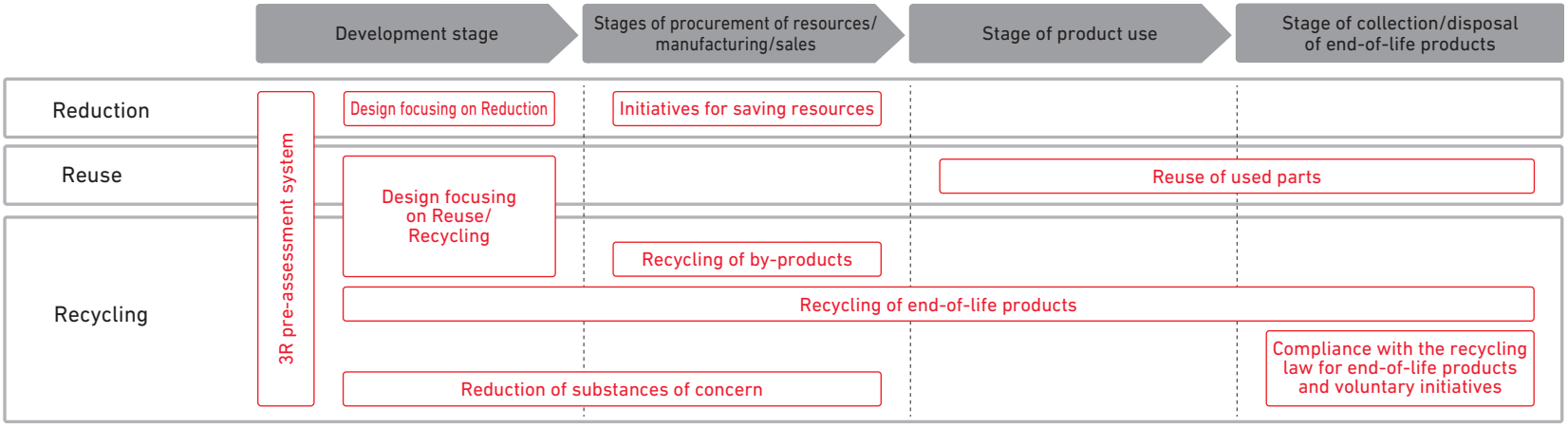
Giving consideration to the risks involved in resource depletion and waste disposal that could potentially lead to environmental pollution, Honda aims to reduce the overall amount of waste generation. Accordingly, the Company has set the goal of reducing the total waste generation by 14.5% as compared to BAU* in all corporate activities in FY2031 (equivalent to a 1.8% annual reduction of waste generation per unit of internal production from FY2019 levels).

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 (equivalent to a 1.8% annual reduction of industrial water intake per unit of internal production from FY2019 levels). In both areas of waste generation and water intake, the Company will remain committed to minimizing environmental impacts.

In April 2021, Honda also declared to achieve 100% use of sustainable materials by 2050 in order to take up a challenge of developing products made of sustainable materials with zero environmental impact.

Aiming for zero environmental impact 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 zero environmental impact related to resources and disposal



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

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 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, Honda labels 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 FY2022, Honda is maintaining more than 95% for both automobiles and motorcycles. Meanwhile, the recoverability rate for components/materials*2 used in power products was more than 95%.

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 FY2022, the Company collected and recycled approximately 138,000 end-of-life bumpers. Collected bumpers are recycled and used for undercovers 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.

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 FY2022, the number of Honda automobiles collected was approximately 420,000 for fluorocarbons (-4.8% from the previous fiscal year), approximately 430,000 for airbags (-4.0%) and approximately 480,000 for ASR (-2.9%). Recycling rates for gas generators and ASR were 95.3% and 96.6%, 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 1,359 Honda products in FY2022, which accounted for 66.2% of all units collected. The recycling rate of Honda products came to 97.5% 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 properly manages imports and exports of 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.

