

HONDA

Honda Sustainability Report 2020



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Editorial Policy

● Organizations covered

This report covers the entire Honda Group, which consists of Honda Motor Co., Ltd. and its 430 group companies in and outside Japan (comprising 357 consolidated subsidiaries and 73 affiliated companies accounted for by the equity method). Sections that do not cover the entire Honda Group are indicated as such with a reference to the specific scope. Furthermore, unless the context otherwise requires, the terms "we," "us," "our," "Company" and "Honda" as used in this Sustainability Report each refer to the Honda Group.

● Period covered

This report focuses primarily on the activities undertaken during FY2020 (April 1, 2019 – March 31, 2020), and also includes past background information and activities conducted up to the time of publication, as well as other matters including future outlook and plans.

● Standards

This report has been prepared in accordance with the GRI Standards: Comprehensive option. For details, please refer to the GRI Content Index (⇒ p. 159).

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

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



editorial policy

● Assurance

The environmental data indicated with for the year ended March 31, 2020 received the independent practitioner's assurance.

● Accounting standards

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

● Date of publication

Publication of this report: July 2020

Planned publication of next report: June 2021
Honda releases a Sustainability Report every year.

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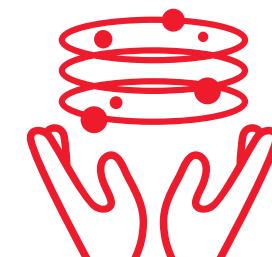
● Published by

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

● Cover page pictogram

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

Three Ellipses = "Creating the Joys," "Expanding the Joys" and "Ensuring the Joys for the Next Generation" (⇒ p. 15)
Six Precise Circles = Motorcycles, Automobiles, Life Creation and New Businesses for the future (⇒ p. 07)
Supporting Hands = The desire of stakeholders who empathize with Honda's initiatives (⇒ p. 29)



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Disclaimer

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

Message from the President and CEO



“Strong Products, Strong *Mono-zukuri* (the Art of Manufacturing) and Strong Businesses” and “Serving People Worldwide with the ‘Joy of Expanding Their Life’s Potential’” — Pursuing these objectives with the aim of resolving social issues to achieve sustainable growth and evolution

Message from the President and CEO

On behalf of Honda, I would like to express our gratitude for your cooperation and tremendous support for our activities.

During 2019, we succeeded in bringing joy to approximately 30 million customers worldwide by offering attractive products and services across all our businesses, including motorcycles, automobiles, life creation, aircraft and aircraft engines.

In 2017, we adopted the 2030 Vision. To embody its main statement, "Serve people worldwide with the 'joy of expanding their life's potential,'" we are currently solidifying our existing businesses and plant seeds for future growth. Then, in 2019, we announced the direction we plan to take over the medium and long terms for initiatives to achieve the 2030 Vision.

Those initiatives are focused mainly on realizing three technologies: 1) carbon-free technology needed to realize a sustainable society; 2) collision-free technology seeking to eliminate collisions; and 3) Honda eMaaS technology to expand life potential.

At Honda, we go beyond promoting the evolution of mobility. We have also been developing relevant technologies in the energy and robotics fields. By connecting the technologies, we have accumulated in these fields with mobility services and our daily lives, we aim to form a business ecosystem that integrates mobility and energy throughout society. For more details, please refer to the section entitled "Direction for Realizing the 2030 Vision" (\Rightarrow p. 18) of this report.

In April 2020, we transformed our operational structure to accelerate our efforts to solidify our existing businesses and plant seeds for future growth. Details are provided in the section entitled "Changes in Operating System in Business Domains and R&D Domains" (\Rightarrow p. 12) of this report.

Under our new operating system, we intend to bolster operations in each domain to achieve "strong products, strong mono-zukuri and strong businesses." At the same time, we will step up our efforts to provide solutions to social issues, which we have been consistently pursuing since our founding. This is how we will seek to achieve sustainable growth and evolution.

The COVID-19 pandemic has brought great change to the world, and our corporate activities at Honda are affected in many ways. We expect that the pandemic will continue to shift people's values significantly, with the potential to remake society.

While the future remains uncertain and hard to forecast, we intend to steadily implement our ongoing initiatives. And in the new post-COVID-19 world we will remain committed to serving people worldwide with the "joy of expanding their life's potential" through our products and services. That, I believe, is our mission at Honda.

Even at the time of great global change, we will ensure that we achieve our sustainable growth into the future through our focus on the environmental, social and governance (ESG) realm. In this report, we also introduce our initiatives for contributing to the United Nations' Sustainable Development Goals (SDGs) in addition to those taken from an ESG perspective (\Rightarrow p. 25).

At this pivotal moment in history, you can look forward to Honda achieving sustainable growth and evolving together with society.



President and
Representative Director
Chief Executive Officer

Honda Philosophy

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

The Philosophy is more than mere words. Every person in the Company is responsible for continually putting it into practice. That is why Honda incorporates the Philosophy into training programs for its associates and gives it life by turning it into action, from everyday business activities to management decision-making.

Additionally, Honda adheres to a corporate culture of "Free and Open, Challenge, Co-evolution." This means, in other words, "taking up challenges without fear of failure, unshackled by conventional thinking, and with a foundation of teamwork built on trust." Our corporate activities leverage this corporate culture.

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

3 philosophy



Fundamental Beliefs

Respect for the Individual

Initiative

Initiative means not to be bound by preconceived ideas, but think creatively and act on your own initiative and judgment, while understanding that you must take responsibility for the results of those actions.

Equality

Equality means to recognize and respect individual differences in one another and treat each other fairly. Our company is committed to this principle and to creating equal opportunities for each individual. An individual's race, sex, age, religion, national origin, educational background, and social or economic status have no bearing on the individual's opportunities.

Trust

The relationship among associates at Honda should be based on mutual trust. Trust is created by recognizing each other as individuals, helping out where others are deficient, accepting help where we are deficient, sharing our knowledge, and making a sincere effort to fulfill our responsibilities.

The Three Joys

The joy of buying

The joy of buying is achieved through providing products and services that exceed the needs and expectations of each customer.

The joy of selling

The joy of selling occurs when those who are engaged in selling and servicing Honda products develop relationships with a customer based on mutual trust. Through this relationship, Honda associates, dealers and distributors experience pride and joy in satisfying the customer and in representing Honda to the customer.

The joy of creating

The joy of creating occurs when Honda associates and suppliers involved in the design, development, engineering and manufacturing of Honda products recognize a sense of joy in our customers and dealers. The joy of creating occurs when quality products exceed expectations and we experience pride in a job well done.

Company Principle

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

Management Policies

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

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



4

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Overview of Honda

Business Domains

Principal Businesses Segments

Motorcycles

Motorcycles represent the origin of both Honda's "mono-zukuri (the art of manufacturing)" and business. Under the philosophy of "building products close to the customer," Honda has practiced mono-zukuri rooted in each country and region. The Company now sells more than 20 million motorcycles each year worldwide, and in December 2019 reached cumulative global production of 400 million units. Honda provides the joy of mobility and a fun riding experience with its diverse array of models: the Super Cub, which has been sold in more than 130 countries and is the most widely used motorcycle in the world; commuter models providing a means of transportation for people's daily lives; and super sports models that offer the excitement of riding a MotoGP-class motorcycle on public roads.

As a way to respond to the growing global concerns about environmental issues, Honda has also released the Benly e: series of electric motorized scooters. In this way, Honda remains committed to meeting the expectations of customers worldwide and opening up new frontiers for the motorcycle market, thus becoming a driving force in the global motorcycle industry.



CT125 Hunter Cub leisure-oriented model in the Super Cub series



CBR1000RR-R Fireblade SP large super sports model

Automobiles

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

Honda has been working to achieve the target of electrifying two-thirds of its global automobile sales by 2030. Recent initiatives include the release of the Honda e electric vehicle, designed for a society that is connected via energy. This model is equipped with Honda Personal Assistant, a stress-free voice recognition service. Another example is the adoption of a two-motor hybrid system, which had previously been used on medium-sized vehicles, in the Jazz/Fit compact model.

Additionally, Honda has been actively engaged in research and developing automated driving technologies to improve the performance of its Honda Sensing, a safety and driver-assistance system, as part of its ongoing efforts to realize a collision-free mobile society.



Honda e electric vehicle



New Fit model equipped with a two-motor hybrid system

Overview of Honda

Business Domains

Life Creation

As part of its Power Products Business, Honda has provided a diverse range of items, including general-purpose engines, tillers, generators, snow throwers, lawnmowers, pumps and outboard engines. Cumulative global production of power products reached 150 million units in September 2019, and to date customers in more than 50 countries have selected Honda's products.

Recently, Honda announced a professional-use, electrified power unit offering the same levels of reliability and installation compatibility as the GX series of engines, which are regarded as the world standard power source for various types of commercial-grade work equipment. For general customers, Honda now offers a cordless lawnmower and has been rapidly expanding its lineup of electrified products that are easier to use, quiet to operate and environmentally friendly.

In April 2019, Honda changed the name of the Power Products Business to the Life Creation Business, to expand its domain to include energy and other new businesses for the future. In the energy field, Honda will push ahead with vehicle-to-grid* (V2G) field tests to use electric vehicles (EV) as a temporary electric storage and discharge device to help stabilize power supply. By doing so, Honda seeks to realize an enriched and sustainable society.

*A system to connect EVs and other plug-in vehicles to the power grid and use electricity stored in their batteries to adjust the grid's demand and supply balance.



HRG416 cordless lawnmower



HRG416 XB cordless lawnmower



GX160 general-purpose engine



eGX electrified power unit

Aircraft and Aircraft Engines

The development of aircraft and aircraft engines has been an important R&D theme since the establishment in 1986 of the Wako Center, which engages in research on basic technologies, and a dream since the founding of Honda itself. The resulting HondaJet is noteworthy for its main wing airfoil and fuselage nose shape, which features Honda's original Natural Laminar Flow (NLF) to reduce aerodynamic drag, as well as its revolutionary Over-The-Wing Engine Mount (OTWEM) design. A proof-of-concept version of the HondaJet, fitted with the HF118, a high-efficiency turbofan engine originally and wholly designed by Honda, made its first flight in 2003 and demonstrated the highest flight performance in its class. Subsequently, Honda established Honda Aircraft Company in the U.S. state of North Carolina to develop and manufacture the HondaJet. Separately from this, Honda also worked on the engine for the aircraft. In collaboration with General Electric (GE), Honda began developing and manufacturing the GE Honda HF120 production model engine. A production version of the HondaJet finally reached the market in 2015, followed by the release of an upgraded version, the HondaJet Elite, in 2018.

The HondaJet is a fusion of its beautiful and unique fuselage design, innovative aerodynamic and structural technologies and highly efficient engine. The fusion has led to excellent fuel efficiency, high flight performance, a more spacious cabin (about 30% larger than that of other companies' equivalent models), less noise and greater maneuverability. These and other features earned high marks, and as a result, the HondaJet became the most delivered aircraft* in the very light jet category for the third consecutive year since 2017.

*Survey by the General Aviation Manufacturers Association (GAMA).



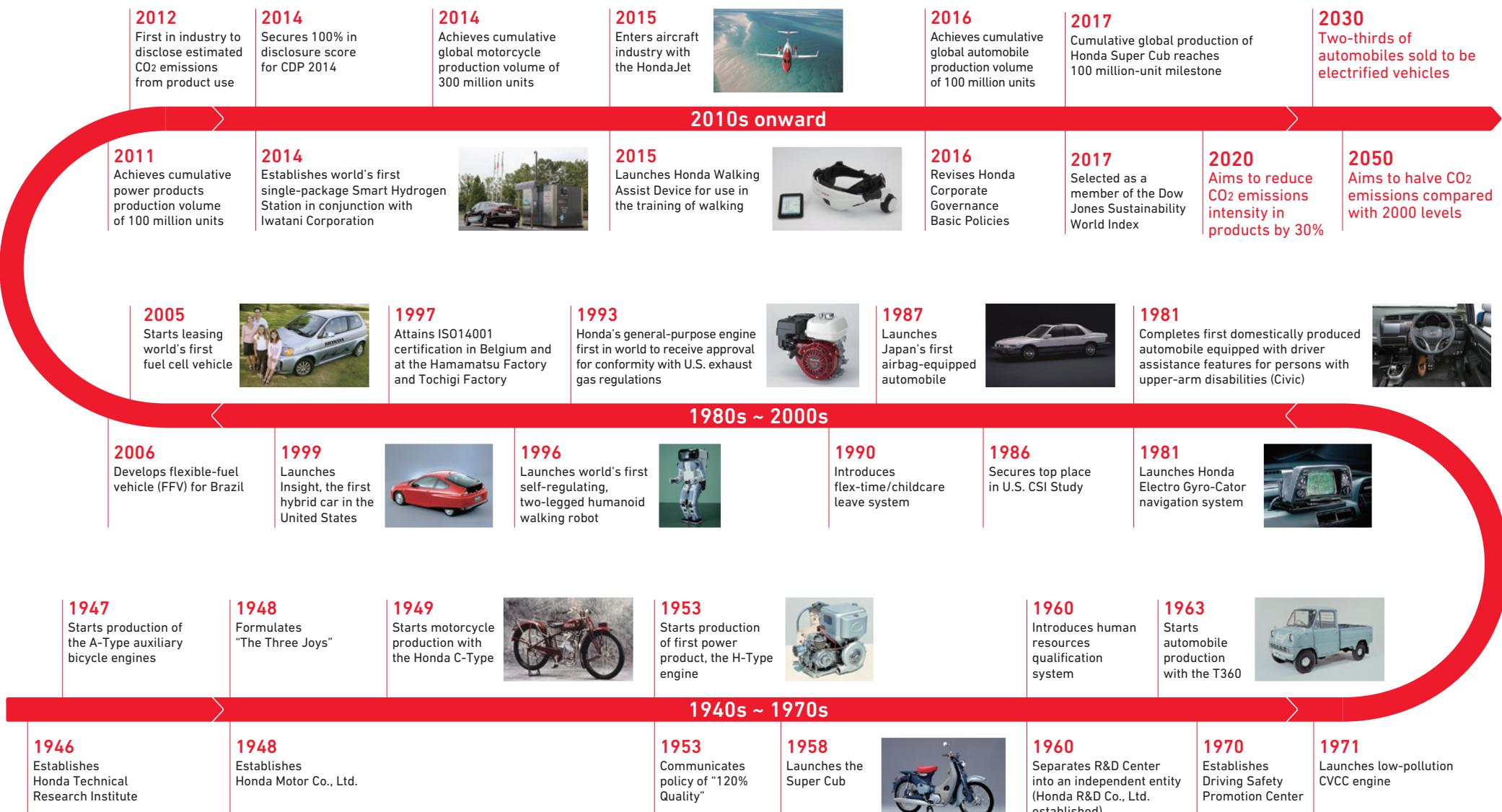
HondaJet Elite

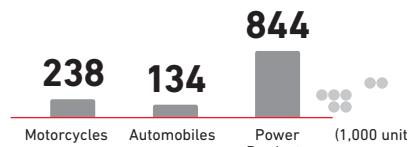


HF120 turbofan engine

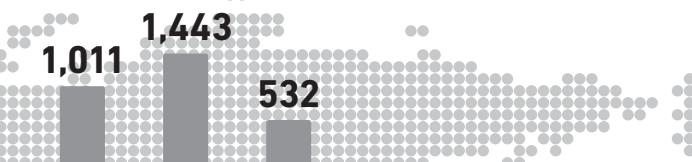
Overview of Honda

Value Creation History

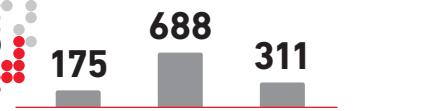


Overview of Honda**Unit Sales and Principal Operation Bases****Europe**

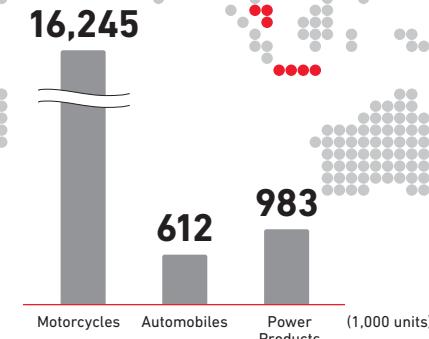
Regional headquarters:
Honda Motor Europe Ltd. (U.K.)

**China**

Regional headquarters:
Honda Motor (China) Investment Co., Ltd. (Beijing)

**Japan**

Regional headquarters:
Honda Motor Co., Ltd. (Tokyo)

**Africa & Middle East****Asia & Oceania**

Regional headquarters: Asian Honda Motor Co., Ltd. (Thailand)

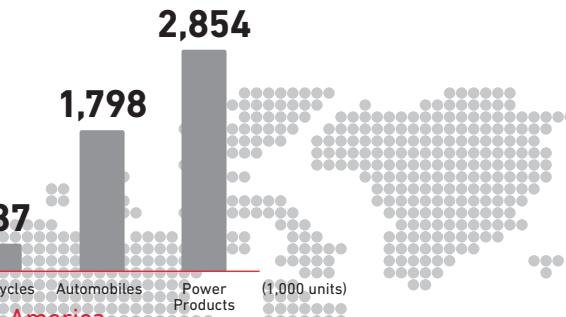
Company name: Honda Motor Co., Ltd.

Established: September 1948

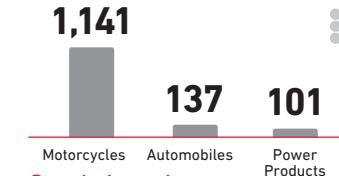
President and Representative Director, CEO: Takahiro Hachigo

Capital: 86,067 million yen (as of March 31, 2020)

**Joy of mobility to 29.8 million people
transcending national borders**

**North America**

Regional headquarters: Honda North America, Inc. (U.S.A.)

**South America**

Regional headquarters:
Honda South America Ltda. (Brazil)

• The graphs show unit sales (retail) of motorcycles, automobiles and power products (in units of 1,000) for FY2020 (April 2019 to March 2020).

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

Overview of Honda

Matrix Management System

Organizational Operating System

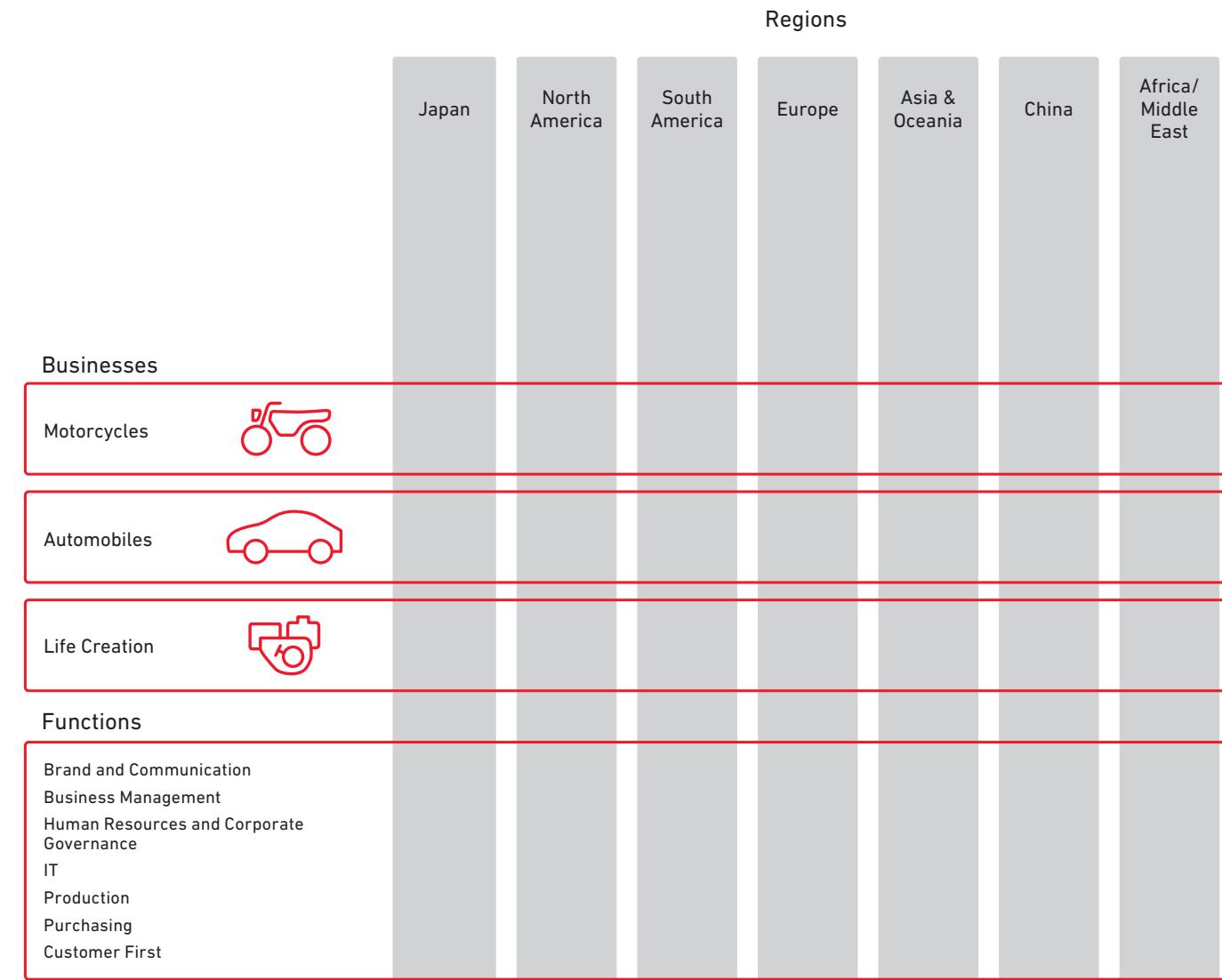
Honda employs a matrix management system. In this matrix, the vertical axis represents the organizations for each region, while the horizontal axis denotes individual businesses.

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

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

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

In addition, R&D activities targeting products and technologies with new value, as well as products in the Life Creation Business, are conducted mainly by Honda R&D Co., Ltd., which is an independent subsidiary of the Company, and its subsidiaries. Honda aims to use cutting-edge technology to create new value that is distinctive and internationally competitive.



Overview of Honda

Matrix Management System

Changes in Operating System in Business Domains and R&D Domains

Striving to fulfill its 2030 Vision, Honda has been taking steps to solidify its existing business while preparing for future growth. To accelerate these initiatives, Honda made changes to its organizational and operational structures in April 2020.

Changes Made to the Operational Structure for the Automobile Business

Honda has made changes to the structure of its automobile business operations in Japan in order to accelerate ongoing initiatives to bolster its automobile business and realize "strong products, strong *mono-zukuri* (the art of manufacturing) and strong businesses," which are essential for the future growth of Honda.

Honda's automobile business was operated with a collaborative structure in which each area of S-E-D-B (Sales, Engineering/production, Development and Buying/purchasing) maintained autonomy and worked in collaboration. Honda shifted from this collaborative structure to a unified structure that integrates the S-E-D-B areas. This change will enable Honda to develop business strategies based on a big-picture view of the entire automobile business, and realize product development based on more precise planning. Moreover, with this unified structure Honda will further advance its *mono-zukuri* with an efficient operation that integrates the entire process from development through mass production.

- The following organizations/functions have been integrated into Automobile Operations:
 - Honda Motor Co., Ltd. Production Operations, Purchasing Operations and automobile business functions assumed by Business Management Operations.
 - Honda R&D Co., Ltd. functions related to the development of automobile products, except for product design and a few other functions.
 - Honda Engineering Co., Ltd. functions related to the development of automobile manufacturing technologies and the production of automobile manufacturing equipment.
- All S-E-D-B areas, separated by their respective functions, have been integrated into Automobile Operations and reorganized into the following, based on the new process of operations:
 - Business Supervisory Unit: develops business strategies that flexibly addresses changes in the business environment.
 - Mono-zukuri Center: develops competitive products by advancing Honda's art of automobile manufacturing.
 - Production Supervisory Unit: responsible for automobile production as well as the production quality control and high-level equalization of quality on a global basis.
 - Supply Chain Management Supervisory Unit: plans and implements the supply chain optimized for the business strategies.

- Sales Supervisory Unit: develops and executes sales and marketing strategies that are unified with Regional Operations.

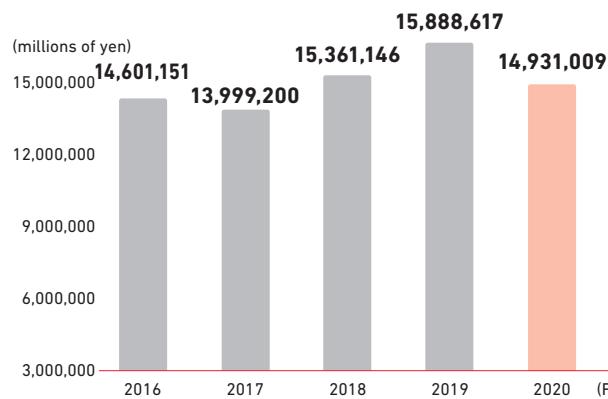
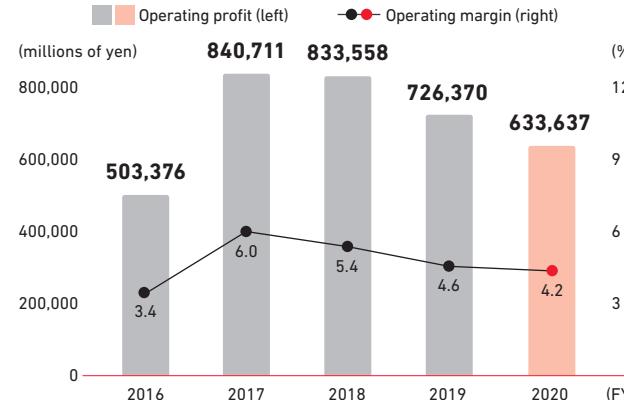
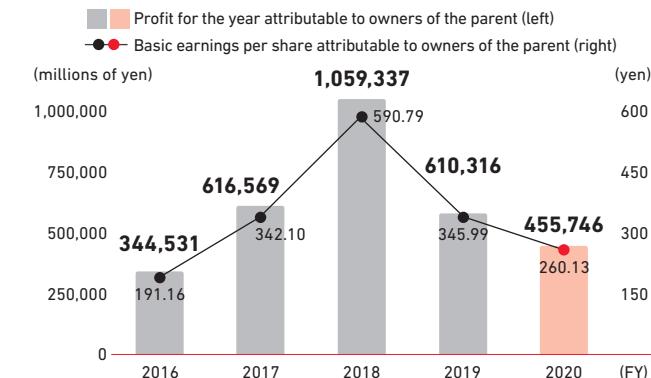
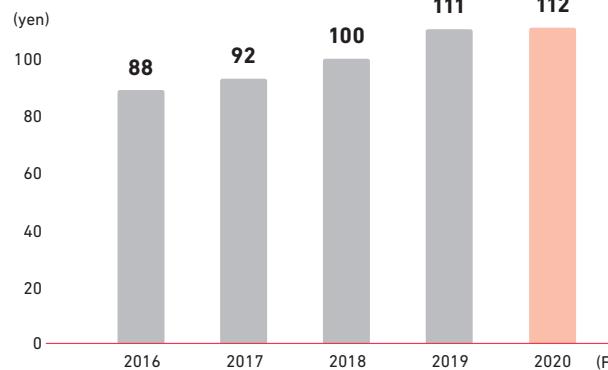
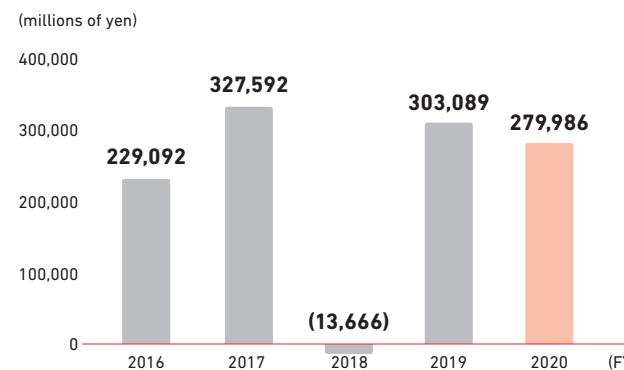
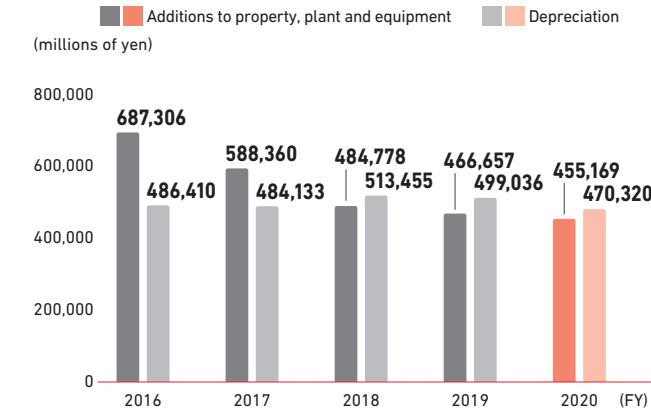
- The position of Business Unit Officer has been created, with responsibility for supervising the overall process from planning through to the launch of mass production for each model series.
- With these organizational changes, Production Operations and Purchasing Operations have been strategically disbanded. After Honda Engineering Co., Ltd. transferred certain production technology research and development functions to Honda R&D Co., Ltd., it was absorbed and merged into Honda Motor Co., Ltd.

Changes Made to the Organizational Structure of Honda R&D Co., Ltd.

Honda R&D Co., Ltd. has refined its organizational structure to further strengthen its initiatives to "create new value by exploring unknown worlds," the original purpose of the establishment of Honda R&D. (⇒ p. 33)

Changes Made to the Operational Structure for Connected Car and MaaS Business

- To accelerate its ongoing initiatives to create new businesses based on next-generation services, Honda has integrated all functions related to connected car services and eMaaS strategy planning, development and business implementation, which were assumed by individual businesses, and has set up MaaS Operations within Honda Motor Co., Ltd. The new MaaS Operations will plan and develop new services that leverage Honda's unique strengths in having a broad range of businesses and products, including motorcycles, automobiles and life creation products. At the same time, MaaS Operations will accelerate the commercialization of next-generation services by increasing the speed of its decision-making.
- Effective February 18, 2020, Honda Motor Co., Ltd. also established a new company, Honda Mobility Solutions Co., Ltd., which will pursue the mobility services (MaaS) business in Japan.

Overview of Honda**Financial Highlights****Sales revenue****Operating profit/Operating margin****Profit for the year attributable to owners of the parent/
Basic earnings per share attributable to owners of the parent****Dividend per share****Income tax expense****Additions to property, plant and equipment/Depreciation**

5 Strategy

Material Issues

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



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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 that society wants to exist" as its direction for the 21st century. It is also advancing initiatives known as "Creating the Joys," "Expanding the Joys" and "Ensuring the Joys for the Next Generation."

Direction for the 21st Century

Aiming to be a "company that society wants to exist"

[Guidelines]

Creating the Joys | Expanding the Joys | Ensuring the Joys for the Next Generation

2030 Vision

(⇒ p.17)

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—

Medium- and long-term strategies

Fiscal year plan

Honda Philosophy

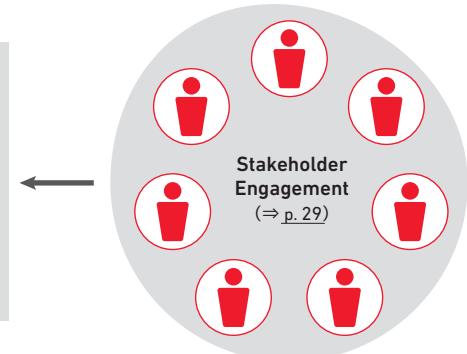
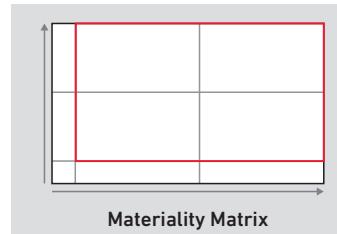
(⇒ p.05)

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.

Reflecting in Management



5 Strategy

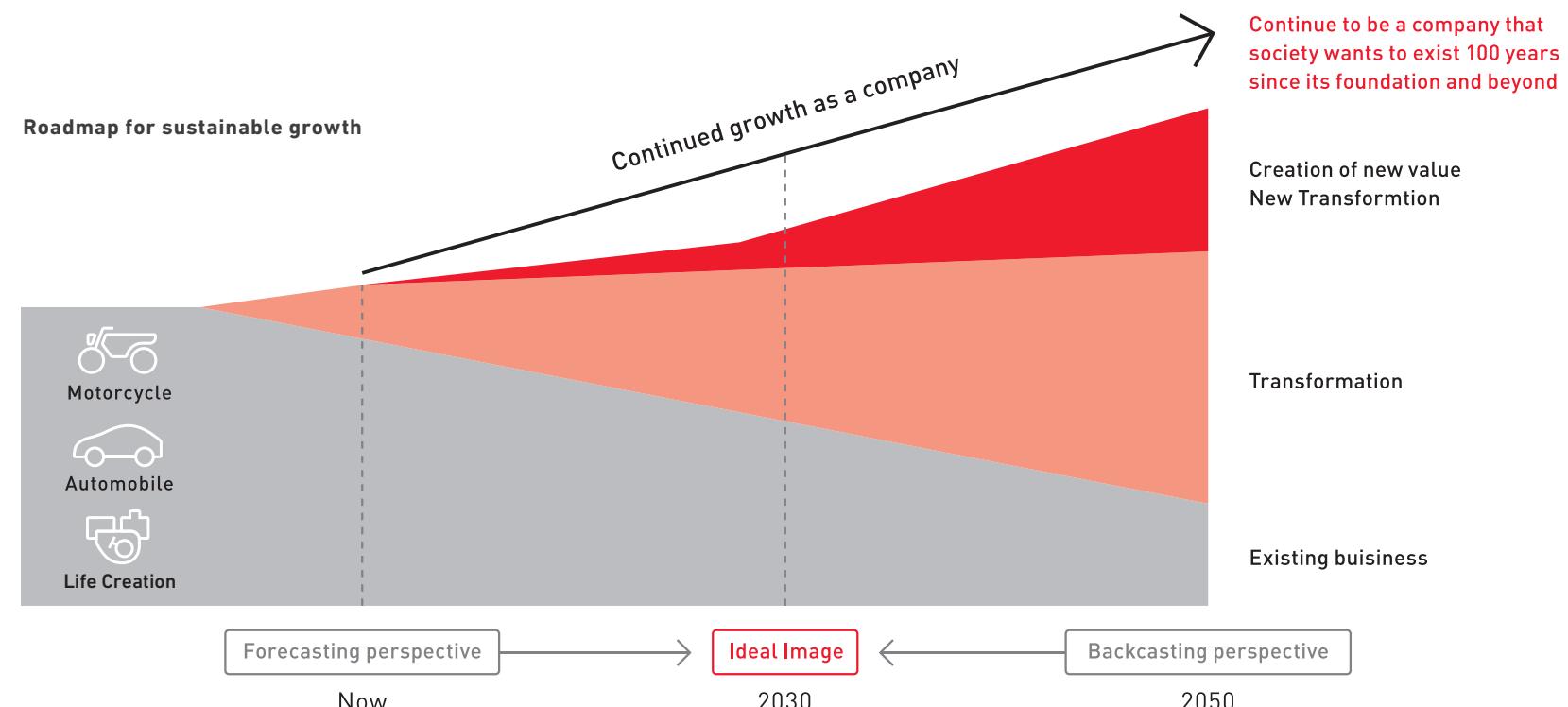
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Roadmap for Sustainable Growth

Honda must consider numerous social issues that have been much discussed, including poverty and refugee problems, human rights issues, climate change, energy problems, 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 that 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 life creation 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."



5 Strategy

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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》
Creating value for
"mobility" and "daily lives"

- Provide people the joy and freedom of mobility
- Provide people the joy of making their lives better

《Expanding the Joys》
Accommodate the different
characteristics of people and society

- Provide the ideal products and services that fulfill societies' expectations and meet individual needs

《Ensuring the Joys for the Next Generation》
Toward a clean and safe/
secure society

- 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

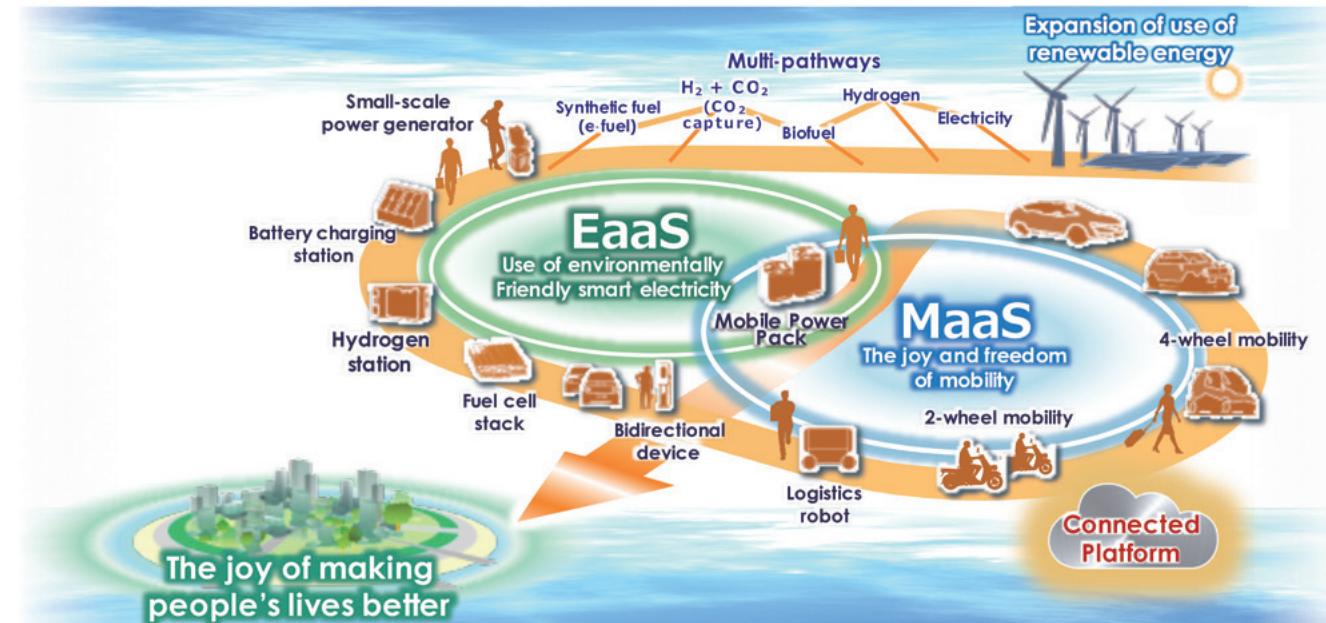
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Direction for Realizing the 2030 Vision**Aiming for More Fulfilling Mobility and Livelihood****Honda eMaaS**

Honda eMaaS is a service to seamlessly connect the mobility and daily lives of customers through mobility services (MaaS^{*1}) and energy services (EaaS^{*2}).

Honda eMaaS connects a series of processes for customers, from their homes (places where they live) to the mode of transportation (mobility), activities at the destinations and returning home, thus offering attractive experience value. By providing an efficient means of mobility, it will also help resolve social issues, such as an increase in the number of people having less mobility options (including elderly people living in underpopulated areas) and shortages of drivers for delivery services.

Image of Honda eMaaS

*1 Mobility as a Service: Next-generation mobility services

*2 Energy as a Service: Next-generation services to optimize power supply and energy use

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Direction for Realizing the 2030 Vision

Exploring Additional Strategies to Lead to the Realization of a Carbon-Free Society — Analysis Based on Multiple Scenarios

Climate Change: 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.

Aiming to cut total product life cycle CO₂ emissions in half by 2050 from 2000 levels, Honda has been working under a 2°C scenario and engaging in business activities with a focus on the reduction of GHG emissions and more efficient use of energy and resources.

In addition to the above, Honda is now gauging the impact of further climate changes on its business and expanding the scope of analysis on risks and opportunities that may be induced under future climate conditions.

Honda will create strategies based on the results of scenario analysis and seeks to lead the efforts to realize a carbon-free society as stated in its 2030 Vision.

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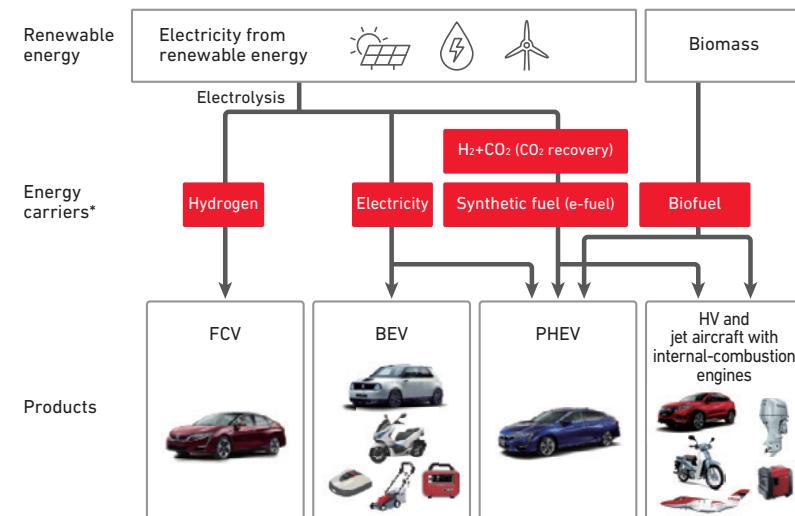
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Direction for Realizing the 2030 Vision**For the Realization of a Carbon-Free Society****Multi-Pathway Strategy**

Honda seeks to motivate people to go out and pursue their interests by providing mobility and to help them make their lives better by letting them share "real-world" experiences with their families and friends. This entails a responsibility to provide sustainable mobility with a minimum impact on society.

Honda will be delighted if its original technologies win customers' hearts and if all customers using its products truly recognize the joy of mobility. Keeping in mind this aspiration as well as the responsibility for future generations, Honda is pushing ahead with the research and development of carbon-free technology on a daily basis for the resolution of related issues.

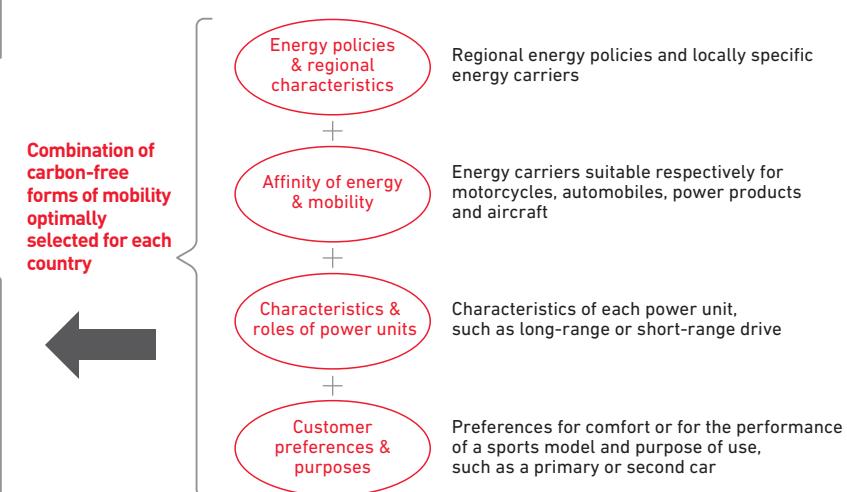
In doing so, Honda has drawn up a scenario to promote the use of renewable energy through multiple pathways.

Image of Honda's multi-pathway strategy

* General term used to refer to chemical substances that carry and store energy

Electricity generated by using renewable energy can be directly fed to battery electric vehicles (BEV). It is also possible to convert the electricity into hydrogen and feed it to fuel cell vehicles (FCV). Another option is to combine the hydrogen and CO₂ and supply the resulting synthetic fuel to hybrid vehicles (HV) and aircraft. Thus, there are multiple forms, or pathways, to carry renewable energy other than electricity. Honda's multi-pathway strategy represents its approach to seek a carbon-free society through multiple forms by exploring the potential of technology in all directions in order to achieve the highest energy efficiency.

Needs vary significantly across the world, depending on each country's energy policies and regional characteristics. Honda's response should be tailored to these different needs. As a global business operator, Honda has a responsibility to make its carbon-free technology ready for adaption in the most suitable manner according to the needs of each country and region. Through this strategy, Honda intends to provide optimum mobility to all customers.



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Direction for Realizing the 2030 Vision**For Realization of a Collision-Free Mobile Society****Honda's Approach**

In the 2030 Vision, Honda states its aspiration to "serve people worldwide with the 'joy of expanding their life's potential'." While mobility provides joy and convenience, it can occasionally result in serious traffic accidents. Recognizing that mobility is such an integral part of daily life, Honda is determined to eliminate these accidents.

Honda aims to play a key role in creating a collision-free mobile society, serving people worldwide with the joy of expanding their life's potential. As such, the Company has drawn up a roadmap for automobile

safety technologies, shown below.