*1 Super Ultra Low Emission Vehicle
*2 Low Emission Vehicle
*3 A technology 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

Preservation of Clean Air

Honda's Approach

Honda recognizes that air pollution has been a critical issue since the 1960s and believes that 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.

To date, Honda has achieved cleaner exhaust emissions from motorcycles by switching the engines of all its motorcycles on the market to four strokes, with the Honda Programmed Fuel Injection (PGM-FI) system being applied to more than 80% of models sold worldwide for better combustion efficiency.

With regard to automobiles, the Accord Plug-in Hybrid has become the first in the world to certify to SULEV*1 20 of California's LEV III*2 emissions regulations, deemed to be the toughest in the world. Amid application and strengthening of exhaust emissions regulations in emerging countries, Honda is also promoting pre-emptive response 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 without using a catalyst.

Honda will continue to reduce harmful substances contained in exhaust emissions from internal combustion engines and expand its lineup of electrified vehicles that do not emit exhaust gas while in use.

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 has sought to reduce VOC emissions such as through the improvement of painting efficiency, installation of equipment to remove VOC and introduction of Honda Smart Ecological Paint*3, a highly functional painting technology that shortens the automobile painting process, at the Yorii assembly plant. Honda will continue to undertake these and other reduction efforts in the future.

Honda believes that providing products with high environmental performance at reasonable prices and leading the industry in terms of cleaner exhaust emissions and air pollution response will serve to preserve clean air and bring about a greater opportunity for business expansion.

TOPICS

Launching a Battery Sharing Service in India for Electric Rickshaws

India as a whole is committed to increasing the use of renewable energy, placing a specific emphasis on the electrification in the transportation sector, which accounts for about 20% of the country's GHG emissions. More than 8 million rickshaws (three-wheeled taxis) are owned and used by people in the country as their daily means of transportation. In addition, rickshaws operated in urban areas, in particular, mainly run on compressed natural gas and pose a significant challenge in promoting electrification.

As a response, Honda plans to initiate a battery sharing service for rickshaws, using its removable Honda Mobile Power Pack e: batteries in the first half of FY2023. Currently, electric means of mobility has the three issues of short cruising distance, long charging time and high battery cost. The battery sharing service for rickshaws has solved these issues by making the batteries replaceable. The service allows users to replace used units with fully charged ones at the nearest battery replacement station, eliminating their worry about running out of power and greatly reducing the risk of losing customers while recharging.

E-auto rickshaw and Honda Mobile Power Pack Exchanger e: (for which mass production is planned)

environment

Other Important Issues

Conserving Water Resources

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

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

In addition, to minimize water intake, various business sites are implementing initiatives based on regional circumstances, such as the utilization of recycled water and water conservation.

Honda verifies water risk for all production sites by using such assessment tools as Aqueduct and Water Risk Filter. Accordingly, Honda has prioritized the introduction of a water recycling system to the Celaya Auto Plant of Honda de Mexico S.A. de C.V. in Mexico, the Tapukara Plant of Honda Cars India Ltd. in India and the No. 2 Plant of Guangqi Honda Automobile Co., Ltd. in China, where water risk is particularly high.

Total consumption of recycled water at production sites amounts to 3.6 million m^3 a year, which accounts for about 15% of Honda's total annual water use.

Honda will continue to examine the installation of a water recycling system around the world as necessary.

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.

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

"Forest watersheds" (Japanese only)

> https://www.honda.co.jp/philanthropy/forest/report/chichibu/

Other Important Issues

Biodiversity Conservation

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

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

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

Honda recognizes the emissions of GHGs and various other pollutants as two of the greatest impacts of business activities that threaten biodiversity. Honda also believes that waste, land use and water use affect biodiversity.

The Company has set priorities under the Guidelines and is working systematically to minimize these impacts on biodiversity. 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.

Honda is considering assessing the factors that have an impact on biodiversity by expanding the scope of assessment to the entire product life cycle, from mining of raw materials to product disposal.

PDF

Honda Biodiversity Guidelines

> https://www.honda.co.jp/environment/report/pdf/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 the management of chemical substances via MoCS. As an example, for all new and redesigned vehicles sold in Japan in FY2022, components that do not use mercury were chosen for combination meters. The Company not only complies with laws and regulations in each country but also strives to eliminate the use of mercury on a voluntary basis.

Other Important Issues

Promoting Life-Cycle Assessment (LCA)

Honda has been quantitatively calculating and assessing CO_2 emissions from all business activities by using its original life-cycle assessment (LCA) system. Accordingly, production, purchasing, sales and service, administration and transportation departments have been carrying out activities geared toward lower carbon emissions.

Honda recognizes that the promotion of LCA is an important initiative not just in reducing CO_2 emissions across product life cycles, from raw material procurement to product disposal, but also in implementing efforts for Triple Action to ZERO.

In the future, Honda will utilize LCA more broadly while making more proactive efforts in devising low-carbon solutions at the development stage and also reducing environmental impact through resource circulation.

Environmental Data

Scope of Consolidation

Environmental data are provided on pages 73 to 78 for the year ended March 31, 2022 from Honda Motor Co., Ltd. and 407 consolidated subsidiaries and affiliated companies in Japan and outside Japan (as of December 31, 2021).

Honda GHG Emissions in FY2022

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*1, 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.

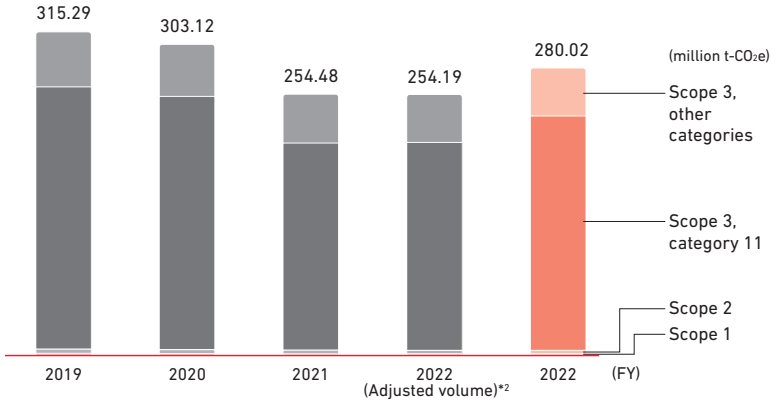
Honda continues to calculate and report its GHG emissions from its entire value chain and is making improvements to get a more accurate reading of emissions. The Company is doing this in Scope 3 (other indirect emissions), for example, by widening the boundaries of data collection for categories that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

In due consideration of the actual results of FY2022, the scope of calculation for Scope 3, category 11 has been extended from about 90% of global sales volume to approximately all in total.

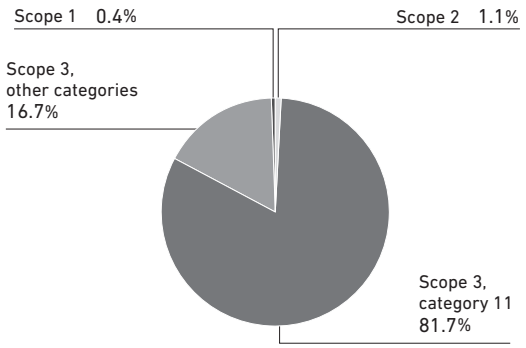
The conditions used in calculating figures such as annual mileage and lifetime years of use have been changed and are now based on the newer IEA Mobility Model (MoMo) instead of the conventional IEA SMP Model (⇒ p. 73).