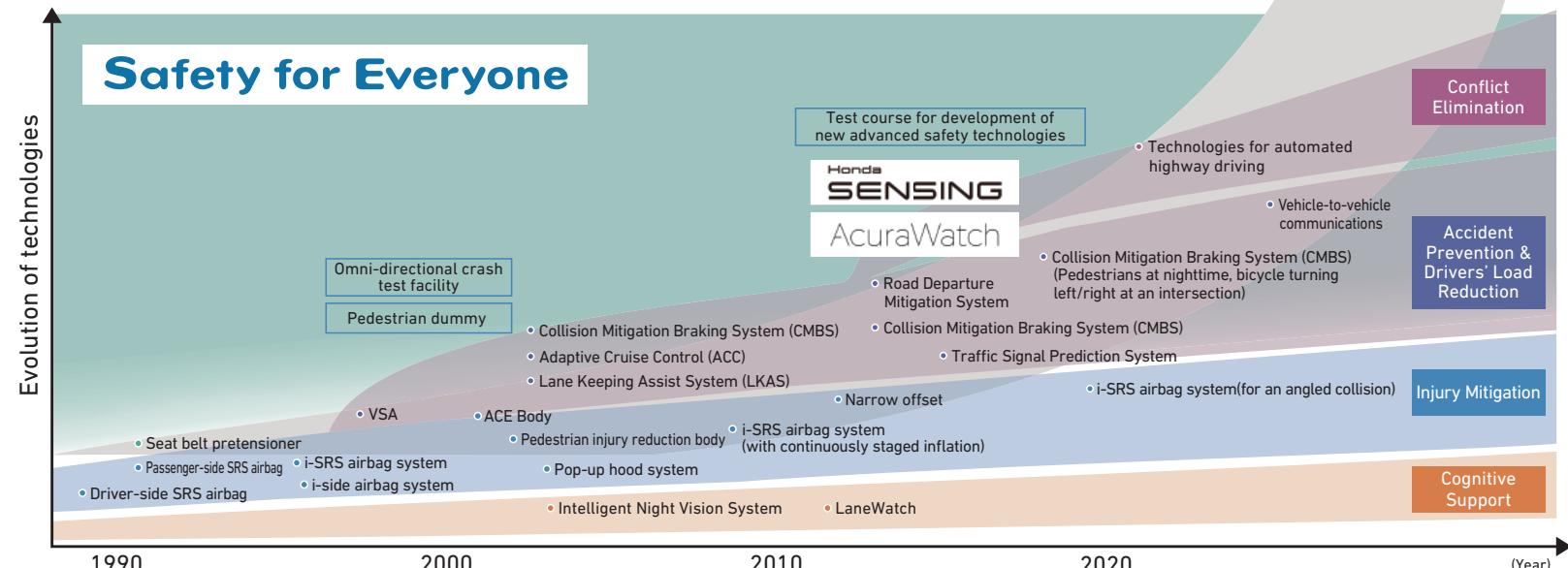
Honda will also proactively leverage the outcome of its research on automated driving technologies to assist safe driving and reduce the number of accidents. At the same time, Honda will deliver the freedom of mobility for a longer period of time to everyone by eliminating the anxiety of unconfident drivers, including elderly and novice drivers.

While caring about each road user, Honda seeks to add new forms of joy to mobility, stimulating curiosity such that people spontaneously want to go out.

Lead efforts to realize a collision-free mobile society

Roadmap for automobile safety technologies

* Blue boxes represent a facility and equipment that underpin Honda's technology development.



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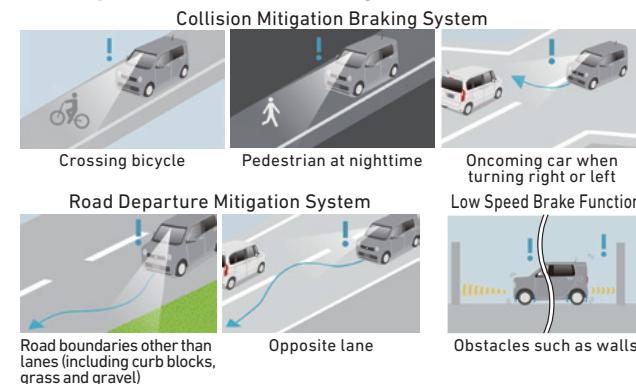
Direction for Realizing the 2030 Vision**Assisting Safe Driving****Making "Honda Sensing" a Standard Feature and Refining its Functions**

One thing Honda has been focusing in realizing a collision-free mobile society is to enhance the functions of its Honda Sensing advanced safety and driver-assistance system. Honda released Honda Sensing/AcuraWatch in 2015 in Japan, the United States and Europe and has since been increasing the number of models equipped with the system.

While steadily increasing the number of models equipped with Honda Sensing as a standard feature, Honda has been pushing forward with the development and commercialization of a retrofit kit to prevent false start, which can be added to vehicles already sold without advanced safety functions.

In recent years, accidents caused by false start has become a social issue in Japan. As such, an important direction of technology evolution for the future for Honda is to explore ways to support driving operations previously done by humans with improved sensing capabilities.

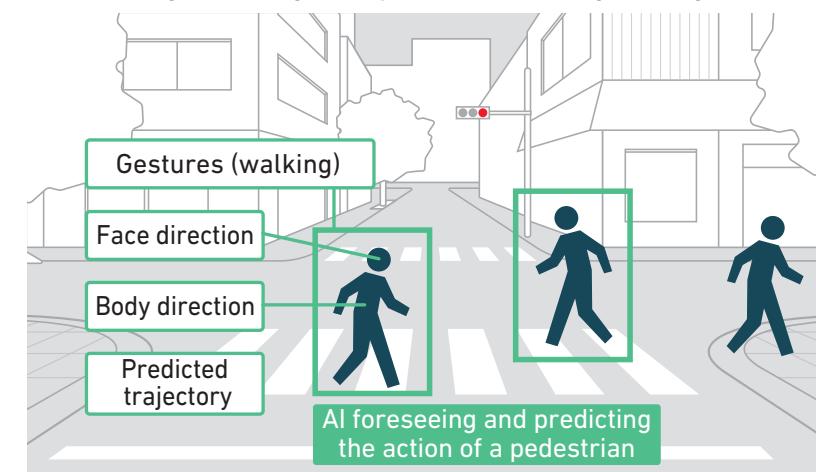
Honda believes that it can make yet another step forward toward the realization of a collision-free mobile society by enhancing the functions of its safety and driver-assistance system and making it standard on more vehicle models. Honda supports ensuring safer driving through the provision of driver-assistance technologies to many drivers, including novice and unconfident drivers as well as elderly drivers who tend to be slow in recognizing and judging the situation and operating the vehicle accordingly.

Latest Developments in Honda Sensing**Development of Advanced Artificial Intelligence (AI) Technology to Make Appropriate Response in More Complex Traffic Situations**

Honda is also proactively promoting technology development for improving capacities to foresee, predict and make judgement through the use of AI.

When driving a vehicle, the human brain is capable of foreseeing the potential for an accident based on the past experience, heuristically thinking there might be a person leaping out to the street here, and instantly reacting to an emergency. If technologies to avoid collisions can be improved by accumulating and standardizing this vast amount of human's cognitive and behavioral patterns and feeding the data to AI, it will be possible to deal with more complex traffic situations.

For example, this includes driving through a shopping district with many pedestrians and cyclists, in which the driver must foresee and avoid risk by predicting someone leaping out of a narrow sidewalk. Another situation entails merging into traffic on a congested expressway, in which the driver must join traffic at a safe timing after judging if a driver on the lane will slow down and let him or her in. In these situations that require coordination with other road users, Honda seeks to ensure smooth driving which monitors the surroundings, foresees others' movements and avoids conflicts.

Notional image of foresight and prediction technologies using AI

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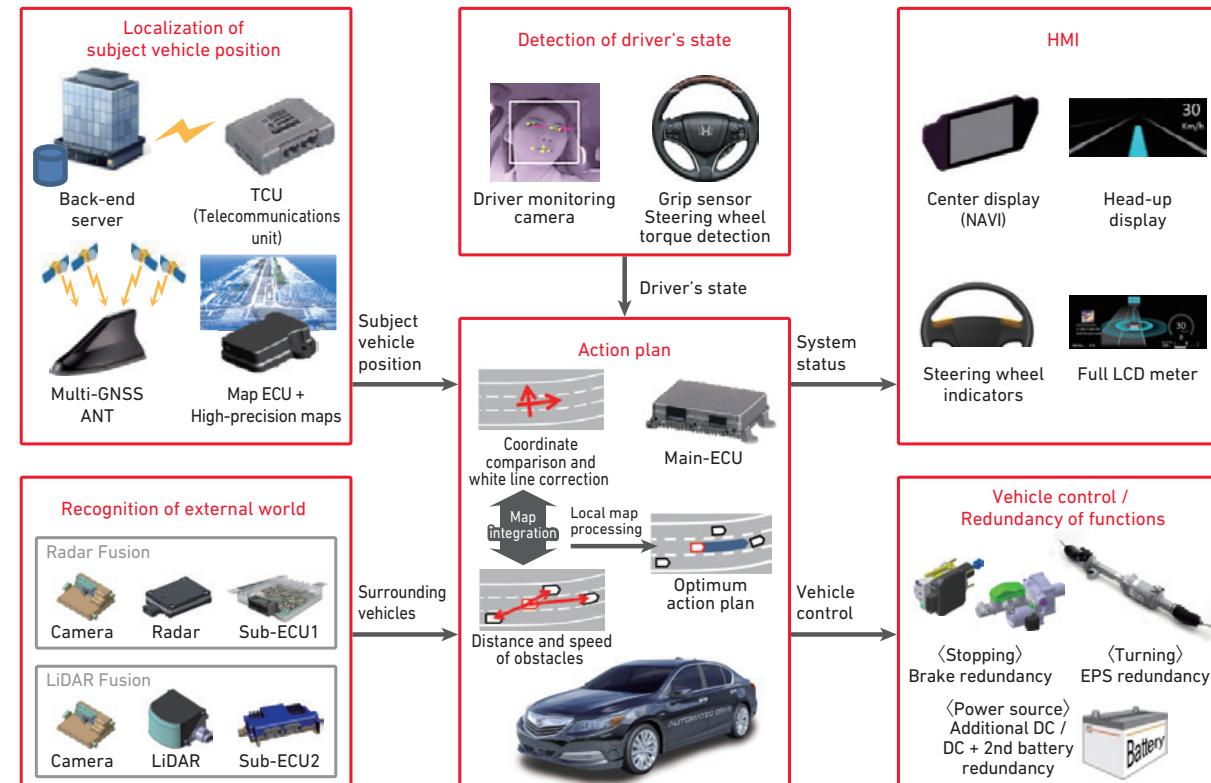
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Direction for Realizing the 2030 Vision**Automated Driving Technologies**

Honda believes that safety and driver-assistance technologies play a crucial role in achieving a collision-free mobile society, and that their evolution will lead to automated driving technologies.

The Honda Sensing safety and driver-assistance system monitors the surrounding environment through its camera and sensors and detects pedestrians, cyclists and other vehicles to assist driving.

Along with a long-accumulated pool of safety and driver-assistance technologies, Honda intends to fully leverage its knowledge on safety technologies, including the results of accident surveys performed over the years. This will enable a vehicle equipped with automated driving technologies to "recognize, predict, make judgment and operate" using on-board camera, sensors and AI and eliminate human errors through an advanced level of automation.

System configuration of a vehicle equipped with technologies for automated highway driving

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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.

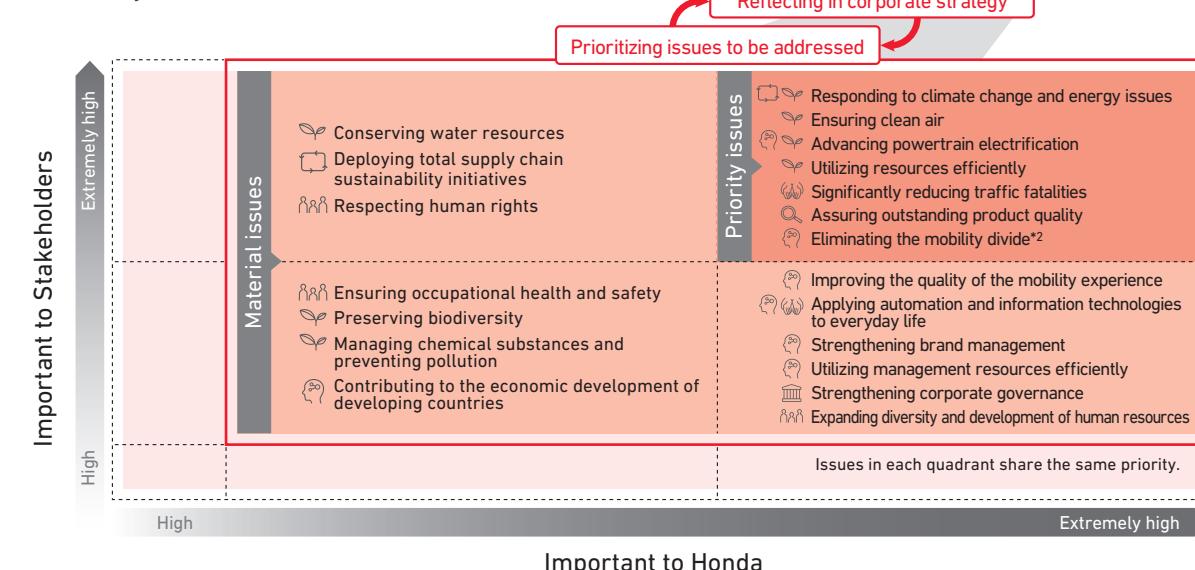
This resulted in the successful visualization of material issues on a priority basis as a mobility company, including the realization of a carbon-free and collision-free mobile society. We believe our efforts should contribute to the achievement of certain SDGs, notably Goal 13 "Take urgent action to 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.

Company that society wants to exist

Realizing 2030 Vision

Reflecting in corporate strategy

Prioritizing issues to be addressed

Materiality matrix

*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

	Strategy (⇒ p. 14)
	Governance (⇒ p. 36)
	Environment (⇒ p. 53)
	Safety (⇒ p. 80)
	Quality (⇒ p. 94)
	Human Resources (⇒ p. 110)
	Supply Chain (⇒ p. 134)

Initiatives toward each critical issue are explained in each part.

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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. 24), Honda will contribute to the achievement of the SDGs through its corporate activities.

SUSTAINABLE DEVELOPMENT GOALS



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Honda's Initiatives and the SDGs**Honda's Initiatives**

Priority issues	Honda's initiatives	SDGs supported by Honda
Responding to climate change and energy issues	eMaaS (⇒ p. 18) Carbon-free society (⇒ p. 19) Logistics initiatives (⇒ p. 138) Reducing environmental impact at suppliers' sites (⇒ p. 144)	   
Ensuring clean air	Ensuring clean air (⇒ p. 69)	 
Advancing powertrain electrification	Product electrification (⇒ p. 58)	 
Utilizing resources efficiently	Multi-pathway (⇒ p. 20) Efficient utilization of resources (⇒ p. 60)	 
Significantly reducing traffic fatalities	Collision-free mobile society (⇒ p. 21) Toward a collision-free mobile society (⇒ p. 81)	 
Eliminating the mobility divide	eMaaS (⇒ p. 18)	

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Honda's Initiatives and the SDGs

Material issues	Honda's initiatives	SDGs supported by Honda					
Conserving water resources	Conserving water resources (⇒ p. 70)						
Deploying total supply chain sustainability initiatives	Strengthening supply chain sustainability (⇒ p. 135) Reducing environmental impact at suppliers' sites (⇒ p. 144)						
Respecting human rights	Human rights (⇒ p. 114) Initiatives related to diversity (⇒ p. 117)						
Utilizing management resources efficiently	Roadmap for sustainable growth (⇒ p. 16)						
Strengthening governance	Corporate governance (⇒ p. 37)						
Expanding diversity and the development of human resources	Diversification aimed at leveraging total workforce strength (⇒ p. 114) An approach based on on-the-job training (⇒ p. 115) Initiatives related to diversity (⇒ p. 117)						
Ensuring occupational health and safety	Occupational safety and health (⇒ p. 125)						
Preserving biodiversity	Preserving biodiversity (⇒ p. 71)						
Managing chemical substances and preventing pollution	Management and reduction of chemical substances (⇒ p. 71)						
Contributing to the economic development of developing countries	2030 Vision (⇒ p. 17)						

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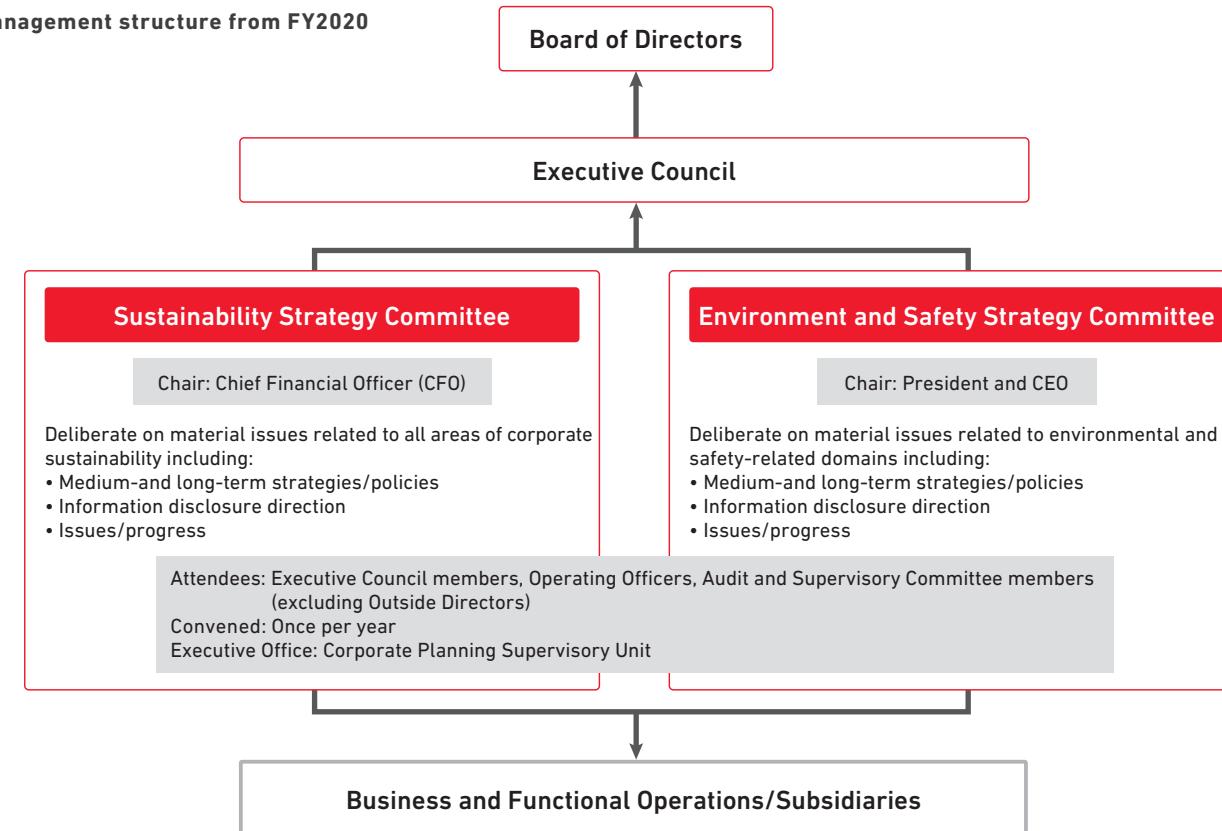
Sustainability Management Structure**Structure for Deliberating Sustainability Initiatives**

Honda has organized the Sustainability Strategy Committee, chaired by the Chief Financial Officer (CFO), as a platform to discuss and assess policy and initiatives related to sustainability activities.

Through this Committee, we identify the challenges in realizing our 2030 Vision, while taking into account the expectations and demands of stakeholders recognized through dialogue, and deliberate on material issues. This includes verifying the progress of response and implementation.

In FY2020, we separated the environmental and safety-related domains into a separate committee in order to promote and reinforce our efforts in these areas. Also, each committee is led by a different chairperson so that they can concentrate on their respective agendas.

Taking into consideration the key challenges 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 and functional operations and subsidiaries for actual execution.

Sustainability management structure from FY2020

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Stakeholder Engagement**Basic Approach**

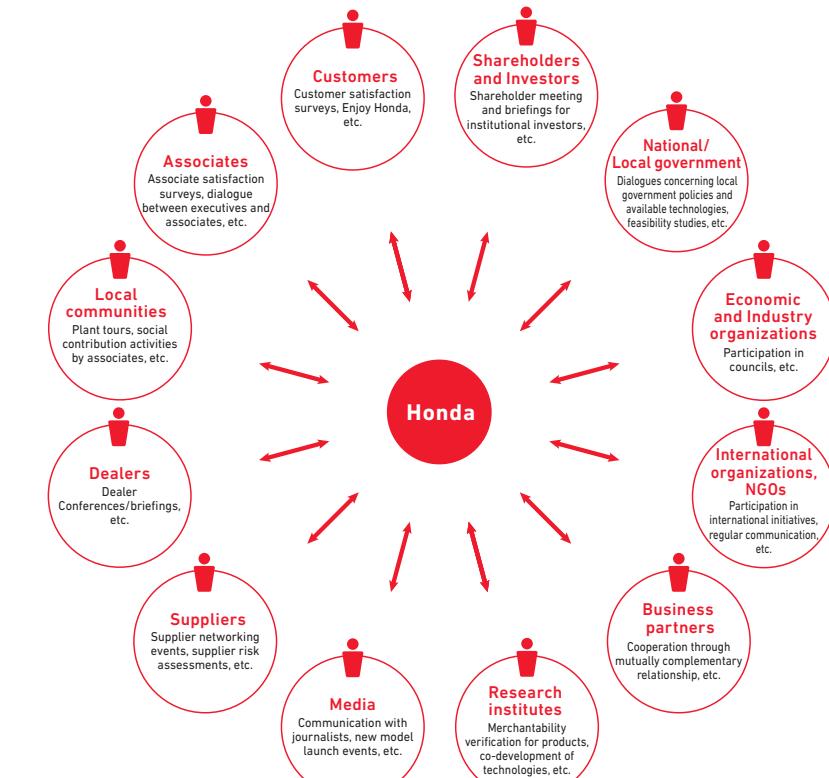
To be a “company that society wants to exist,” Honda must put into practice a communication cycle. This means to: 1) appropriately and accurately convey to society the value that it seeks to provide; 2) engage in dialogue with diverse stakeholders to grasp and understand the demands and expectations 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. 24), which is utilized in identifying issues Honda ought to be addressing.