The calculations for FY2022 show that GHG emissions from Honda business activities were 4.30 million t- CO_2e, and total emissions from the value chain, including other indirect emissions, were 280.02 million t- CO_2e. 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 FY2022 GHG emissions



*1 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).
*2 FY2022 figure (Adjusted volume) is calculated by Honda using the conditions applied until FY2021.

environment

Environmental Data

Honda's total GHG emissions

(million t-CO_2e)

			FY2019	FY2020	FY2021	FY2022
GHG emissions from the entire Honda value chain		(Scopes 1, 2 and 3)	315.29	303.12	254.48	**280.02**
Breakdown	Direct emissions from business activities	(Scope 1)	1.38	1.24	1.12	**1.16** ☑
	Indirect emissions from energy use	(Scope 2)	4.09	3.79	3.38	**3.14** ☑
	Emissions from Honda business activities	(Total of Scopes 1 and 2)	5.47	5.03	4.50	**4.30**
	Emissions from customer use of sold products	(Scope 3, category 11)	256.10	247.25	202.21	**228.87** ☑
	Other emissions	(Scope 3, other categories)	53.72	50.84	47.77	**46.85**
	Other indirect emissions	(Total of Scope 3)	309.82	298.09	249.98	**275.72**

- 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 indirectly 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 all motorcycles, automobiles, power products and aircraft sold worldwide under the Honda brand name*. These emissions are calculated using the following formula for each model and adding the results: CO_2 emissions intensity x Annual distance traveled or Annual usage in hours x Product lifetime in years x Annual unit sales.
  - CO_2 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, "MoMo," etc.
  - CO_2 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.
- 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.

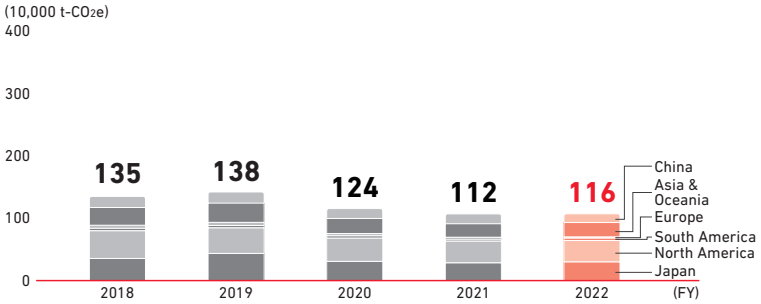
* Excluding all-terrain vehicles (ATVs)

environment

Environmental Data

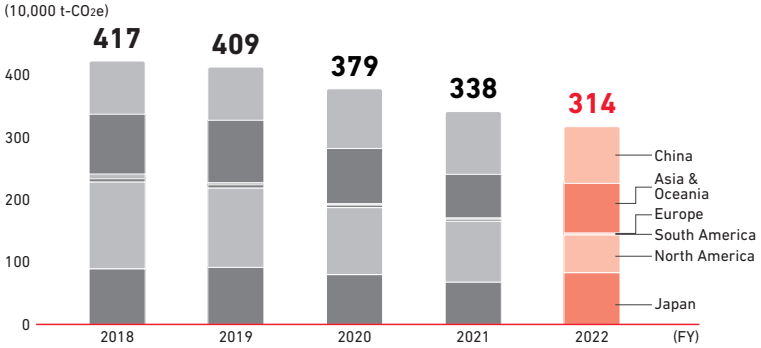
GHG emissions

Direct emissions (Scope 1) ☑



Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
Calculation method: Emissions amount = Σ [Volume of fuel usage x CO_2 emission factor] + CO_2 emissions from non-energy sources + Σ [Volume of non-CO_2 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