Stakeholder engagement

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Stakeholder Engagement

Examples of Initiatives in FY2020

Stakeholder	Key means of dialogue	Overview	Frequency	Corresponding items in the materiality matrix	Point of contact	Reference
Customers	Customer satisfaction survey	We conduct a customer satisfaction survey around the world for customers who have received after-sales service at a dealer for improving our service operations.	Annually	Strengthening brand management	Customer-related divisions	⇒ p.102
	Education and corporate training at Traffic Education Centers	We provide motorcycle, automobile, elderly driver and other traffic safety training in 36 countries across the world including Japan for promoting safe driving practices.	Year round	Significantly reducing traffic fatalities	Divisions in charge of promoting safe driving practices	⇒ p.83
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.	All year			
Suppliers	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	Assuring outstanding product quality Deploying total supply chain sustainability initiatives	Purchasing divisions	⇒ p.148
	Third-party audit of suppliers	We conduct a third-party audit for key suppliers to prevent compliance violations and reduce environmental impact in accordance with our purchasing guidelines (⇒ p.141).	Annually	Deploying total supply chain sustainability initiatives Strengthening corporate governance		⇒ p.146
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	
International organizations and NGOs	Forest conservation activities (Chichibu and Mt. Fuji)	We conduct conservation activities at seven water source forests in Japan under the concept of "passing rich water source forests to future generations."	2 times/year	Conserving water resources	Divisions in charge of promoting social contribution activities	https://www.honda.co.jp/philanthropy/forest/ (Japanese only)
	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	
Local communities	Beach cleanup project	We carry out beach cleanup activities around Japan under the concept of "passing sand beaches safe to walk barefoot to future generations."	Approx. 30 times/year	Preserving biodiversity	Divisions in charge of promoting social contribution activities	⇒ p.152
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.125

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Stakeholder Engagement**Cooperation with External Organizations**

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

In addition, Honda personnel 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 are made following required internal procedures based on the laws and regulations of respective countries.

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Stakeholder Engagement**External Evaluations****Honda Selected to the Dow Jones Sustainability World Index**

In September 2019, Honda was selected for the third consecutive year as a component of the Dow Jones Sustainability World Index after being ranked within the top four 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 fifth 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 Global Inc. 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**

In collaboration with a RebcoSAM brand**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 2020 issued by S&P Global Inc. S&P Global evaluates the sustainability of approximately 4,700 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 2020**

Securing a B Rating in the CDP Japan 500 Climate Change Report 2019

In January 2020, CDP released the results of a survey on climate change initiatives and reduction of GHG emissions for 5,000 major companies worldwide.

Honda received a B rating in the CDP Japan 500 Climate Change Report 2019, one of those categories.

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

Please refer to the Environment section of the Performance Report (⇒ p. 53) for the items required by the FSB Task Force on Climate-related Financial Disclosures (TCFD), one of the CDP evaluation indices.

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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. As expressed by the words of Honda's founder Soichiro Honda, "What I am researching is not technology, but rather what people like," Honda's research is not just technologies but also people's values. By doing so, the Company has taken on challenges on the creation of new value.

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

Transformation from 2019 Onward

In April 2019, Honda decided to definitively separate two business functions. One is the function to develop timely and highly competitive products with the mission to consistently generate 120% product quality. The other is the function to perform research into technology to create new value from 99% failure. Honda has accordingly been promoting two-tier corporate management to operate these two functions cohesively. As a first step, the research and development function related to motorcycles has been integrated into Honda Motor Co., Ltd. Honda R&D has also been reorganized by business, namely automobile, life creation and aero, to pursue the most efficient product development. As for the creation of new value, Honda has established the Innovative Research Excellence center, a facility dedicated to innovative mobility technologies for the future and the creation of advanced technologies. Also newly established is the Digital Solution Center, which is responsible for creating new value through the development of various services and the utilization of digital technology in such areas as mobility, connected cars and energy management.

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Research and Development**Transformation from 2020 Onward**

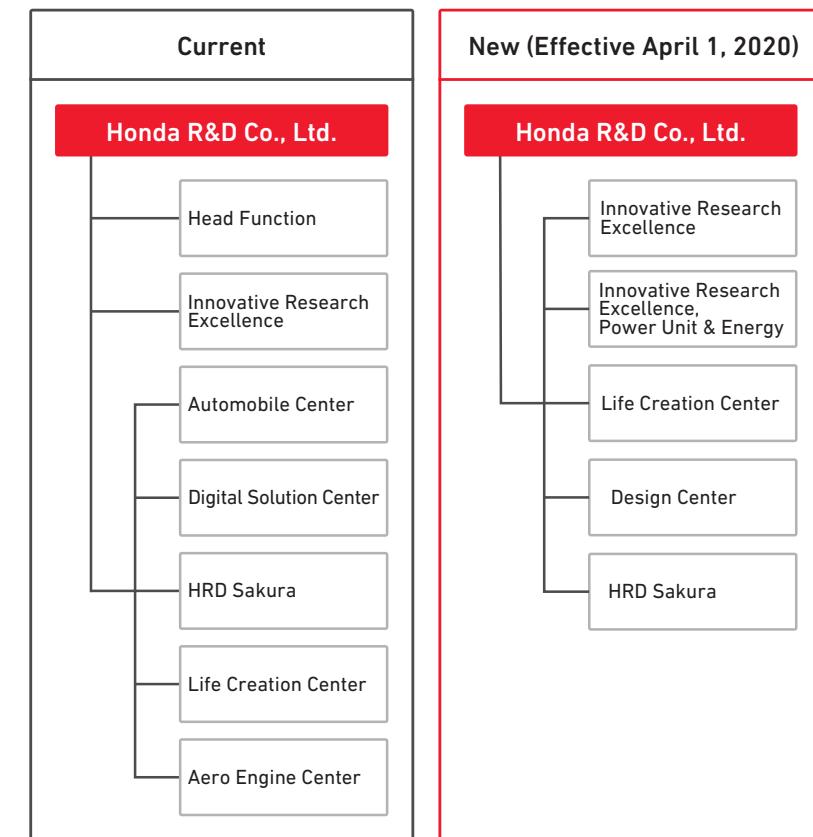
In April 2020, as another step to accelerate this ongoing transformation throughout Honda, the function related to the development of automobile products was integrated into the Company to strengthen its automobile business. Simultaneously, the function related to digital solutions was also integrated for realizing company-wide digital transformation and reinforcing the capability to develop new services.

Through the reorganization, Honda R&D will become "an entity that creates unprecedented designs and unrivaled technologies," as aspire by Honda's founder, to focus on research and development of technologies toward the creation of new value for the future.

In addition to the Innovative Research Excellence center established in 2019 to expand and reinforce its research domains, Honda R&D has been reorganized into the Innovative Research Excellence, Power Unit & Energy center, the Life Creation Center and the Design Center. 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 Life Creation 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. Under this structure, Honda R&D will engage not only in basic and applied research on and the development of innovative technologies that differentiate Honda's products but also in research and development of new value products in such fields as mobility and robotics. In this way, the center will serve as a driving force of Honda to lead the creation of new value for the future.

Since its establishment, Honda R&D has operated while continuing to transform based on the unchanging concept of creating technologies that help people. The aforementioned operational changes toward the realization of the 2030 Vision will serve to heighten the ability to create new value and technologies and develop new products. In response to the great waves of change in the times, Honda is collaborating with external technological and business partners. Concurrently, it is engaging in

research and development to deliver joyful and fulfilling mobility and daily life as well as a clean and safe/secure society through value-added products and services for people.



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Innovation Management

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

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

Through Honda Xcelerator, Honda R&D had built strategic win-win relationships with startups around the world and engaged in the research and development of products and services for the future using new technologies and business models. In April 2020, Honda R&D's function related to the program was integrated into Honda's Business Development Division in the Corporate Planning Supervisory Unit in order to accelerate efforts to ready products and services developed under the program for commercialization.

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

The R&D Center X established in April 2017 has also been undertaking research on robotics, cooperative intelligence (CI) and energy management. In April 2019, the center and the Power Products R&D Center, which has abundant experience in product development, were combined and have since then engaged in operations as the Life Creation Center to apply intelligence technologies to existing power products and realize the creation of new value. In April 2020, the Life Creation Center transferred its function related to the development of power units to the newly established Innovative Research Excellence – Power Unit & Energy center. In addition, two new

units were established in the Life Creation Center: the Assembled Products Development Unit for creating a future for people's daily lives and the Marine Development Unit engaging in the development of marine products, which will constitute a new pillar of Honda's business.

6 Governance



Material Issues

- Strengthening corporate governance

6 Governance

Corporate Governance

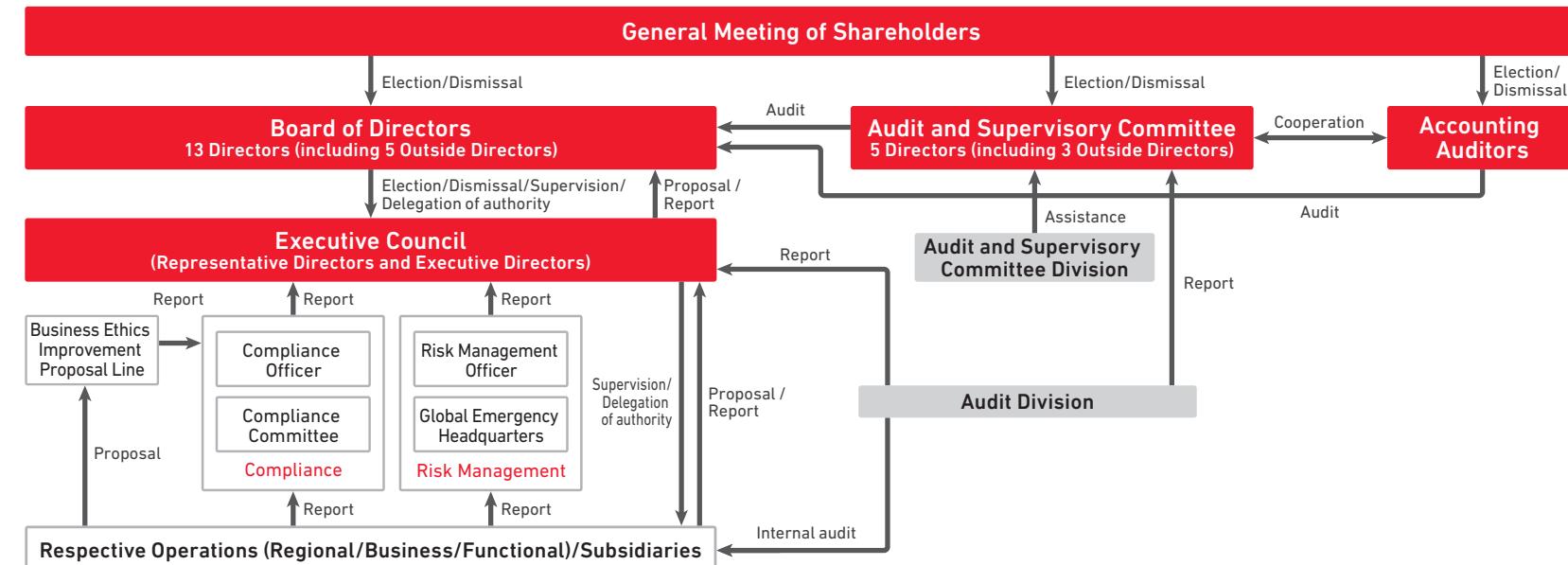
Basic Approach

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

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

Honda is making efforts to appropriately disclose corporate information

Corporate governance structure (as of June 19, 2020)



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

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

WEB

“Honda Corporate Governance Basic Policies”
“Corporate Governance Report”

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

DAT

Overview of corporate governance

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Corporate Governance**Corporate Governance****Executive Decision-Making Process**

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

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

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

Board of Directors

The Board of Directors is comprised of eight Inside Directors and five Outside Directors.

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

In order to fulfill the above roles, the Company focuses on considering the balance in the diverse knowledge and experience of the Board of Directors

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

Evaluation of Effectiveness of the Board of Directors

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

As same as the previous fiscal year, a self-evaluation was conducted by the Company for 2019. Based on the results of a questionnaire and interviews conducted with the Directors, the self-evaluation was deliberated and resolved at the Board of Directors. The self-evaluation questionnaire was prepared under the supervision of outside attorneys. The interviews and the compilation of the results were carried out by outside attorneys as well.

The Board of Directors shared the view that "effectiveness of the Board is ensured appropriately", by the constitution of the Board of Directors and enhancing provision of useful information to Outside Directors. Further, they also shared the understanding of the needs to provide useful information and to have more thorough discussions over the macroscopic theme and future strategies to further enhance monitoring capabilities of the Board of Directors.

The Company will further enhance monitoring capabilities of the Board of Directors to raise effectiveness, by taking measures such as provision of sufficient information to Outside Directors and having thorough discussion over the macroscopic theme and future strategies.

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Status of the meetings of the
Board of Directors

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Corporate Governance**Outside Directors**

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

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

WEB

"Honda Corporate Governance Basic Policies"

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

Support Systems for Outside Directors

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

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

Business Execution Management (Organizational Management)

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

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Corporate Governance**Audit Organization**

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

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

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

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Status of meetings of the Audit and Supervisory Committee

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

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

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

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

Director and Operating Officer Training

Honda provides training in the Companies Act, corporate governance, etc., to operating officers who are considered as prospective director candidates, and after they assume their respective position as directors, the Company also provides training to continually update their knowledge as necessary. Honda provides training in industry trends, the Company's history, business, finances, organizations, internal control system and other matters to outside director candidates to be newly appointed, and after they assume their respective position as directors, the Company also provides opportunities including the visits to subsidiaries located in regions in order to deepen their understanding of the Company Group's business.

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Corporate Governance**Tax Policy**

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

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

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

DATA

Honda Tax Policy

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Remuneration of Directors

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

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

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

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

WEB

"Honda Corporate Governance Basic Policies"

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

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

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Total amount of remuneration for Directors and Corporate Auditors

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

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Remuneration of Accounting Auditors

The Company has had its financial statements audited in accordance with the Companies Act of Japan, the Financial Instruments and Exchange Act of Japan, the Securities Exchange Act of 1934 (United States) and the Exchange Act of 1933 (United States) by KPMG AZSA LLC. Within KPMG AZSA LLC, a total of 75 staff members conducted external audits of the Company's financial statements. These accounting firm staff members are composed of 3 certified public accountants (Hiroshi Miura, Tomoo Nishigori and Takeshi Kamada), who are in overall charge of the Outside Audits, and 72 professional staff members (including 24 certified public accountants and 48 other staff members).

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

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Corporate Governance**Directors (as of June 19, 2020)**

Chairman and Director
Toshiaki Mikoshiba

[Reasons for Appointment]

Mr. Toshiaki Mikoshiba has broad experience primarily in the area of sales and marketing, as well as abundant international experience, and is familiar with Honda Group's business including overseas operations. In the fiscal year ended March 31, 2020, he has properly fulfilled his duties as Chairman and Director, Chairman of the Board of Directors and Director in charge of Government and Industry Relations by enhancing the functions of the Company's external relations, as well as overseeing business execution from a global perspective through managing the Board of Directors as its Chairman.



President and Representative Director
Chief Executive Officer
Takahiro Hachigo

[Reasons for Appointment]

Mr. Takahiro Hachigo has broad experience primarily in the areas of research and development, production and purchasing, as well as abundant international experience, and is familiar with Honda Group's business including overseas operations. In the fiscal year ended March 31, 2020, he has properly fulfilled his duties as President and Representative Director, Chief Executive Officer and Director in charge of Research & Development by demonstrating strong leadership and being responsible for the management of the entire Company Group, as well as overseeing business execution.



Executive Vice President and Representative Director
Chief Operating Officer
Seiji Kuraishi

[Reasons for Appointment]

Mr. Seiji Kuraishi has broad experience primarily in the areas of supply chain management and sales and marketing, as well as abundant international experience, and is familiar with the Company Group's business including overseas operations. In the fiscal year ended March 31, 2020, he has properly fulfilled his duties as Executive Vice President and Representative Director, Chief Operating Officer, Director in charge of Strategy, Business Operations and Regional Operations, and Chief Officer for Automobile Operations by demonstrating strong leadership and being responsible for business execution of the entire Company Group, as well as overseeing business execution.



Senior Managing Director
Chief Financial Officer
Kohei Takeuchi

[Reasons for Appointment]

Mr. Kohei Takeuchi has broad experience primarily in the area of accounting and finance, as well as abundant international experience, and is familiar with the Company Group's business including overseas operations. In the fiscal year ended March 31, 2020, he has properly fulfilled his duties as Chief Financial Officer and Director in charge of Finance and Administration by overseeing business execution in the area of management from a global perspective and based on his high degree of expertise.



Senior Managing Director
Toshihiro Mibe

[Reasons for Appointment]

Mr. Toshihiro Mibe has broad experience primarily in the areas of R&D and production, and is familiar with the Company Group's business including overseas operations. In the fiscal year ended March 31, 2020, he demonstrated high degree of expertise and strong leadership, and achieved satisfactory results as President and Representative Director of Honda R&D Co., Ltd. and Managing Officer in charge of Intellectual Property and Standardization of the Company.



Director
Hiroko Koide

[Reasons for Appointment]

Ms. Hiroko Koide has over 30 years of experience working for foreign companies, including over 15 years which she served as an executive, and has a global perspective as well as abundant experience and deep insight regarding corporate management. She has properly fulfilled her duties as Outside Director since June 2019 by overseeing the entire business management of the Company from an independent standpoint.



Director
Fumiya Kokubu

[Reasons for Appointment]

Mr. Fumiya Kokubu held positions of President and CEO, and Chairman of the Board of Marubeni Corporation from 2013, and has abundant experience and deep insight regarding corporate management.



Director and Advisor
Takanobu Ito

[Reasons for Appointment]

Mr. Takanobu Ito served as President and Representative Director of the Company. He has abundant experience and deep insight regarding corporate management, and is familiar with the Company Group's business including overseas operations. In the fiscal year ended March 31, 2020, he has properly fulfilled his duties as Director and Advisor by undertaking the role of the Company's external relations with economic organizations, etc., as well as overseeing business execution from a global perspective through expressing his opinions and providing suggestions regarding management.

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Directors (Audit and Supervisory Committee Members) (as of June 19, 2020)

Director (Audit and Supervisory Committee Member)(full-time)
Masahiro Yoshida

[Reasons for Appointment]

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



Director (Audit and Supervisory Committee Member)(full-time)
Masafumi Suzuki

[Reasons for Appointment]

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



Director (Audit and Supervisory Committee Member)
Hideo Takaura

[Reasons for Appointment]

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



Director (Audit and Supervisory Committee Member)
Mayumi Tamura

[Reasons for Appointment]

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



Director (Audit and Supervisory Committee Member)
Kunihiko Sakai

[Reasons for Appointment]

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

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Corporate Governance**Managing Officers (as of April 1, 2020)****Michimasa Fujino**

- President and Director, Honda Aircraft Company, LLC

**Shinji Aoyama**

- Chief Officer, Regional Operations (North America)
- President, Chief Executive Officer and Director, Honda North America, Inc.
- President, Chief Executive Officer and Director, American Honda Motor Co., Inc.

**Noriya Kaihara**

- Head, Business Supervisory Unit, Automobile Operations

**Mitsugu Matsukawa**

- President and Director, Honda of America Mfg., Inc.

**Noriaki Abe**

- Chief Officer, Motorcycle Operations

**Yasuhide Mizuno**

- Chief Officer, Automobile Operations

**Katsushi Inoue**

- Chief Officer, Regional Operations (China)
- President, Honda Motor (China) Investment Co., Ltd.
- President, Honda Motor (China) Technology Co., Ltd.

**Hisao Takahashi**

- General Manager, Mono-zukuri Center, Automobile Operations
- Director, Honda R&D Co., Ltd.

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Compliance**Honda Code of Conduct**

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

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

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

WEB

"Honda Code of Conduct"

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

Compliance Committee

To improve compliance within the Honda Group, Honda has established a Compliance Committee, headed by a Compliance Officer designated by the Board of Directors. This Committee is composed of the Compliance Officer as well as Directors, Operating Officers or persons in charge of respective functional operations who are appointed by the Executive Council. The Committee makes decisions regarding important internal control system measures, which include formulating and amending of compliance policies. In addition, the responsibilities of the Committee encompass from confirming the status of establishment and operation of internal control systems to performing oversight to ensure the appropriate management of the Business Ethics Kaizen Proposal Line and deciding measures to prevent recurrences when serious compliance-related matters occur. For matters of compliance that are of

particularly high importance, deliberation or reporting at a meeting of the Executive Council or the Board of Directors is carried out depending on the details of the matter.

The Compliance Committee met four times in FY2020 to report on the establishment and operating status of internal control systems as well as the operating status of the Business Ethics Kaizen Proposal Line, among other things. There were no major violations of laws or regulations in FY2020.



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Compliance**Business Ethics Improvement Proposal Line**

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

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

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

In FY2020, 429 proposals and consultations were handled by the Business Ethics Kaizen Proposal Line (including points of contact outside the Company). Among these, 192 concerned the parent company, 231 concerned subsidiaries and 6 concerned other matters. Following investigations of the proposals and consultations submitted, disciplinary action was taken in one case in the parent company and four cases in subsidiaries. One case involving a subsidiary resulted in punitive dismissal. None of the cases involved violations of the Honda Policy on the Prevention of Bribery.

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

Initiatives to Prevent Bribery

Honda prohibits bribery.

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

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

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

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Compliance

Initiatives for the Prevention of Anti-Competitive Behavior

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

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

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

Rules on Conflict Minerals

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

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

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

encouraging procurement in line with the guidelines.

Since 2013, Honda has surveyed its suppliers worldwide concerning the use of conflict minerals. In FY2020, Honda received responses from more than 7,000 suppliers. In addition to reporting survey results to the SEC, the Company also makes them publicly available on its website. (Please refer to the link below.)

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

PDF**"Honda Supplier Sustainability Guidelines"**

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

WEB**Under the IR Library website "Form SD/Conflict Minerals Report"**

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

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Risk Management

Establishing an Effective Risk Management Structure

Honda formulated the Honda Global Risk Management Policy, with Group subsidiaries included in its scope of application.

The Honda Global Risk Management Policy aims at driving the Company's sustainable growth and stabilizing management based on the Honda Philosophy and targets all risks with the potential to impact operations on a global scale.

In implementing its risk management activities, Honda is creating a relevant framework and is taking follow-up measures to support implementation, with efforts centered around a company-wide Risk Management Officer elected by the Board of Directors.

Additionally, each organization is building its own independent risk management structure after setting up a Risk Management Secretariat. These organizations are responsible for promoting their own independent risk management activities in accordance with the basic policies of these regulations.

As main initiatives, Honda is implementing risk assessment activities throughout the Company for identifying, evaluating and responding to risks based on standard methods.

When a crisis occurs, the Company establishes a Global Emergency Headquarters for crisis response proportionate to the anticipated magnitude of impact.

Risk Assessment Activities

Honda carries out risk assessment activities for each of its Regional Operations, Business Operations and Functional Operations.

The purpose of these activities is to foresee potential risks surrounding Honda's businesses and respond beforehand to minimize these risks.