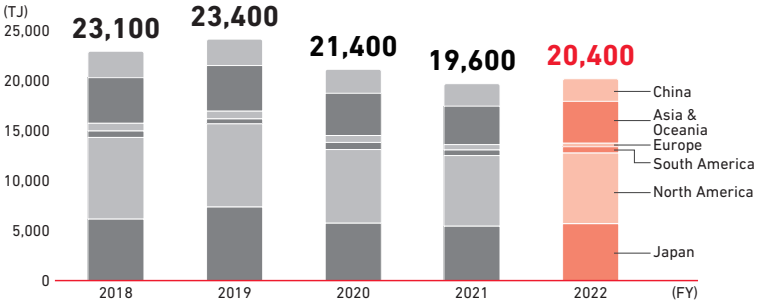
Indirect emissions (Scope 2) ☑



Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group
Calculation method: Emissions amount = Σ (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 are based on the Act on Promotion of Global Warming Countermeasures.
- Expressed in three significant digits

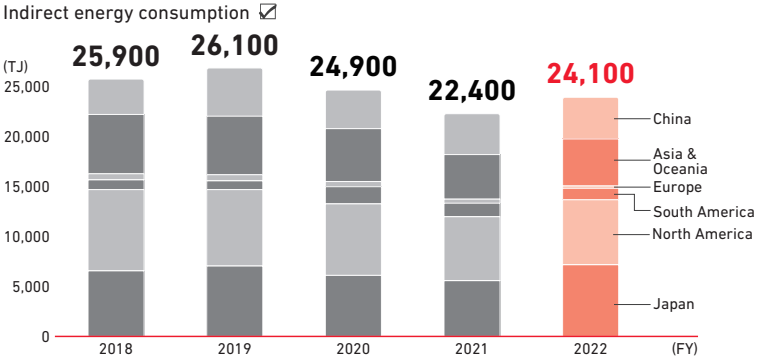
Energy consumption

Direct energy consumption ☑



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

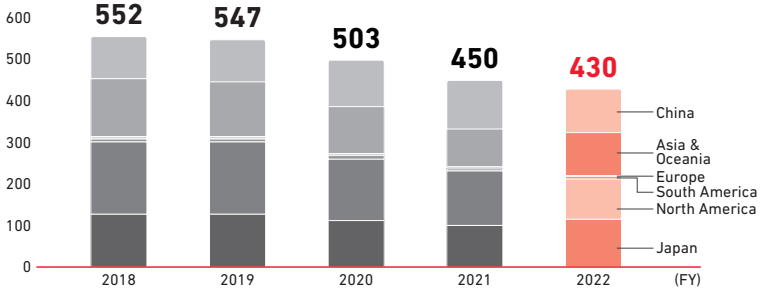
Indirect energy consumption ☑



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

Environmental Data

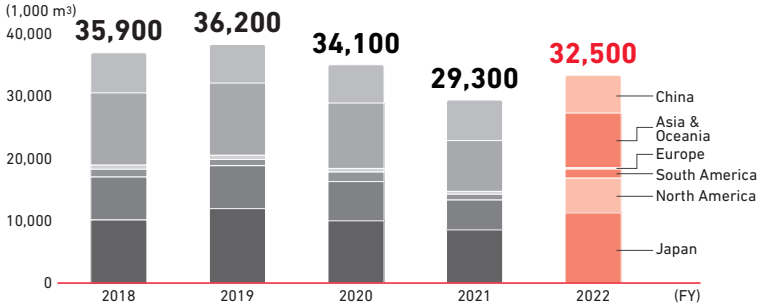
Total GHG emissions (Scope 1 and 2) ☑



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

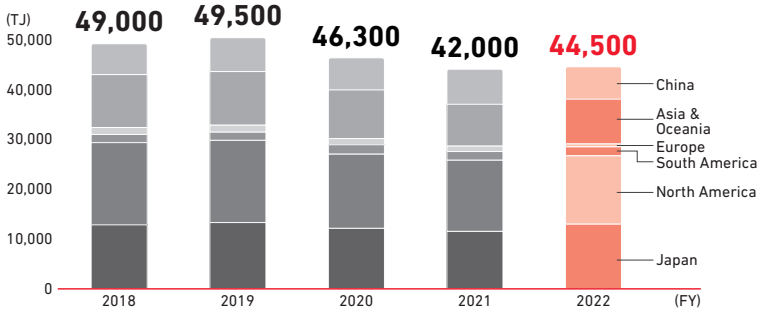
Water intake/Wastewater volume

Amount of water intake ☑



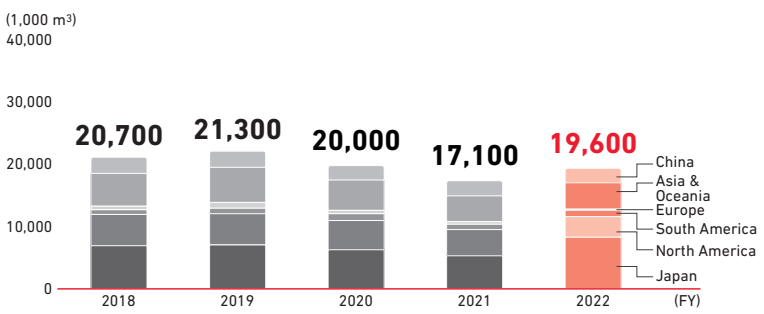
Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