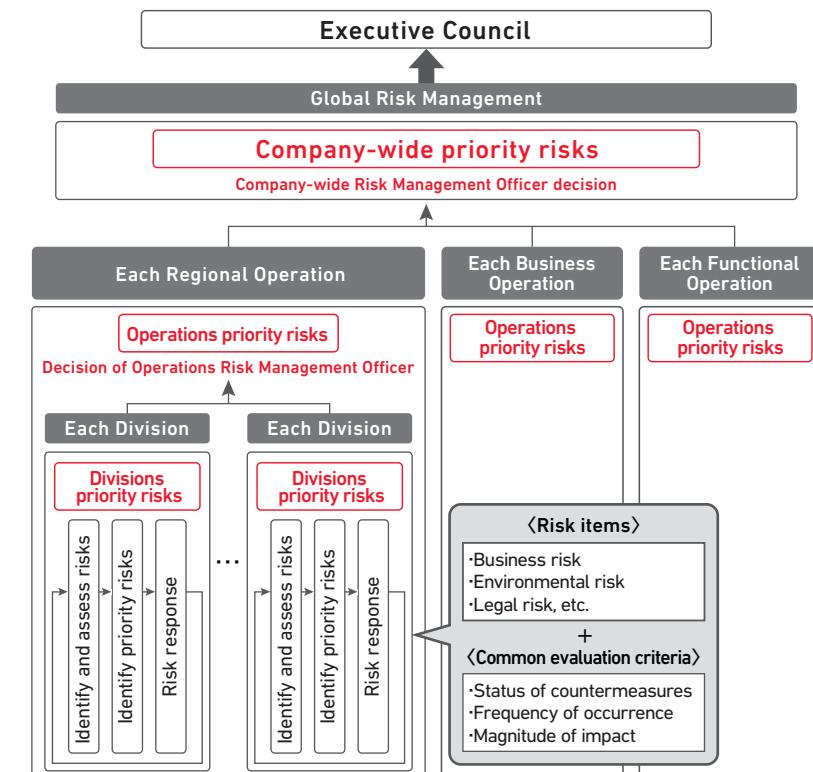
Each department performs annual risk evaluation using the Group's common risk items and evaluation criteria to identify the division priority risks.

Each of the Operations carries out repeated discussions based on the results of the risk assessment of each department. They then identify and respond to the Operations priority risks based on the judgement of the Operations Risk Management Officer.

Moreover, Honda identifies company-wide priority risks based on

the judgement of the company-wide Risk Management Officer, giving consideration to the risk status of each of the Operations. The Company then shares and discusses company-wide priority risks at the Executive Council.

Risk Assessment Activity Structure



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Risk Management

In FY2020 as well, Honda identified company-wide priority risks, which will be addressed mainly by the departments in charge. In the meantime, the status of progress is confirmed and discussed at the Strategy Committee.

Company-wide priority risks

- Infectious diseases becoming prevalent Risk
- Regional Risk
- Information Security Risk
- Business Alliances and Joint Ventures Risk
- Intellectual Property Risk
- Natural Disasters Risk
- Financial & Economic Risk (Economic trends and economic fluctuations risks, Currency Fluctuations Risk)

Going forward, Honda will firmly establish these activities and continue to strive to reduce risk across the Group while ensuring these activities raise the risk awareness of each and every associate.

Crisis Response

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

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

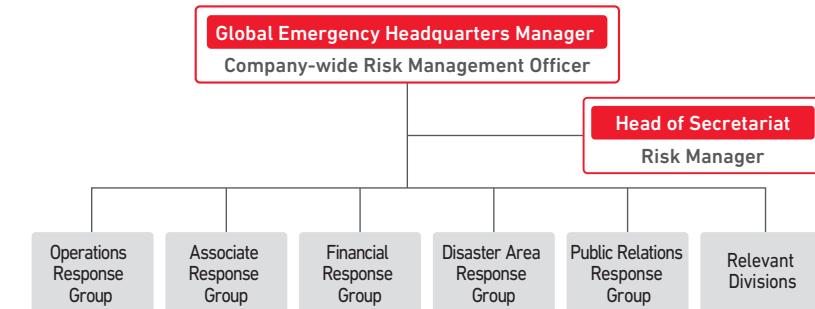
Since the Kumamoto earthquakes that occurred in April 2016, the activities of Honda's Global Emergency Headquarters strive to strengthen functions.

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

Next, Honda regularly holds Emergency Headquarters drills as a verification of its crisis response capabilities. In FY2019, Honda held drills for making crisis responses spanning multiple business bases on the assumption that a large earthquake occurs directly under the Tokyo metropolitan area.

In addition, in FY2020 we reconfirmed the basic actions in crisis response based on the assumption that the Nankai Trough earthquake has occurred. These measures included discussing matters specific to each group as well as sharing information among groups and improving the speed and accuracy of the matters to be discussed based on the information.

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

Global Emergency Headquarters Structure

Since the World Health Organization (WHO) declared the outbreak of novel coronavirus a Public Health Emergency of International Concern in January 2020, COVID-19 has spread around the world. The highly infectious disease has forced many countries to resort to measures that include social distancing and limiting their citizens' movements, bringing economic and corporate activities to a standstill.

The impact of the spread of COVID-19 has also been felt at Honda, with production having been either suspended or curtailed and dealers shut down in the Motorcycle, Automobile, Life Creation and other businesses.

In light of the heavy impact reverberating throughout the Company, we established the Global Emergency Headquarters in January 2020. While placing utmost priority on the safety of its customers, business partners, associates and other stakeholders, it coordinates the information sharing among relevant parties in and outside the Company and implements company-wide measures to minimize the impact of COVID-19 on business activities.

Honda has been gradually resuming its business activities based on developments in local regulations and the supply of parts, upon taking measures such as checking employees' temperatures and ensuring social distancing in work areas.

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Risk Management**Information Management**

In FY2015, Honda formulated the globally common Global Confidentiality Policy (GCP) as a basic policy for information management and set up the Global Confidentiality Committee, which takes the lead in information management efforts.

Based on the GCP, Honda undertakes activities to ensure the safe handling of information generated in business activities such as personal information of its customers and associates, important management information as well as blueprint data of products and facilities.

As the person with responsibility for the Global Confidentiality Committee, the Chief Officer of the Human Resources and Corporate Governance Operations serves as its chairperson. Under the Committee, a regional confidentiality structure has been established to supervise each region.

At the Global Confidentiality Committee, members formulate globally common medium-term policies and promote initiatives in each region.

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

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

Risk Management**Protection of Personal Information**

Honda recognizes the importance of protecting personal information. Accordingly, the Company has appointed information supervisors and information managers in departments handling personal information. At the same time, Honda implements training on the protection of personal information with the aim of ensuring compliance and the proper handling of this information.

In addition, to systematically manage personal information, departments handling personal information report such information to the Confidentiality Committee of each company. To keep the details of the reports updated, the Company conducts a review at least once each year at all departments.

In FY2020, Honda established and began operating even more strict security standards with the aim of strengthening the security of information systems that include customer information.

Moreover, to reliably respond to personal information protection laws in each country, at the Global Confidentiality Committee held in December 2018 Honda reached a consensus with all regions on its approach. In FY2020, Honda steadily responded to the laws and regulations of each country.

In the event of leakage or request for disclosure of personal information, Honda is putting into place structures that respond quickly in accordance with the laws and regulations of each country.

Product Cybersecurity

Honda participates in the Automotive Information Sharing & Analysis Center (Auto-ISAC), which has begun operations in Japan and the United States, for sharing and analyzing information related to automotive cybersecurity. The Auto-ISAC collects information on incidences detected within the industry.

Moreover, Honda obtains information on its own, including information on relevant laws and specifications as well as industry standards.

By utilizing these initiatives in its own responses, Honda is proactively promoting activities to ensure the safety and security of its products.

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Overview of corporate governance (as of June 19, 2020)**Form of organization****Company with Audit and Supervisory Committee**

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

Status of the meetings of the Board of Directors (FY2020)

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

Status of meetings of the Audit and Supervisory Committee (FY2020)

- Number of meetings held (no. of times) 8
- Attendance rate of Directors who are Audit and Supervisory Committee Members (%) ... 100
 - Attendance rate of Outside Directors (%) 100

Total amount of remuneration for Directors and Corporate Auditors

Category of Directors	Total amount of remuneration and bonuses (millions of yen)	Total amount by type of remunerations (millions of yen)			Number of eligible Directors (Number of persons)
		Fixed Remuneration	Performance-linked remuneration	Bonus	
Directors (excluding Directors who are Audit and Supervisory Committee Members) (excluding Outside Directors)	702	460	101	140	7
Outside Directors (excluding Directors who are Audit and Supervisory Committee Members)	33	33	-	-	3
Directors (Directors who are Audit and Supervisory Committee Members) (excluding Outside Directors)	143	143	-	-	2
Outside Directors (Directors who are Audit and Supervisory Committee Members)	50	50	-	-	4
Total	930	689	101	140	16

• Remuneration is limited to 1,160 JPY million per year for Directors (excluding Audit and Supervisory Committee Members) and 270 JPY million per year for Directors (Audit and Supervisory Committee Members).

• These amounts indicate remuneration paid to Directors for the fiscal year ended March 31, 2020 and include remuneration paid to three Directors who ended their tenure as of the closing of the Ordinary General Meeting of Shareholders held on June 19, 2019, comprising one Director who is neither an Audit and Supervisory Committee Member, one Outside Director who is not an Audit and Supervisory Committee Member, and one Outside Director (Audit and Supervisory Committee Member).

• Bonuses to Directors (excluding Audit and Supervisory Committee Members) are included in the previously mentioned maximum amount for remuneration to Directors (excluding Audit and Supervisory Committee Members), and the amount shown was decided by the meeting of the Board of Directors held on May 12, 2020.

• The total amount of stock-based remuneration is the amount recorded as expenses related to the share delivery points granted during the fiscal year ended March 31, 2020 in connection with the Directors' remuneration BIP (Board Incentive Plan) trust.

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

Annual total remuneration and bonuses of highest-paid individual (President and Representative Director, Chief Executive Officer) (millions of yen)	176
Ratio to median annual total remuneration for all associates (%)	2,100

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

Rate of increase in annual total remuneration and bonuses of highest-paid individual (President and Representative Director, Chief Executive Officer) (%)	101
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Governance Data**Honda Tax Policy****1. Purpose of Policy**

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

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

2. Tax Policy

(1) Compliance

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

(2) Prohibition of tax avoidance

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

(3) Transfer pricing

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

(4) Ensuring transparency

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

(5) Relationships with governments and tax authorities

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

(6) Corporate governance

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

7 Environment

Material Issues

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



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

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



Honda Environmental and Safety Vision

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

Honda's Environment Statement

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

We should pursue our daily business under the following principles:

1. We will make efforts to recycle materials and conserve resources and energy at every stage of our products' life cycle—from research, design, production and sales, to services and disposal.
2. We will make every effort to minimize and find appropriate methods to dispose of waste and contaminants that are produced through the use of our products, and in every stage of the life cycle of these products.
3. As both a member of the company and of society, each associate will focus on the importance of making efforts to preserve human health and the global environment, and will do his or her part to ensure that the company as a whole acts responsibly.
4. We will consider the influence that our corporate activities have on the regional environment and society, and endeavor to improve the social standing of the company.

Established and announced in June 1992 Honda's Environment Statement



* CVCC: Compound Vortex Controlled Combustion

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Environmental Management Promotion Structure and Management Cycle

Honda recognizes that environmental issues such as climate change and energy/resource issues, which require global responses, are material issues that impact Honda's business operations. Based on this recognition, the Environmental Committee was established in 1991, chaired by the President and CEO and comprised of members of company management. In 1995, the Committee became the World Environmental Committee and assumed responsibility for discussing and formulating plans for environmental protection activities worldwide. Since then, it had continued to meet every year as the World Environment and Safety Strategy Committee.

In 2017, the Committee was merged into the Sustainability Strategy Committee for integrated discussions. In 2019, however, Honda re-established the World Environment and Safety Strategy Committee as a separate committee to promote more detailed implementation of the plan-do-check-act (PDCA) cycle. Chaired by the President and 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 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 2020). Honda is in the process of obtaining certification for newly built plants. Therefore, coverage of environmental management systems is virtually 100%.

Current Status of Compliance with Environmental Regulations

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

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

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

Environmental Accounting

Environmental Accounting in Japan

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

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

DATA

Cost of environmental conservation activities and investments

> p.78

DATA

Economic benefits (Effect on revenue and expenses)

> p.78



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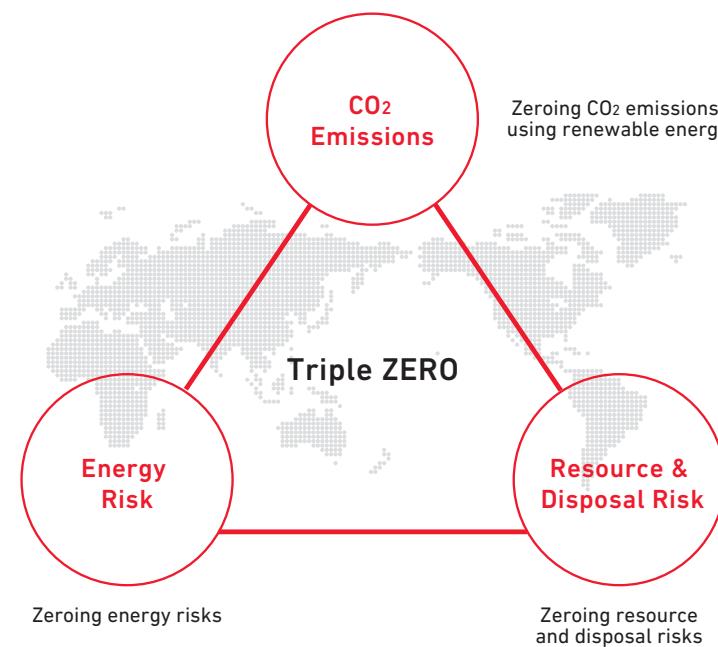
Preservation of Clean Air

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Safety 80**Quality** 94**Human Resources** 110**Supply Chain** 134**Social Contribution Activities** 149**Material Issues in the Environmental Dimension****Honda's Material Issues**

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

Triple ZERO approach**Triple ZERO**

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

Zeroing CO₂ emissions using renewable energy

To address "climate change issues," Honda is striving to eliminate CO₂ emissions in products and business activities in the future by utilizing renewable energy.

Zeroing energy risks

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

Zeroing resource and disposal risk

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



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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.

With the long-term vision of a zero impact society, Honda has announced its aim to cut total product life cycle CO₂ emissions in half by 2050 (compared with 2000 levels). (This goal is equivalent to a 90% reduction in CO₂ emissions intensity from the use of automobiles.)

As a step toward this goal, Honda is currently working to achieve its 2020 Product CO₂ Emissions Reduction Targets to lower CO₂ emissions intensity from the use of motorcycles, automobiles and power products worldwide by 30% from the 2000 base year level.

As an additional challenge to lead the realization of a carbon-free society, Honda has started exploring ways to achieve carbon neutral status in 2050.

As automobiles account for approximately three quarters of Honda's sales revenue, in pursuing the reduction of CO₂ emitted from its products, Honda considers that reputational risk and potential penalties arising from failure to comply with fuel economy regulations can have a significant impact on its business. Accordingly, Honda has taken efforts to mitigate risks by applying a system called "SED" in which products are developed jointly by the Sales (S), Engineering (E) and Development (D) functions. In addition, operations such as Honda R&D Co., Ltd., Automobile Operations and the Certification & Regulation Compliance Division coordinate research on trends in fuel economy regulations around the world, while the Certification & Regulation Compliance Division publishes the results as regulatory information. Regular meetings are held to provide a forum for sharing the contents and interpretation of new regulations, as well as for discussing the responses to them. Also, Honda has built an organizational structure for developing technologies that always anticipate future fuel economy regulations through engagement with policy makers.

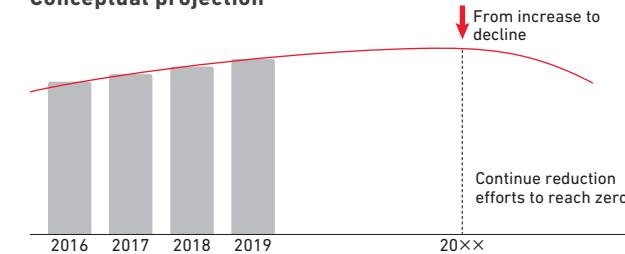
At present, products of Honda mainly use fossil fuels and thus have greater environmental impact. As such, Honda's concern is that unless it proceeds with energy diversification into renewable and other low environmental

impact energy sources, it will become difficult to sustain its business. Keeping this concern in mind, Honda is constantly developing products based on environmental technologies, which can bring enriching lives and the joy of mobility to customers worldwide, to provide optimum products where needed on an ongoing basis.

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 CO₂ 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 "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. (⇒ p. 18).

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. For example, Honda purchased renewable energy through a virtual power purchase agreement (VPPA) in North America, making the largest offtake in the country's automobile industry. This accounted for about 60% of energy used in production activities in North America (⇒ p. 62). Honda will continue its efforts to maximize the use and spread of renewable energy.

**Honda's total GHG emissions:
Conceptual projection**



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Material Issues in the Environmental Dimension

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 lead to lower CO₂ emissions from product use and allow Honda to become carbon-neutral, reducing risks associated with climate change. This will also create various opportunities for improving convenience and encouraging product use during emergencies and disasters. Based on this belief, Honda has set a target to electrify two-thirds of its global automobile sales by 2030. To achieve this goal, the Company is seizing all new business opportunities by enhancing and upgrading its product lineup.

In the Automobile Business, Honda has been developing and selling EVs and clean power units, including hydrogen fuel cells. In FY2020, Honda rolled out the Honda e, its first mass-produced EV, in Europe and Japan and the Rinen VE-1 and X-NV in China. Going forward, the Company will continue to enhance its lineup of EVs on a global scale.

The Clarity Fuel Cell, Honda's FCV, has already gained high market recognition and has been used in feasibility tests across Japan to check its compatibility with the hydrogen infrastructure. In FY2020, Honda announced its joint research project with Isuzu Motors Limited to carry out tests on the use of fuel cells in large commercial vehicles. In this way, Honda is actively seeking to harness the potential of a hydrogen-based society.

As an effort to accelerate the market growth of electric power units, Honda has expanded the lineup of vehicles equipped with the Intelligent Multi-Mode Drive (i-MMD), Honda's original hybrid system offering top-class efficiency, from sedan-type vehicles to sport utility vehicles (SUV). With the addition of the compact i-MMD newly developed for the Fit-class vehicles, Honda is now offering more high-performance hybrid vehicles to customers worldwide. Honda also plans to release plug-in hybrid electric vehicles (PHEV) fitted with the i-MMD, starting with the Clarity PHEV, to markets demanding such vehicles.

In the Motorcycle Business and Life Creation Business, Honda is engaging in lease sales and the monitoring of the Benly e:, an electric motorized scooter equipped with a mobile power pack. The Company

is conducting feasibility tests of the scooter in areas where motorcycle sales are strong. As an example, Honda is undertaking a feasibility test of the Benly e: and its mobile power pack in the Philippines for the utilization of surplus power and verifying the test results.

In Europe, Honda is promoting the Honda Energy Management Project, an energy management system based on a Vehicle to X (V2X) communication network that connects vehicles with other vehicles, people and road infrastructure. The system uses batteries mounted on the Honda e and other battery EVs. In tandem with artificial intelligence (AI) technology, it ensures optimum energy management, such as charging and discharging clean energy to and from the mounted batteries and controlling power usage to reduce peak power. Honda is promoting feasibility tests of EV ecosystems that bring benefits to both customers and power providers and taking up the challenge of realizing an electrified society.



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*1 Task Force on Climate-related Financial Disclosures

*2 Total cost of ownership

Material Issues in the Environmental Dimension**Climate Change: Risk and Opportunity Analysis Based on Multiple Scenarios**

Honda identifies specific risks and opportunities by performing analysis on multiple scenarios and translates the results into tangible products and

Climate-related risks (From TCFD ¹ recommendations)	Risks for Honda	Opportunities for Honda
Transition risk ⇒ 2°C		
Major impact		
<ul style="list-style-type: none"> Changes in the market to eliminate forms of mobility with greater CO₂ emissions Diversification of energy needed for product use and services 	Policy and legal risks <ul style="list-style-type: none"> More stringent regulations for GHG emissions Greater obligation to report emissions <ul style="list-style-type: none"> Promotion of better fuel efficiency and electrification Disclosure of emissions from the entire product life cycle <p>(⇒ p. 58) (⇒ p. 74)</p> Technology risk <ul style="list-style-type: none"> Replacement with low-carbon products <ul style="list-style-type: none"> Promotion of electrified products <p>(⇒ p. 58, 64)</p>	Products and services <ul style="list-style-type: none"> Development of new products and services Expansion of low-carbon products and services Diversification of business activities <ul style="list-style-type: none"> Reduction of TCO² through eMaaS Sales expansion of electrified products and services Expansion of product sales under the multi-pathway strategy <p>(⇒ p. 18) (⇒ p. 18, 58) (⇒ p. 20)</p>
Market risk		
<ul style="list-style-type: none"> Changes in consumer behavior Uncertainty in market signals Higher raw materials costs 	<ul style="list-style-type: none"> Product development under the multi-pathway strategy Product designs based on 3Rs (reduce, reuse and recycle) <p>(⇒ p. 20) (⇒ p. 60, 67)</p>	Markets <ul style="list-style-type: none"> Access to new markets <ul style="list-style-type: none"> Market expansion through high value-added products and services <p>(⇒ p. 18, 20)</p>
Reputation risk		
<ul style="list-style-type: none"> Changes in consumer perceptions Accusations against the industry Growing concerns among stakeholders 	<ul style="list-style-type: none"> Promotion of low-emissions products and services Transition to carbon neutral status Communicating resilient strategies <p>(⇒ p. 18) (⇒ p. 57) (⇒ p. 19)</p>	Energy source <ul style="list-style-type: none"> Use of energy with lower emissions Shifting to distributed energy sources <ul style="list-style-type: none"> Reduction of production costs through the use of renewable energy and energy saving Expansion of battery sharing through Honda Mobile Power Pack <p>(⇒ p. 62, 66) (⇒ p. 58, 64)</p>
Physical risk ⇒ 4°C		
Major impact		
<ul style="list-style-type: none"> Disruption of infrastructure caused by extreme weather events Increased necessity for products and services that respond to extreme weather events 	Acute risk <ul style="list-style-type: none"> Increased severity of floods and other extreme weather events Increase in floods and other extreme weather events Disruption of supply chain <ul style="list-style-type: none"> Formulation of a global BCP Establishment of a global value chain Measures against procurement risk <p>(⇒ p. 48) (⇒ p. 142) (⇒ p. 145)</p>	Resource efficiency <ul style="list-style-type: none"> Utilization of more efficient transportation means Promotion of recycling <ul style="list-style-type: none"> Active promotion of 3Rs <p>(⇒ p. 60, 67)</p>
Chronic risk		
<ul style="list-style-type: none"> Shifts in rain and other climate patterns Higher average temperatures 	<ul style="list-style-type: none"> Efforts to reduce water intake and energy use More efficient energy consumption (for air conditioning) <p>(⇒ p. 60, 66) (⇒ p. 66)</p>	Resilience <ul style="list-style-type: none"> Improvement of reliability and operational capability of supply chain Expanding products and services related to ensuring resilience <ul style="list-style-type: none"> 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>(⇒ p. 145) (⇒ p. 58) (⇒ p. 18)</p>

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Material Issues in the Environmental Dimension

Efficient Utilization of Resources

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

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

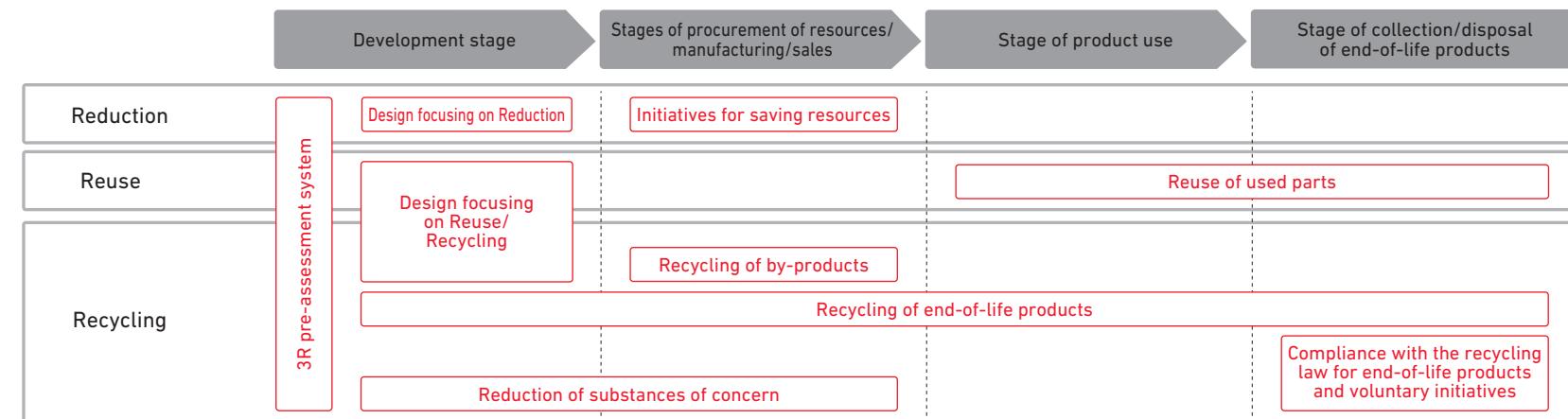
Taking into consideration the risks involved in resource depletion and waste disposal, Honda aims to reduce the overall amount of waste generation. Accordingly, the Company has set the goal of annual

reduction of waste generation per unit of production of 1.8% (compared with FY2019 levels) in all corporate activities in FY2031.