Calculation method: Amount of water intake = Σ (Purchased from the water facilities + Groundwater intake + Rainwater utilization amount + Surface such as rivers water intake)
• Expressed in three significant digits

Total energy consumption ☑



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

Wastewater volume ☑

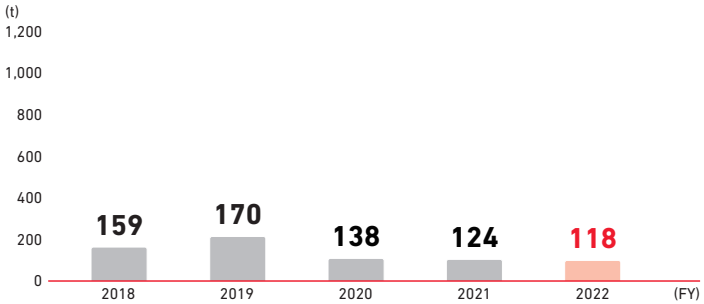


Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
Calculation method: Volume amount = Σ (Wastewater processed by other companies + Discharge directly into public waters)
• Figures include some estimated values.
•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

Environmental Data

Atmospheric pollutants

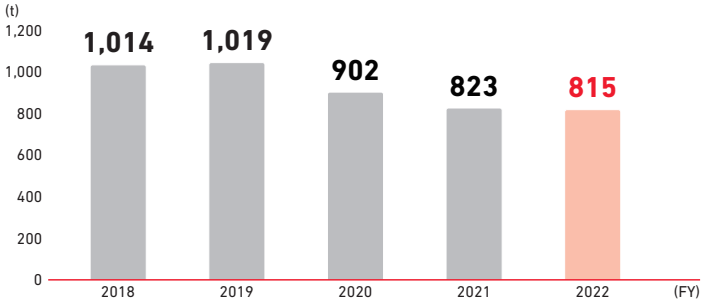
SOx emissions ☑



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 ☑

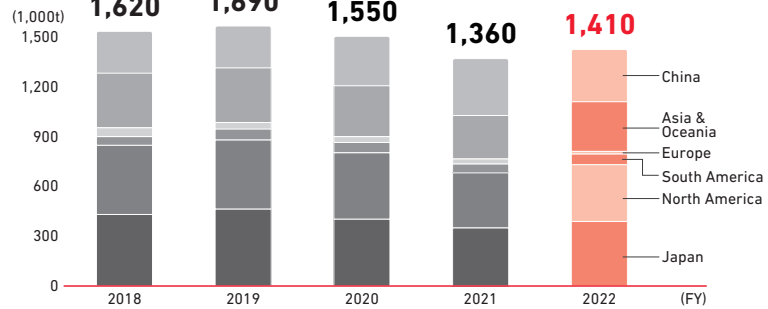


Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
Calculation method: Emissions amount = Σ (Fuel consumption x Emission factor for each fuel)
- Calculations are based on fuel consumption.