For water resources as well, Honda is giving consideration to water supply and depletion risks. Honda has thus established the target of annual reduction of water intake per unit of production of 1.8% (compared with FY2019 levels) in all corporate activities in FY2031. In both areas of waste generation and water intake, the Company will remain committed to minimizing environmental impacts.

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

Initiative for the elimination of risks related to resources and disposal



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Material Issues in the Environmental Dimension**Preservation of Clean Air**

Honda recognizes that air pollution has been a critical issue since the 1960s and believes that worsening air pollution in cities has a negative effect on people's health, inhibiting the joy and freedom of mobility and a sustainable society where people can enjoy life. The Company, therefore, has sought to resolve this issue through the development of technologies that clean the gas emitted from its products.

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

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

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

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



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Seeking to greatly reduce CO₂ emissions from the production process in North America, Honda will start to purchase wind power generated by the Boiling Springs Wind Farm in Oklahoma in the fall of 2020 and solar power from a solar facility in Texas in the fall of 2021. Through these virtual power purchase agreements (VPPAs) to buy a total of 320 MW of clean energy corresponding to more than 60% of electricity used in North America, Honda will make a great step forward toward its voluntary CO₂ reduction goal.

While continuing to purchase electricity from the local utility for each manufacturing facility, Honda aims to achieve net zero CO₂ emissions from its Ohio, Indiana and Alabama manufacturing operations by receiving and retiring renewable energy certificates (RECs) equal to the power produced through the VPPAs. Currently, 21% of the electricity Honda uses in North America is supplied from extremely low or zero CO₂ sources. Honda hopes the VPPAs will raise the total use of renewable electricity in North America to more than 80%.

A VPPA is a way to purchase renewable energy in locations where renewables are not available from the local electric utility. Honda's agreement to purchase electricity from a renewable energy supplier does not send the clean energy directly to the Company's facilities; instead, it is sold into the electricity grid where the clean power is generated.

This means that Honda's "virtual purchase" of renewable energy adds more clean energy into the electricity grid within the United States. This will push up the ratio of electricity generated using renewable energy and result in a reduction in CO₂ emitted from the use of electricity in North America.

The Boiling Springs Wind Farm VPPA implements an innovative contract structure to potentially mitigate Honda's financial risks in the VPPA market by setting upper and lower bounds on the Company's exposure to energy market price fluctuations. This provides a means to control risks of energy price fluctuations for companies like Honda and generates stable revenues for clean energy suppliers.

The wind and solar VPPAs are part of Honda's ongoing efforts not only to purchase renewable power but also to generate renewable power onsite at its North American operations. To date, Honda has installed 7.3 MW of renewable wind and solar power at its facilities across the region.

WEB

[How Honda Gets Renewable Energy \(Video\)](https://www.youtube.com/watch?v=1x8869lvD2Y)

> <https://www.youtube.com/watch?v=1x8869lvD2Y>



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Reduce by 30%

* Global average CO₂ emissions from Honda products

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

Therefore, to ultimately realize zero CO₂ emissions in product usage, Honda has formulated and is promoting initiatives under a goal to reduce CO₂ emissions intensity of motorcycles, automobiles and power products by 30% from 2000 levels by 2020.

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

DATA

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

> p.78



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Honda announced "Honda e: Technology," a new term used to refer to its original, highly efficient electrification technologies, encompassing electric mobility products in the motorcycle and automobile fields as well as energy management technology.

Honda e: Technology is a collective term referring to Honda's highly efficient electrification technologies that will realize the creation of value for mobility and people's daily lives as aspired in the 2030 Vision. Under this concept, Honda will add the same prefix "e:" to a group of technologies and related products for the electrification of motorcycles, automobiles and power products. By doing so, the Company will publicly appeal and convey its products and technologies in each domain in a coherent manner.

In the automobile field, Honda updated its two-motor hybrid system with high efficiency and low fuel consumption, which is a core electrification technology, for

adoption in small vehicles. Under the name "e: HEV," the system has been installed on the Fit released in 2020. Honda has also been providing the urban commuter Honda e in Europe and plans to release this electric vehicle in Japan in 2021. In this way, the Company is making proactive efforts to promote electrification.

In the motorcycle field, Honda released the Benly e: series of business-use electric motorized scooters. Honda will collaborate with Japan Post Co., Ltd. in Japan to help provide a cleaner living environment and improve the country's social infrastructure.

In the field of life creation, Honda aims to promote low-carbon, efficient energy use by widely offering the Honda Mobile Power Pack, a power source for electric scooters and other vehicles.

Honda E:TECHNOLOGY



Honda e



Fit e: HEV



Benly e:



Honda Mobile Power Pack

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Emissions from “use of products” account for approximately 80% of CO₂ emissions from Honda’s entire product life cycle. In light of this, Honda works to reduce CO₂ emissions during usage in all of its products, and manufactures and sells items that can be supplied with confidence as environmentally friendly products.

In addition, Honda is pushing ahead with the following three initiatives to realize its 2020 Product CO₂ Emissions Reduction Targets with a view to halving total CO₂ emissions by 2050 compared with 2000 levels while expanding production and sales globally.

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

By implementing these in phases, Honda is steadily reducing CO₂ emissions with the aim of ultimately eliminating them.

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

As a result of certification of products that were launched in FY2020, 15 motorcycle models, 3 automobile models and 6 power product models — a total of 24 models — were HEPS-certified. Cumulatively, this brings the number of HEPS-compliant products to 186 motorcycle models, 94 automobile models and 54 power product models, or 334 models in total.

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

DATA

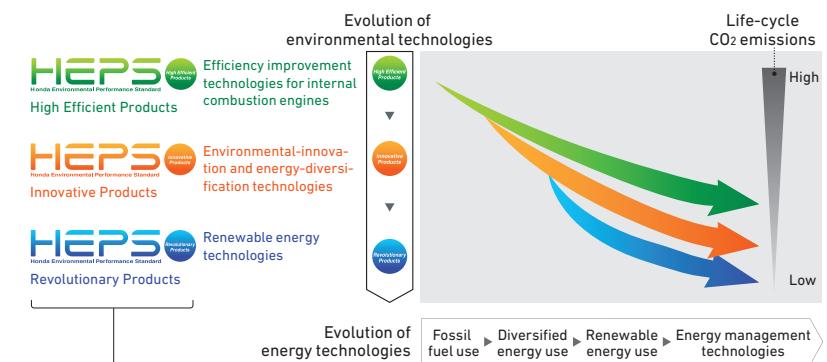
Global number of HEPS-compliant models

> p.79

DATA

Number of HEPS-compliant models by region

> p.79

**●High Efficient Products**

Products that emit less CO₂ 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 CO₂ emissions during use compared with preceding models.

●Innovative Products

Products that emit less CO₂ 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 CO₂ emissions during use compared with preceding models.

●Revolutionary Products

Products that reduce or eliminate CO₂ emissions by harnessing renewable energies or facilitating total energy management. This category includes products that incorporate electromotive technologies or technologies for using renewable energy.

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With the aim of ultimately achieving zero CO₂ emissions and zero energy risk, Honda is focusing on the reduction of energy consumption and CO₂ emissions while expanding production/sales globally. In the future, Honda will aim at sustaining reduction until the rate of reduction of energy consumption exceeds the rate of increase of energy use for the manufacturing of products.

Toward the realization of the above-mentioned target, when building or renovating its plants Honda aggressively introduces the latest energy-saving technologies and know-how at plants, including the Saitama Factory's Yorii assembly plant that achieved a 30% reduction in per unit energy use compared with other Honda plants*. To support the energy-saving initiatives of various business sites operating around the world, the Company has built a mechanism for promoting information sharing among business sites and regions, and at the same time, it is enhancing technical support from Japan.

In addition, Honda is actively introducing renewable energy around the world. In FY2020, Honda utilized a total of 328 GWh of electricity generated through renewable energy such as solar and wind power.

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



* Comparison with Saitama Factory's Sayama assembly plant

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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, we label resin and rubber parts with their constituent materials wherever possible to facilitate recycling.

As a result of the activities mentioned above, with regard to the recyclable rate^{*1} for all new and redesigned vehicles sold in FY2020, Honda is maintaining more than 90% for automobiles and more than 95% for 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 FY2020, the Company collected and recycled approximately 160,000 end-of-life bumpers. Collected bumpers are recycled and used for splash guards and other components of the Freed model.

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



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

In FY2019, the number of Honda automobiles collected was approximately 470,000 for fluorocarbons (-1.9% from the previous fiscal year), approximately 470,000 for airbags (-0.6%) and approximately 530,000 for ASR (+1.4%). Recycling rates for gas generators and ASR were 94.2% and 97.3%, respectively, which satisfy the recycling rates specified by ordinance of the relevant ministry (at least 85% for gas generators and at least 70% for ASR).

Initiative for Motorcycles

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

Regarding end-of-life motorcycles collected at designated points of collection, there were 1,039 Honda products in FY2020, which accounted for 51.8% of all units collected. The recycling rate of Honda products came to 97.9% on a weight basis, enabling us to achieve the target recycling rate of 95% since FY2014.

Corporate Activities Initiatives

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

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

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Preservation of Clean Air

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

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

With regard to automobiles, Honda has gradually expanded models that are LEV^{*1} 3- SULEV^{*2} 30 emissions compliant, beginning with the Accord Hybrid released in 2013, thus meeting the California exhaust emissions standard, deemed to be the toughest in the world. The Accord Plug-in Hybrid was the first in the world to achieve SULEV20 status.

Amid application and strengthening of exhaust emissions regulations in emerging countries, Honda is promoting response early on in various countries in Asia and the Middle East.

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

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

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

In Japan, Honda set FY2011 VOC emissions intensity as the control value pursuant to the goal established by the Japan Automobile Manufacturers Association and introduced voluntary efforts aimed at

reduction from there. The Company has cleared this value every year since 2010. Honda will continue with these voluntary efforts going forward.

*1 Low Emission Vehicle

*2 Super Ultra Low Emission Vehicle



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

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

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

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

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

environment. (Please refer to the link below.)

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

WEB

"Honda Marine Science Foundation"

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

WEB

"Forest watersheds"
(Japanese only)

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



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Safety 80**Quality** 94**Human Resources** 110**Supply Chain** 134**Social Contribution Activities** 149**Other Important Issues****Biodiversity Conservation**

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

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

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

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

PDF**Honda Biodiversity Guidelines**

> https://global.honda/content/dam/site/global/about/cq_img/sustainability/environment/report/report-biodiversity-en.pdf

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 FY2020, components that do not use mercury were chosen for combination meters. The Company is striving to eliminate the use of mercury on a voluntary basis.



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* 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).

Environmental Data**Scope of Consolidation**

Environmental data are provided on pages 74 to 77 for the year ended March 31, 2020 from Honda Motor Co., Ltd. and 428 consolidated subsidiaries and affiliated companies in Japan and outside Japan (as of December 31, 2019).

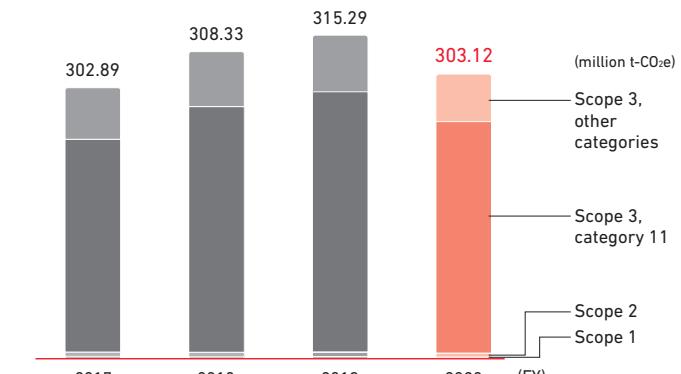
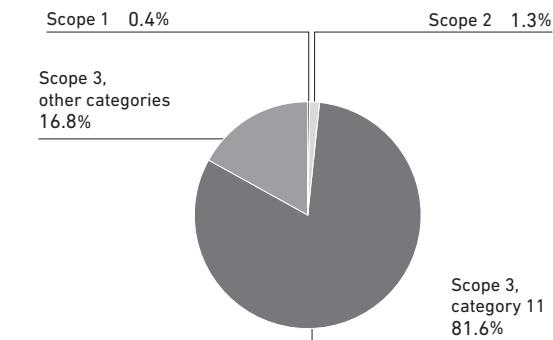
Honda GHG Emissions in FY2020

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

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

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

The calculations for FY2020 show that GHG emissions from Honda business activities were 5.03 million t-CO₂e, and total emissions from the value chain, including other indirect emissions, were 303.12 million t-CO₂e. Honda will continue to monitor and manage data and utilize this information in the actual implementation of emissions reduction measures.

Total GHG emissions**Breakdown of total FY2020 GHG emissions**

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Environmental Data**Reducing GHG Emissions from Use of Sold Products**

Scope 3, category 11 emissions (emissions from use of products sold to Honda customers) account for more than 80% of GHG emissions from Honda's entire value chain. This means finding ways to reduce emissions related to customer use of Honda products is of primary importance in reducing emissions from Honda's value chain. To this end, the Company has established the target of reducing global average product CO₂ emissions intensity by 30% by 2020 (compared with 2000 levels), and is working to improve the fuel efficiency of our products.

Promoting Life-Cycle Assessment (LCA)

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

In March 2002, the Company built the Honda Life-Cycle Assessment (LCA) Data System, a system for quantitatively measuring CO₂ emissions from all business activities. Since then Honda has been making focused efforts to meet reduction targets set for each business area including production, purchasing, sales and service, administration and transportation.

Honda is also calculating and assessing CO₂ emissions across product life cycles, from raw material procurement to product disposal for the entire vehicle, and making use of this information in its efforts to reduce CO₂ emissions for each model. This approach is also important when considering applications for the next-generation technologies that will become more diverse further in the future. Accordingly, the Company will utilize the above information further to develop low-carbon solutions at the development stage, for instance.



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Environmental Data**Honda's total GHG emissions**

			FY2017	FY2018	FY2019	(million t-CO ₂ e)	FY2020
GHG emissions from the entire Honda value chain		(Scopes 1, 2 and 3)	302.89	308.33	315.29	303.12	
Breakdown	Direct emissions from business activities	(Scope 1)	1.28	1.35	1.38	1.24	<input checked="" type="checkbox"/>
	Indirect emissions from energy use	(Scope 2)	4.00	4.17	4.09	3.79	<input checked="" type="checkbox"/>
	Emissions from Honda business activities	(Total of Scopes 1 and 2)	5.28	5.52	5.47	5.03	
	Emissions from customer use of sold products	(Scope 3, category 11)	247.85	249.71	256.10	247.25	<input checked="" type="checkbox"/>
	Other emissions	(Scope 3, other categories)	49.76	53.10	53.72	50.84	
	Other indirect emissions	(Total of Scope 3)	297.61	302.81	309.82	298.09	

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

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

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

● The "Scope 3, category 11" figures presented in this report represent the cumulative amount of GHGs that will have been emitted by products sold by Honda in the applicable fiscal year (automobiles, motorcycles, power products and aircraft) as a result of their use by customers from the time they received those products until they dispose of them in the future. Calculations cover the emission of approximately 90% of all motorcycles, automobiles, power products and aircraft sold worldwide under the Honda brand name. These emissions are calculated using the following formula for each model and adding the results: CO₂ emissions intensity x Annual distance traveled or Annual usage in hours x Product lifetime in years x Annual unit sales.

● CO₂ emissions intensity: Average annual mileage of each model set at same value per region or Annual consumption of each model and Average annual used time distinguish general business from business use.

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

● CO₂ emission factor: Referring to the GHG calculation guidelines that public authorities in each region issued. If there are no appropriate guidelines, reference from the ones of Japanese.

● Correction of previous data error

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

Data indicated with received the independent practitioner's assurance.



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Environmental Data**GHG emissions**Direct emissions (Scope 1) (10,000 t-CO₂e)

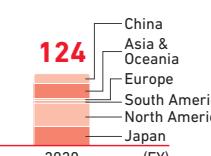
400

300

200

100

0

131
128
135
138
124
(FY)

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

Calculation method: Emissions amount = \sum [Volume of fuel usage x CO₂ emission factor] + CO₂ emissions from non-energy sources + \sum [Volume of non-CO₂ GHG emissions x Global warming factors]

Emission factors

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

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

• Figures of GHG emissions from non-energy source include some estimated values.

• Calculations are mainly based on emissions from stationary combustion sources.

• Expressed in three significant digits

Energy consumptionDirect energy consumption

(TJ)

25,000

20,000

15,000

10,000

5,000

0

22,400
22,000
23,100
23,400

21,400

20,000
15,000
10,000
5,000
0

2016 2017 2018 2019 2020 (FY)

China
Asia & Oceania
Europe
South America
North America
Japan

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

Calculation method: Consumption amount = \sum (Fuel consumption x unit calorific value)

Unit calorific value:

Japan: Unit calorific value from Reporting and Disclosure System based on the Act on Promotion of Global

Warming Countermeasures

Regions outside of Japan: Derived from 2006 IPCC Guidelines for National GHG Inventories

• Calculations are mainly based on energy consumed by stationary exhaust sources.

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

• Expressed in three significant digits

Indirect emissions (Scope 2) (10,000 t-CO₂e)

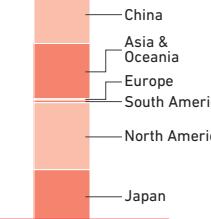
400

300

200

100

0

384
400
417
409
379
(FY)

Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group

Calculation method: Emissions amount = \sum (Purchased electricity consumption, etc.*1 x emission factor)

Honda adopts to the GHG Protocol's standard market-based method.

Emission factor:

Japan: Electricity utilities emission factors based on the Act on Promotion of Global Warming Countermeasures

Regions outside of Japan: Electricity utilities emission factors and latest regional emission factors, if unavailable, national emission factors from the IEA's Emissions from Fuel Combustion.

*1 Other includes steam and hot water, the emission factors are based on the Act on Promotion of Global Warming Countermeasures.

• Expressed in three significant digits

Indirect energy consumption

(TJ)

25,000

20,000

15,000

10,000

5,000

0

24,300
25,200
25,900
26,100

24,900

20,000
15,000
10,000
5,000
0

2016 2017 2018 2019 2020 (FY)

China
Asia & Oceania
Europe
South America
North America
Japan

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

Calculation method: Consumption amount = \sum (Purchased electricity consumption etc.*1 x unit calorific value)

Purchased electricity has been converted to joules using the international standard 3.6 GJ/MWh.

*1 Other

Unit calorific value:

Japan: Unit calorific value from Reporting and Disclosure System based on the Act on Promotion of Global

Warming Countermeasures

Regions outside of Japan: 2006 IPCC Guidelines for National GHG Inventories

• Expressed in three significant digits



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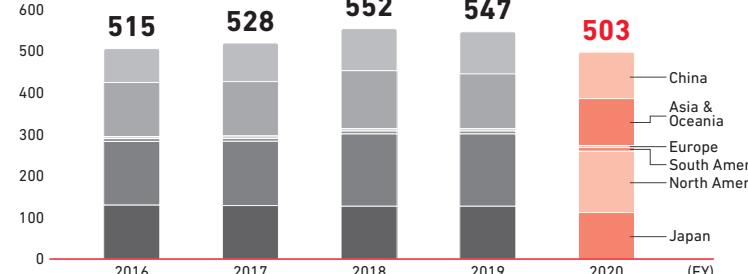
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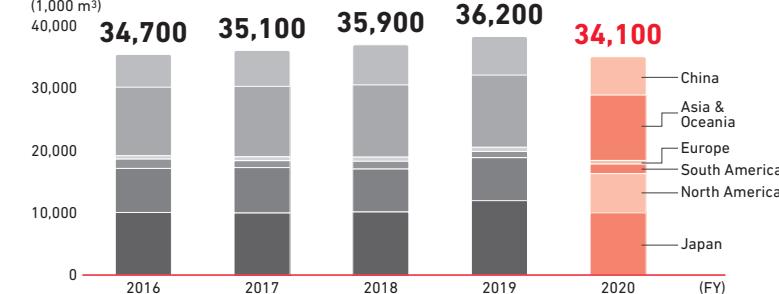
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**Environmental Data**Total GHG emissions (Scope 1 and 2) (10,000 t-CO₂e)

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

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

• Expressed in three significant digits

Water intake/Wastewater volumeAmount of water intake (1,000 m³)

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

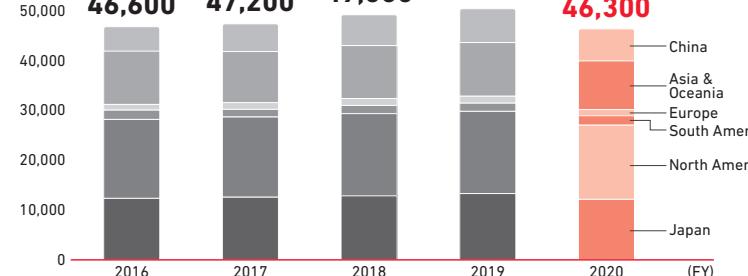
Calculation method: Amount of water intake = Σ (Purchased from the water facilities + Groundwater intake + Rainwater utilization amount + Surface such as rivers water intake)

• Expressed in three significant digits

• Correction of previous data error

Total energy consumption

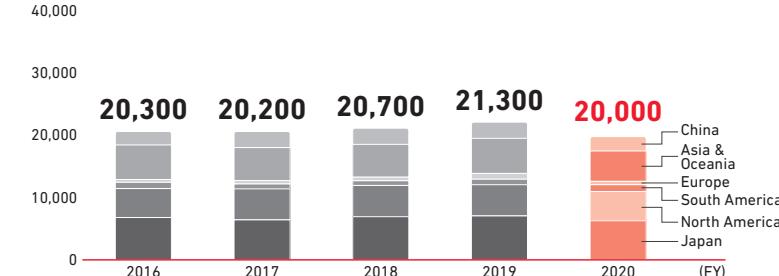
(TJ)



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

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

• Expressed in three significant digits

Wastewater volume (1,000 m³)

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

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

• Figures include some estimated values.

• Expressed in three significant digits

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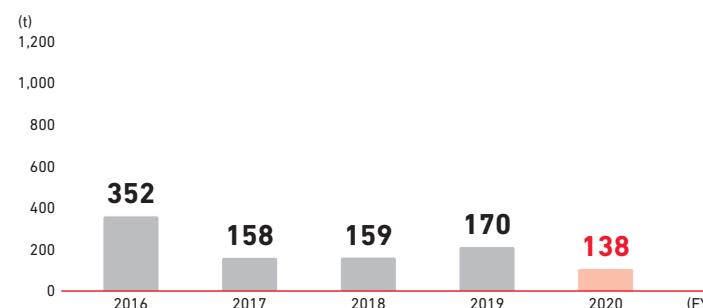
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Environmental Data**Atmospheric pollutants**SOx emissions 

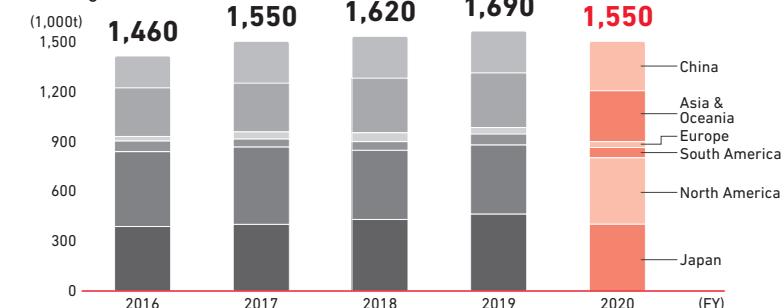
Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)

Calculation method: Emissions amount = \sum (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)

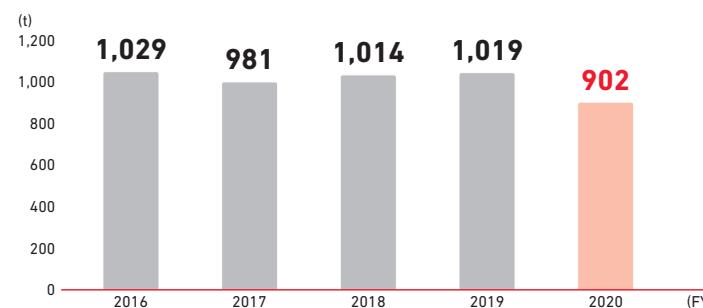
Waste generatedWaste generated 

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

Calculation method: Emissions amount = \sum (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

NOx emissions 

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

Calculation method: Emissions amount = \sum (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).



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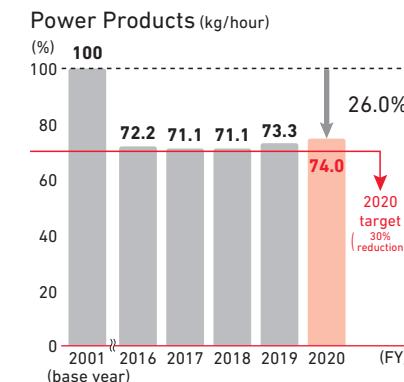
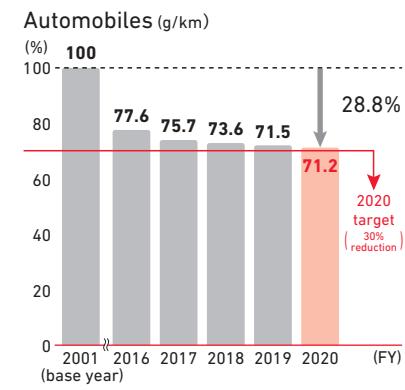
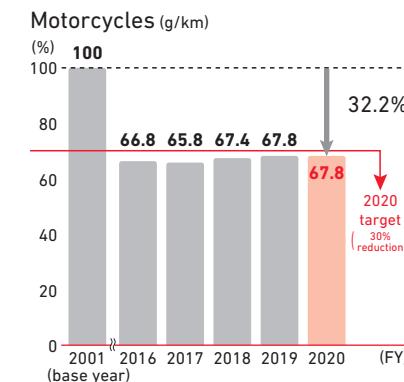
Environmental Data**Cost of environmental conservation activities and investments in FY2020**

Category	Major activities and investments	FY2020	
		Investments (millions of yen)	Expenditures (millions of yen)
Business area costs	Pollution prevention costs	307	172
	Global environmental conservation costs	1,438	223
	Recycling costs	31	508
Upstream/downstream costs	Collection, recycling, resale and proper disposal of products manufactured and sold Industry organization and other membership fees	133	316
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)	31	1,785
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)	2,128	264,122
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)	10	282
Environmental damage costs	Remediation of polluted soil	0	4
Total		4,079	267,412

- Companies covered: Honda Motor Co., Ltd., Honda R&D Co., Ltd., Honda Engineering Co., Ltd. and Honda Access Corporation
- Accounting period: April 1, 2019 to March 31, 2020
- 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)

		FY2020 (millions of yen)
Income from sale of valuable waste materials		4,920
Cost reductions from saved energy	Installed technologies	63
	Behavioral changes, etc.	17
Total		22,459

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

environment

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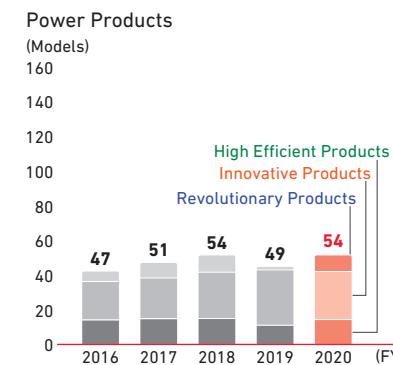
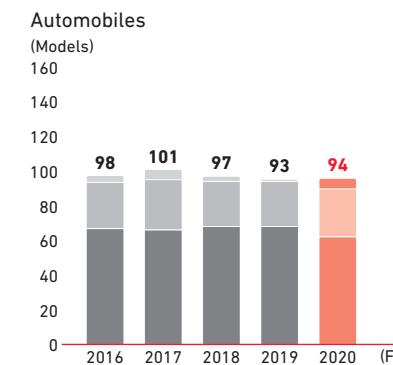
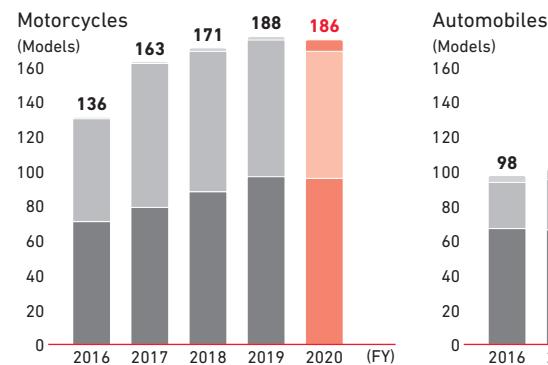
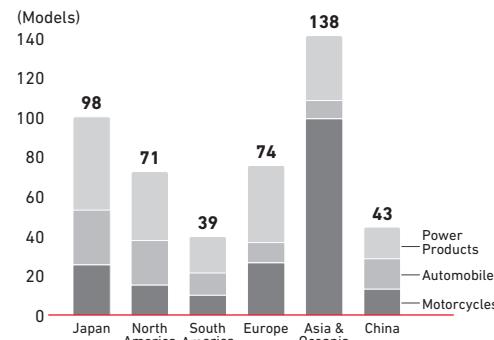
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Environmental Data**Global number of HEPS-compliant models****Number of HEPS-compliant models by region (FY2020)**

7 Safety



Material Issues

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

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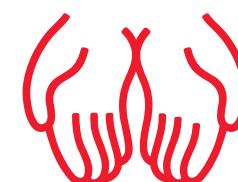
Basic Approach**Toward a Collision-Free Mobile Society**

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

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

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

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



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

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

**Global Safety Slogan****Safety for Everyone**

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



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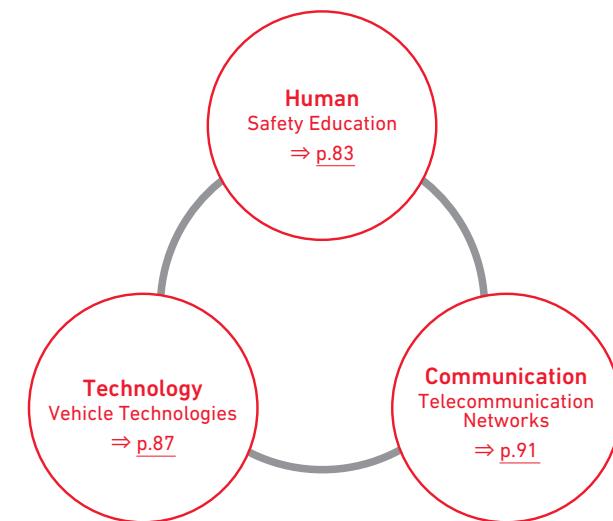
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Basic Approach**Direction of Activities**

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

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

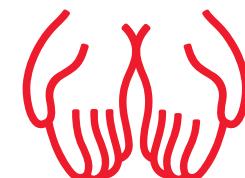
In Thailand, for example, safety measures are an urgent challenge due to the high percentage of motorcycle riders among the number of traffic fatalities in particular compared with other parts of Asia. In response, Honda decided to conduct a detailed investigation from 2016 to 2020 to collect and analyze information on around 1,000 traffic accidents in Thailand. The investigation, still ongoing as of the end of FY2020, first pinpoints the fundamental cause of each accident. Based on the knowledge accumulated, Honda plans to develop activities to promote more suitable safe driving practices in the area of "Human" and connect this to the development of more effective safety-related technology in the area of "Technology." This initiative is being expanded gradually in the respective regions of Asia and Oceania.

Three areas of safety promotion activities

safety

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**Safety Initiatives****Human (Safety Education)****Basic Approach in the Area of Human (Safety Education)**

In 1970, Honda established the Driving Safety Promotion Center in Japan and subsequently a department dedicated to promoting activities overseas within the Center in 1972. Since then, Honda has been reinforcing its efforts overseas by establishing Traffic Education Centers* in various countries and cooperating with local dealers. As of 2019, Honda is carrying out driving safety promotion activities in 41 countries and regions throughout the world including Japan.

Honda's activities are based on the ideas "To pass on safety education from person to person" by conveying the importance of driving safety directly to customers at dealers and "To provide a participatory hands-on education program" under the guidance of expert instructors.

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

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

In Japan, Honda has provided traffic safety education and training for drivers and riders to more than 6.57 million customers to date in cooperation with Honda Traffic Education Centers, motorcycle and automobile dealers, local corporations and schools.

Overseas, the Company has established Traffic Education Centers in various countries to play a key role in its efforts and encourage collaboration with dealers, while its subsidiaries lead a broad range of activities. Emerging countries in particular contain areas where regulations, traffic rules and road infrastructure are not yet ideal despite the fact that motorization is rapidly progressing. As such, an increase in the number of fatal traffic accidents has become a social issue. Therefore, Honda is undertaking activities matched to the traffic situation of each country while collaborating with local governments and relevant organizations.

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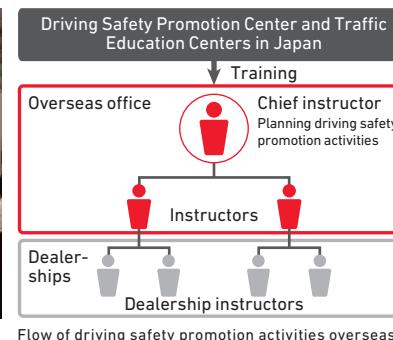
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Safety Initiatives**Initiatives in the Area of Human (Safety Education)****Collaboration with Overseas Offices**

Honda holds a meeting of managers in charge of promoting driving safety education at respective overseas offices. The 2019 Safety Driving Managers Meeting was attended by 21 managers from nine countries and regions mainly in Asia and representatives from each Traffic Education Center in Japan.



Safety Driving Managers Meeting

**Nurturing Instructors at Traffic Education Centers in Japan**

From many years of various motorcycle and automobile riding/driving safety promotion activities, Honda's Traffic Education Centers in Japan have accumulated a pool of advanced safe riding/driving techniques and instruction know-how. For promoting safety practices globally, Honda intends to pass on this pool of knowledge to instructors of overseas offices to invigorate and instill activities in their own countries.

In Japan, these Centers regularly provide training to instructors of overseas offices. Since 1997, Honda has also been hosting the annual Safety Japan Instructors Competition. A total of 75 participants, 38 from Traffic Education Centers and business sites in Japan and 37 from eight countries and regions, participated in the 2019 competition.

Collaboration with Traffic Education Centers

In Japan, Honda provides participatory hands-on education matched to the needs of companies, organizations and individuals.

Specifically, Honda's seven Traffic Education Centers across Japan offer training to traffic safety instructors. They also provide participatory hands-on education mainly to companies, organizations, schools and individual customers to improve their riding/driving skills and facilitate their safety driving awareness and understanding. In 2019, Honda provided education to some 90,000 persons (as of December 31).

TOPICS**Conducting Training in Japan to Nurture Instructors to Lead Driving Safety Promotion Activities in India**

Honda Motorcycle & Scooter India Pvt. Ltd. (HMSI), a Honda subsidiary in India engaging in production and sales of motorcycles, has been nurturing motorcycle and automobile chief instructors. The effort aligns with its preparation to operate a Traffic Education Center in cooperation with the state government in the future. In March 2019, 10 trainees from HMSI received 11-day training at the Suzuka Circuit Traffic Education Center. During the training that involved lectures, practical training and role playing, they developed an internal instructor training schedule of HMSI, made plans for motorcycle riding lessons and served as instructors in a mock training setting. For reducing the number of traffic accidents in India, Honda will continue to play its part in strengthening and instilling riding/driving safety activities in the country.



Chief instructor training

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Safety Initiatives

Collaboration with Local Communities

In Japan, Honda offers educational programs and teaches instruction techniques to traffic safety instructors, employees of partner companies and other persons responsible for conveying traffic safety in each local community.

For traffic safety instructors in local communities, Honda holds a study session on traffic safety educational programs every year since 2015. In 2019, 30 instructors from 19 districts participated in the session and jointly created an educational program.

For our partner companies, Honda provides training to nurture Honda Partnership Instructors. Instructors who have received training at Honda work to promote traffic safety within their own companies and in surrounding areas, thereby conducting various activities, including parent-child traffic safety lessons.



Educational program study session for instructors



Simulating an accident involving a child leaping out to the road in a parent-child traffic safety lesson

Collaboration with Relevant Organizations

In Japan, Honda proactively fosters collaboration with members of organizations and industries engaging in driving safety promotion activities in order to reduce traffic accidents.

As an example, Honda's Safety Map, released to the public in March 2013, was created based on information provided by local residents. It can be used freely by all road users, including drivers, riders, pedestrians and cyclists, via personal computers and smartphones. In addition to personal use, more companies and organizations are now using the map for the purpose of preventing traffic accidents.

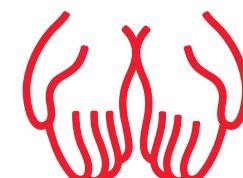
Honda has also cooperated in running the Driving School Instructors Competition, 2019 Motorcycle Safety Driving Competition and driving safety seminars for high school students and elderly drivers.



2019 Motorcycle Safety Driving Competition



Driving School Instructors Competition



TOPICS

Development of a Program for Upper Grade Elementary School and Junior High School Students

In 2019, Honda developed the "For the children who will star in the societies of the future" program targeting upper grade elementary school and junior high school students in Japan. Following rules and maintaining good manners as well as turning the practice into a habit are a basic necessity in leading an enriched social life. The program thus embraces Honda's desire to let children, who will lead the next generation, to regard traffic safety as a matter having significance to themselves and avoid traffic accidents.

The program consists of an introductory part and main part. The main part is made up of three video materials respectively dealing with "walking," "riding bicycles" and "traffic signs." These can be taught individually so that traffic safety instructors can freely combine them according to the needs of a school or the duration of a session. The program is also characterized by its interactive nature, allowing instructors to proceed by asking questions to children for each example situation.



Traffic safety class at Kagoshima City Arata Elementary School

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Safety Initiatives

Development of Educational Equipment

In Japan, Honda leverages its driving safety know-how accumulated over the years and provides educational equipment and software programs, including simulators, for use at various driving safety education opportunities. These equipment and programs are constantly upgraded in keeping pace with the changing needs of society.

Example driving safety educational equipment developed by Honda include the Honda Riding Simulator for virtual motorcycle hazard prediction training difficult to conduct on the road; Honda Bicycle Simulator that reproduces actual traffic conditions and allows the user to simulate bicycle riding on the street; Honda Safety Navi, a simple simulator that allows hands-on learning of various traffic conditions; and Honda Movie KYT that uses computer graphics to improve hazard prediction abilities, including instant cognitive and judgment skills.



Riding Simulator (Police Version)
(Released in March 2020)

*1 A program offered at Honda Traffic Education Centers as a means to evaluate the driving competence of people with higher cerebral dysfunction wishing to resume driving. It is used to check their current ability to drive an actual vehicle and train them to overcome the identified issues.

*2 A program offered at Honda Traffic Education Centers for welfare facility drivers providing pickup and drop-off services. It provides advice on preventing accidents during these services as well as training to facilitate an understanding of the importance of giving due consideration to their passengers.

safety

Activities in the Welfare Field

In Japan, Honda offers training opportunities and venues for persons with disabilities who want to drive again. In this capacity, the Company provides its know-how to hospital and driving school personnel in charge of evaluating the driving competence of these persons. It also offers support for the creation of a local collaboration environment in which driving school instructors and occupational therapists exchange information and opinions.

As a means to evaluate the driving competence of those wishing to resume driving, Honda provides the Safety Training Program for Disabled Drivers^{*1} that provides training using a simulator and actual vehicle.

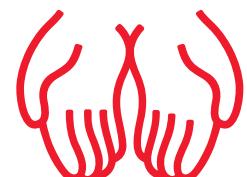
Additionally, in collaboration with NPOs and welfare-related companies, Honda uses its Safety Training Program for Drivers with Disabled Passengers^{*2} to encourage welfare facility drivers providing pickup and drop-off services to gain driving skills that give due consideration to their passengers.



Experiencing the Safety Training Program for
Disabled Drivers in a vehicle equipped with driver
support device

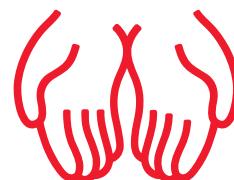


Safety Training Program for Drivers with
Disabled Passengers



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**Safety Initiatives****Technology (Vehicle Technologies)****Honda's Approach**

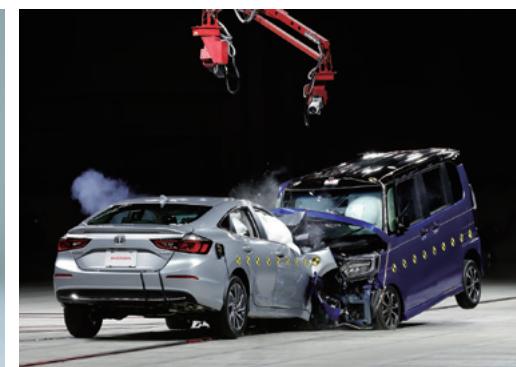
Honda has engaged in the development of safety technology focusing on real traffic and collisions involving multiple types of road users. The Company is dedicated to developing safety technology, setting higher targets often exceeding requirements in a spirit that "if it does not exist, we will make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

The Company has been developing and commercializing safety technologies one after the other. In 1998, Honda developed the world's first pedestrian dummies, while it built the world's first omni-directional crash test facility in 2000. In 2003, Honda developed the crash-compatibility body and the world's first Collision Mitigation Braking System (CMBS).

In 2014, the Company announced "Honda Sensing/AcuraWatch," new advanced safety and driver-assistance technologies using sensors and a camera. To accommodate the versatile functions of these sensing devices, Honda has added a greater data processing capability to the system. It recognizes the driver's intention and the vehicle's conditions along with the surrounding environment and applies collaborative control over the braking system, steering wheel and other vehicle components. The system assists the driver from normal driving to risk avoidance in an emergency by providing both vehicle speed/following distance controls and lane keeping control.



POLAR III, the third-generation pedestrian dummy

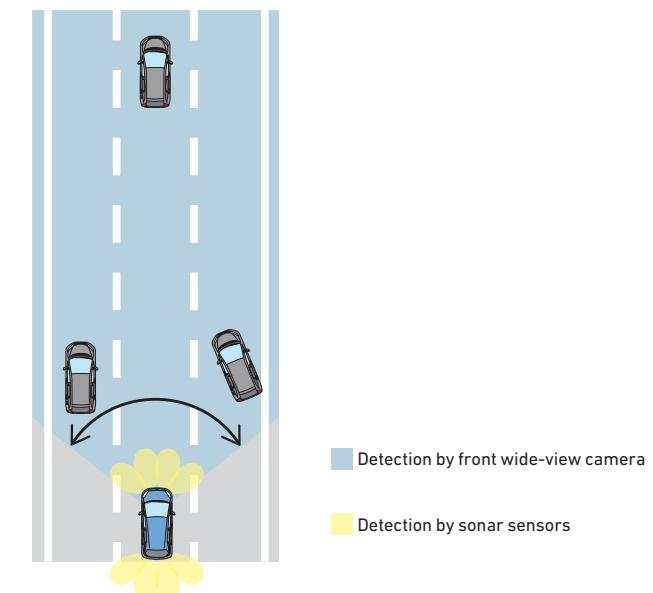


Omni-directional crash test facility

Overview of the Honda Sensing System

Installed on the New Fit Compact Car Released in February 2020

The system adopts the latest high-speed image processing chip to enable the measurement of the distance to an object with a monocular camera instead of the millimeter-wave radar used previously. This front wide-view camera quickly detects when a pedestrian steps into the street from the side on a general road or when another vehicle cuts into the lane on an expressway. The sonar sensors installed on the front and rear of the vehicle support the system's false start prevention function, false reverse-start prevention function and short-distance collision mitigation braking function (called the City-Brake Active System).