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

Environmental Data

Cost of environmental conservation activities and investments in FY2022

FY2022

Category		Major activities and investments	Investments (millions of yen)	Expenditures (millions of yen)
Business area costs	Pollution prevention costs	● Air, water, and soil pollution prevention	70	200
	Global environmental conservation costs	● Global warming mitigation, ozone depletion prevention and other conservation activities	866	356
	Recycling costs	● Waste processing, treatment, reduction, elimination and recycling	26	591
Upstream/ downstream costs		● Collection, recycling, resale and proper disposal of products manufactured and sold ● Industry organization and other membership fees	0	768
Management costs		● 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)	60	2,237
Research and development costs		● Research, development, planning and design for impact reductions across product life cycles (R&D costs for advanced eco-cars, including EVs and PHVs)	7,575	295,836
Local conservation costs		● 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	126
Environmental damage costs		● Remediation of polluted soil	0	1
Total			8,597	300,115

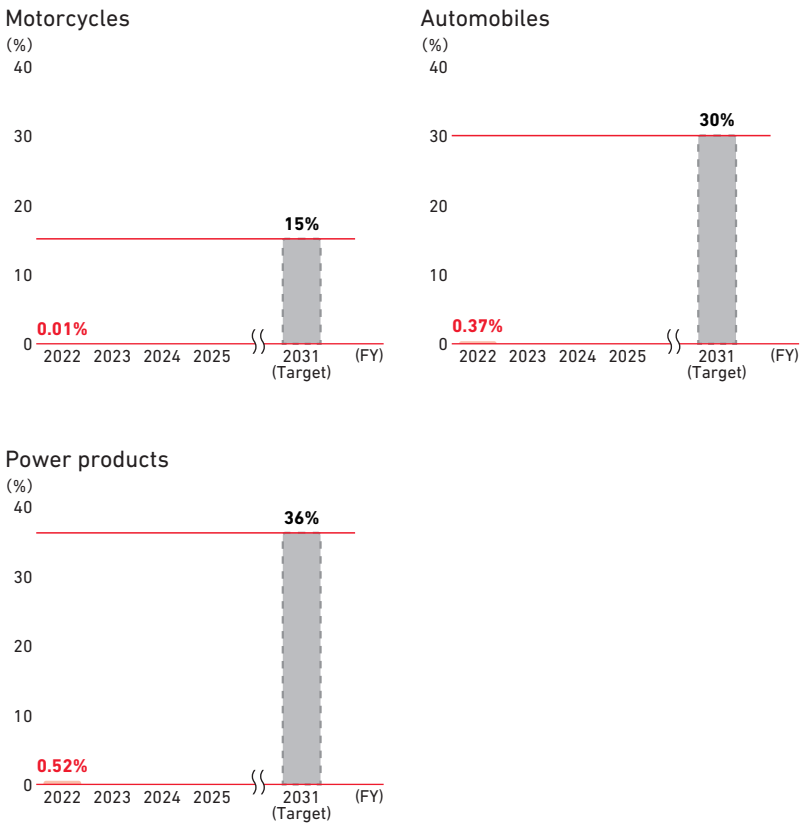
- Companies covered: Honda Motor Co., Ltd., Honda R&D Co., Ltd. and Honda Access Corporation
- Accounting period: April 1, 2021 to March 31, 2022
- Some figures are estimated values.
- Guidelines, guidebooks and other environmental accounting publications by Japan's Ministry of the Environment were used as references.
- Figures were calculated on a cash-flow basis with depreciation and amortization expenses excluded.

Economic benefits (Effect on revenue and expenses)

FY2022 (millions of yen)

Income from sale of valuable waste materials		7,125
Cost reductions from saved energy	Installed technologies	33
	Behavioral changes, etc.	36
Total		7,194

Sales ratio of electrified products



environment

Environmental Data

Global Number of HEPS-compliant models