Notional image of the detection range

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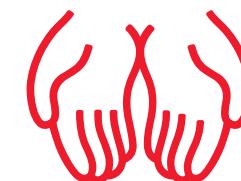
Safety Initiatives**FY2020 Activities**

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

In Japan, Honda has installed this system in more models in the mini-vehicle and compact vehicle categories, such as the N-BOX, Grace and Shuttle, and has been increasing the number of models offering the system as a standard feature. For the new Fit released in February 2020, Honda Sensing was adopted as standard in all available models*.

In the United States, Honda aims to install Honda Sensing/AcuraWatch as a standard feature in all vehicles sold in the country by 2022. In FY2020, the system was newly fitted on the Civic Type R.

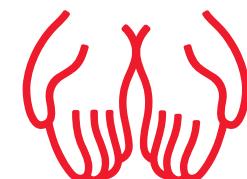
Also, Honda has been working to steadily increase the use of the system in Europe and China. The system was equipped for the first time on the Honda e in Europe and the Envix and Breeze in China.



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

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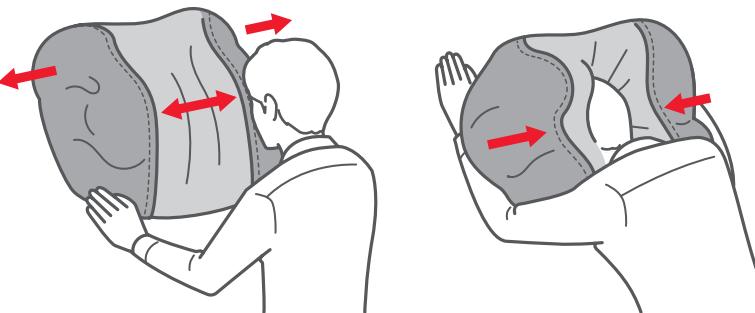
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**Safety Initiatives****TOPICS****Held an Event to Introduce Honda's Safety Initiatives and Technologies to the U.S. Media: Showcasing for the First Time a Locally Developed, Original and New Airbag Design to Enhance Protection in an Angled Collision**

Honda R&D Americas, Inc. (HRA) in the United States has been engaging in research and development of safety technologies matched to the traffic conditions and accident characteristics in the country.

On August 23, 2019, HRA's safety center in Raymond, Ohio, hosted a press event to announce a new airbag design.

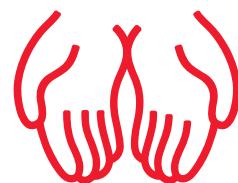
Designed to protect the passenger, the new airbag has been developed based on traffic accident surveys in the United States and Honda's long-accumulated knowledge on collision safety performance. The new airbag seeks to enhance protection in various accident scenarios, including crashes between vehicles or between a vehicle and another object, and reduce the risk of traffic injuries and fatalities.



Catching the passenger forced forward and cradling his/her head with the sail panel

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* An international conference held every two years sponsored by the U.S. Department of Transportation and the National Highway Traffic Safety Administration (NHTSA)

Safety Initiatives**TOPICS**

Participated in the 26th International Technical Conference on the Enhanced Safety of Vehicles* (ESV 2019) Held in the Netherlands: Presenting the Outcome of Research into New Safety Technologies to Motor Vehicle Safety Engineers around the World

Honda operated a booth at the 26th ESV 2019 held in the Netherlands in June 2019 and presented to motor vehicle safety engineers around the world the outcome of research concerning its new approach toward safety technologies.

The approach seeks to realize a new caring safety technology attuned to each driver by providing a combination of "integrated safety technology" and "relief creation technology."

Through improvement of the integrated safety technology, Honda will provide advanced safety tailored to each driver and surrounding conditions. The technology uses a camera and sensors to omni-directionally monitor both inside and outside a vehicle, including all occupants as well as pedestrians and cyclists in the surrounding environment, thereby preventing accidents.

In the relief creation technology, the vehicle monitors the driver's conditions through its camera and other sensing devices, while augmenting his or her

abilities to recognize and respond to any risk and understand other vehicles and motorcycles in a mutual manner. Through the technology, Honda intends to deliver to each driver a sense of security and confidence in driving.

At the 4th ESV held in 1973, Honda showcased for the first time its experimental safety vehicle equipped with anti-collision measures and four-wheel antilock braking system (ABS). Showing to engineers around the world the future of safety technology development, Honda has since been working to put the technology into practical use.

At the ESV 2019, Honda again presented its direction of technology development along with the outcome of its research and gained the understanding of motor vehicle safety engineers and policymakers in each country.

Honda will continue to focus on technology development for the future while exchanging views with vehicle safety professionals across the world.



The 26th ESV 2019

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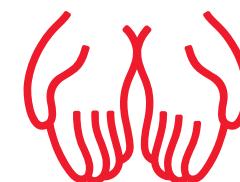
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Safety Initiatives**Communication
(Telecommunication Networks)****Honda's Approach**

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

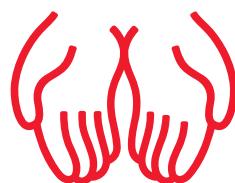
In Japan, as one form of progress from these initiatives, Honda has created a "Safety Map" currently used by many people. Various information, such as emergency braking applied by cars, information on traffic accidents provided by the police and local governments, traffic information provided by local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

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



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**Safety Initiatives****TOPICS****Feasibility Tests to Survey Aging Road Infrastructure in the United States by Using Connected Car Technology**

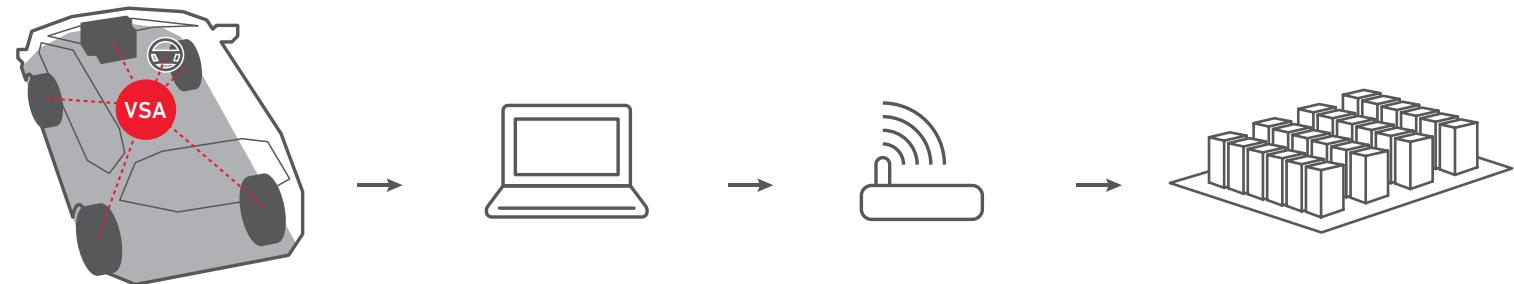
Honda joined a project consigned by Japan's Ministry of Internal Affairs and Communications (MIC). The project performs surveys on the feasibility of advanced systems utilizing probe information in the United States. Under a public-private partnership, Honda has been conducting feasibility tests using its connected car technology to support repairs of aging roads in the country.

The project is being promoted by companies requested by MIC, namely Honda, NEXCO-West USA, Inc. (a U.S. subsidiary of West Nippon Expressway Co., Ltd.), Pacific Consultants Co., Ltd., Oriental Consultants Global Co., Ltd., SoftBank Corp. and ZENRIN DataCom Co., Ltd.

Honda provides the HR-V fitted with specialized measuring equipment, with its on-board computer performing real-time analysis of the data collected from the vehicle stability assist (VSA) sensors.

The on-board computer generates road conditions information, including surface irregularities, degree of aging and crack sizes. Honda is proceeding with the development of a technology to centrally collect the information at a data center via the on-board communication module and facilitate identification of areas needing repairs.

In the future, Honda seeks to achieve safer mobility through the use of its connected car technology by swiftly providing information on road surface conditions that need repairing to local governments and road management organizations.

Notional image of a survey on the aging of road infrastructure using connected car technology

The VSA sensors mounted on the front and rear wheels detect surface conditions and assist the vehicle in maintaining its stability.

The on-board computer performs analysis of the data from the VSA sensors and generates surface conditions information.

The on-board communication module sends the information.

The data center centrally collects the information on road surfaces that need repairing.

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

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

*3 This refers to Japan New Car Assessment Program, which is conducted jointly by the Ministry of Land, Infrastructure, Transport and Tourism and the National Agency for Automotive Safety & Victim's Aid (NASVA).

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

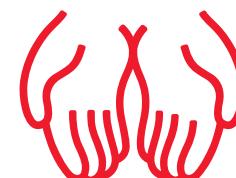
*5 The organization conducts the car assessment that tests and evaluates the safety performance of various cars. IIHS only awards TSP and TSP+ to vehicles that achieved excellent test results. TSP refers to Top Safety Pick.

Third-Party Evaluations**Honda's Approach**

Many of Honda's models have achieved high safety assessments from NCAP^{*1} in various regions. In Japan, the N-BOX was evaluated as "ASV+++" ^{*2}, the highest rank, in the preventive safety assessment of JNCAP^{*3}.

Results of key third-party evaluations (tests conducted in FY2020)

Country / Region	Third-party evaluation	Model
Japan	JNCAP	5 ★ CR-V / Insight / Accord / N-WGN
		ASV+++ N-BOX / Accord / N-WGN
Europe	Euro NCAP	5 ★ Performance not evaluated in FY2020
		C-NCAP 5 ★ Accord
China	C-IASI ^{*4}	GGG Performance not evaluated in FY2020
		NCAP 5 ★ CR-V / Passport
U.S.A.	IIHS ^{*5}	TSP+ Insight / RDX
		TSP Accord / CR-V / Civic (2 doors, 4 doors, 5 doors)
Australia	ANCAP	5 ★ Performance not evaluated in FY2020
Southeast Asia	ASEAN NCAP	5 ★ Accord / City
Latin America	Latin NCAP	5 ★ Performance not evaluated in FY2020

**TOPICS****N-BOX Receiving the Highest Rating in the JNCAP's Preventive Safety Assessment**

The N-BOX, which was released in October 2019 after undergoing minor remodeling for performance improvement, achieved the highest rating in the JNCAP's Preventive Safety Assessment (ASV+++).

The remodeling involved an improvement of the performance of "Honda Sensing" advanced safety and driver-assistance system to support accident prevention. The N-BOX now has an improved Collision Mitigation Braking System (CMBS) capable of avoiding bicycles crossing the street and a better ability to detect pedestrians at night without street lighting.

In addition, the second-generation N-BOX won the Crash Safety Performance Assessment Five Star Award, which is the highest rating, right after its release in 2017. Accordingly, the vehicle has been highly esteemed in both preventive safety and crash safety.



N-BOX / N-BOX Custom



Honda Sensing CMBS

CR-V Receiving High Marks from Third-Party Rating Organizations Both in Japan and the United States

The CR-V, an SUV which is sold around the world, received high marks from third-party rating organizations both in Japan and the United States. In the United States, the 2020 model received a 5-star NCAP rating. Meanwhile, in Japan the vehicle won the Five Star Award, the highest rating possible, in the field of collision safety performance assessment in the new car assessment program held in May 2019.



CR-V (model sold in Japan)

7 Quality



Material Issues

- Assuring outstanding product quality

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Basic Approach**Aiming to Bring Reassurance and Satisfaction to Customers**

"We have to aim for 120% product quality. If 99% of the products we make are perfect, that would seem like a pretty good record. However, the customers who become the owners of the remaining 1% will surely consider their products 100% defective. It is unacceptable that even one customer in a thousand — even one customer in ten thousand — should receive a defective product. That's why we have to aim for 120%." These words of founder Soichiro Honda define the company's fundamental approach to quality, or more specifically, what it means to strive to be a company society wants to exist. Determined to meet or exceed the expectations of customers, Honda is taking new initiatives to reach high product quality standards.

Honda offers products founded on safety and a new level of outstanding quality to strengthen customer trust. To this end, Honda has created a quality cycle (⇒ p. 98) that continuously enhances quality at every stage encompassing planning, development, production, sales and after-sales service.

In order to realize the basic principles of "Respect for the Individual" and "The Three Joys" (the joy of buying, the joy of selling, the joy of creating), Honda has stated that being the number one in customer satisfaction in all points of contact is a primary objective of activities. Honda works in collaboration with dealers to satisfy customers at every stage from sales to after-market service so that customers can continue using and enjoying Honda products and services.

**Offering a New Level of Outstanding Quality**

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

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

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

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

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

quality

Global Management

Quality Management System and Quality Enhancement Promotion System

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

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

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

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

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

As of the end of March 2020, 62 of the 67 Honda facilities had acquired ISO9001 certification.

Global Meeting Structure

In order to ensure the strengthening of quality under this quality management system, Honda sets challenges based on quality targets established in company-wide policy, which are then modified to reflect the challenges found in different regions with countermeasures formulated for them. The management of this initiative and information-sharing are conducted regularly at the Global Quality-related Meetings. Each of the Honda businesses (i.e., Automobile, Motorcycle and Life Creation) holds its own Global Quality-related Meetings.

In the area of customer service, Honda has devised an action policy focused on each customer so that it can create value through service and provide a feeling of joy in continuing to use Honda products. Persons responsible for departments involved in quality from the headquarters and regions hold joint Global Aftersales Business Meetings to share this policy and measures globally. Productive measures and initiatives shared at the meetings are set as global benchmark levels to enable the provision of higher quality services on-site.

Global meeting structure

Meeting structure	Business	Meeting name	Times/year
Quality related	Motorcycle	Global Chief Inspecting Engineer (CIE) Meeting	2
	Automobile	Global Automobile Quality Meeting	3
	Life Creation	Global CIE Meeting	1
Aftersales business	Motorcycle	Global CIE Meeting	1
	Automobile	Global Aftersales Business Meeting	2
	Life Creation		



Global Automobile Quality Meeting



Global Chief Inspecting Engineer Meeting (Motorcycle)

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**Global Management****Quality Management Education**

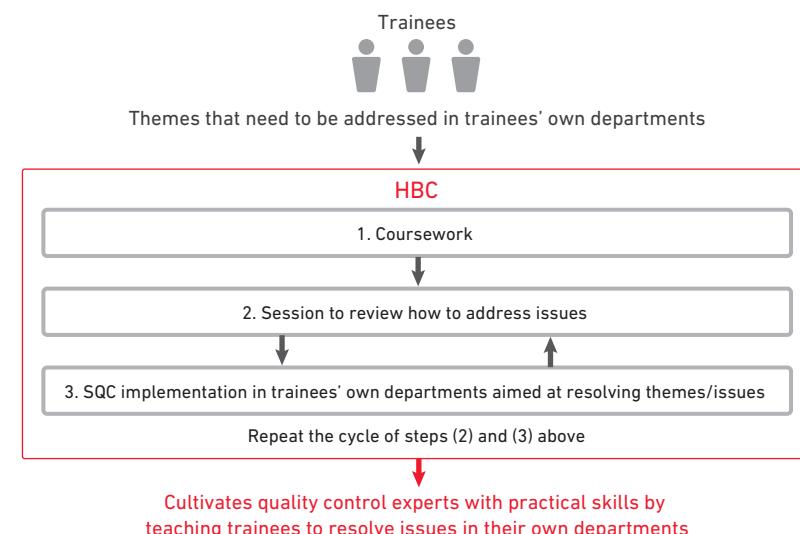
Honda offers quality management training based on in-house qualifications and the level of quality control responsibilities with the aim of improving associates' quality assurance skills.

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

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



Providing education on quality control

HBC flow**quality****Training curricula content**

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

* SQC Course and HBC are held in Japan.

Best Quality Award

The CQO presented awards for themes that generate outstanding results through quality-related measures based on policy management with the aim of elevating quality awareness. Divisions in line for recognition include development, production, production technology, purchasing, certification, quality, parts/service and IT. Awards for divisions overseas were introduced in 2012, with the CQO presenting awards on-site. Over the eight-year period from FY2013 to FY2020, a total of 60 sites were visited around the world enabling direct communication with associates.



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

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Quality Initiatives**Honda's Quality Cycle**

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

This initiative aims to apply and reflect design and development expertise at the production preparation and production (mass-production) stages. The goal is to achieve the highest quality by creating drawings designed to facilitate manufacturing and by developing manufacturing control techniques that limit process variability.

Honda's Quality Cycle

quality

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**Quality Initiatives****Planning/Development and Production (Mass Production)**

To ensure high quality, Honda conducts comprehensive quality assurance activities from the dual perspectives of planning and manufacturing. For example, drawings for objects that will be machine processed include finished dimensions. However, when the same worker uses the same materials, equipment and procedures to produce an item to the dimensions specified on the relevant drawings as part of a given production process, there are inevitably small variations in the item's finished dimensions.

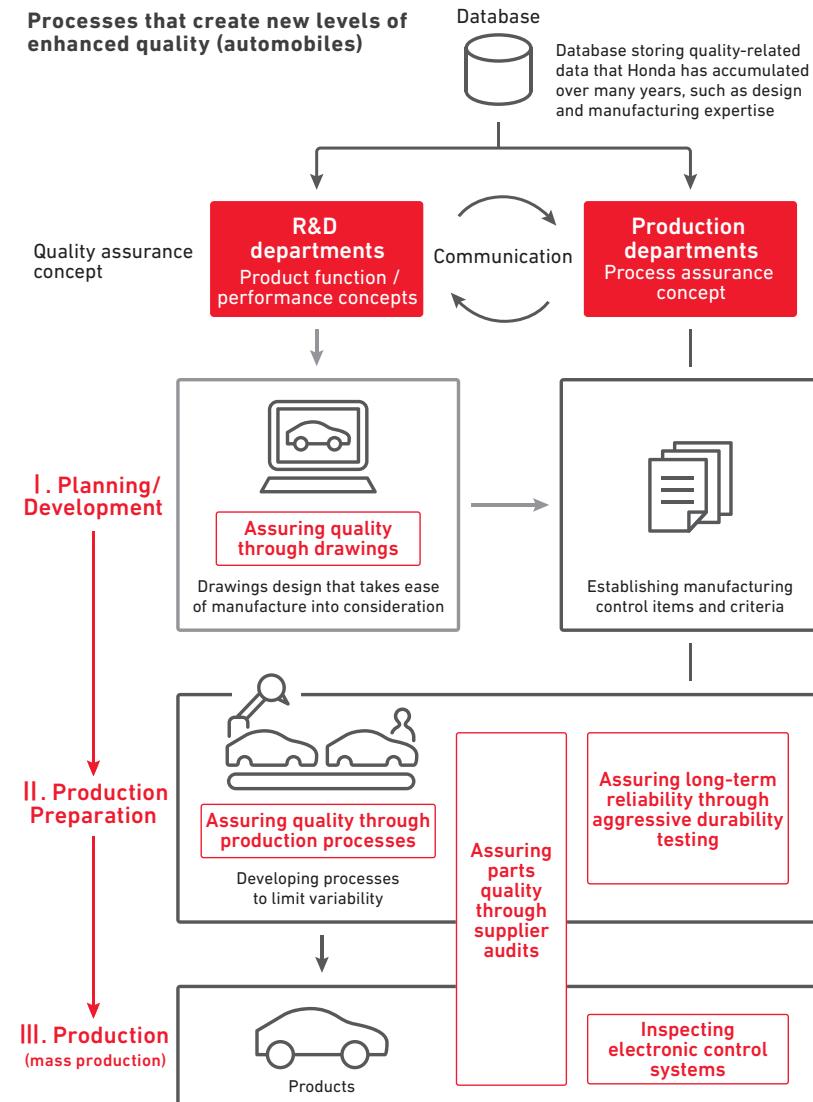
To address this fact, R&D departments consider not only function and performance but also the ease of manufacture and minimization of variations when designing drawings. For their part, production departments implement manufacturing controls to keep variability within applicable standards based on drawings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

Strengthening Activities to Improve Planning and Development

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

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

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

Processes that create new levels of enhanced quality (automobiles)

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quality

Quality Initiatives**I. Planning/Development****Assuring Quality through Drawings**

Honda's R&D departments create drawings that take ease of manufacture into consideration in order to limit process variability and prevent human error during the manufacturing process. These drawings serve as the basis of our quality assurance efforts.

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

Establishment of Development Procedures with Suppliers

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

In the planning phase of advance development, technical challenges to component development are first organized. Accordingly, roles and responsibilities are determined depending on the development experience and technical know-how of Honda and its suppliers. A decision is then made on which areas of the development plan should focus on, such as increasing the accuracy of Honda's requirements or taking a concrete approach toward verification.

In addition, quality assurance roles and responsibilities are clarified among Honda's departments/business sites and suppliers based on logistics, distribution channel and contractual agreements at the time

of mass production. Areas requiring quality control in development, production preparation and mass production are then conveyed to the relevant departments.

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

II. Production Preparation**Assuring Quality through Production Processes**

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

Assuring Parts Quality through Supplier Audits

Assuring the quality of procured parts is an important element in delivering high-quality products.

Honda visits its suppliers' manufacturing facilities to conduct quality audits based on the "Three Reality Principle," which emphasizes "going to the actual place," "knowing the actual situation" and "being realistic."

These audit activities are conducted for both the production preparation and mass production stages of supplier operations. Experts in the development and production of individual parts visit manufacturing facilities and conduct audits of suppliers' quality control systems and their implementation.

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

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Quality Initiatives**Assuring Long-Term Reliability through Rigorous Durability Testing**

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

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



Verification of parts following durability testing

III. Production (Mass Production)**Using Line End Tester (LET) System to Inspect Electronic Control Systems**

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

To this end, Honda has installed Line End Tester (LET), an inspection and diagnostic system developed in-house, at production plants in Japan and overseas.

The LET was initially deployed to perform diagnostics of emission cleaning systems and parts in order to comply with U.S. emissions regulations. Honda subsequently extended the capabilities of the device to accommodate the recent evolution of electronic control systems, allowing its use in shipping quality inspection of all electronic control systems, from switches and instruments to air conditioner, audio, engine and transmission operations. Thanks to these innovations, inspections that have traditionally depended on the human senses of smell, sight and hearing can now be performed quantitatively through communications with electronic control components, dramatically increasing the precision and efficiency with which inspections can be conducted.

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



Inspection using LET system



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Quality Initiatives**IV. Sales and Service**

Honda has established Customer First Operations to realize optimal service operations in markets worldwide. The division has set the key objective of being "No.1 in customer satisfaction in all points of contact" based on a "customer-first" policy.

"No.1 in customer satisfaction in all points of contact" refers to the creation of an environment in which customers feel satisfied with Honda in each and every situation they come into contact with the Company. In addition to fulfilling customer expectations built up through past experience and information, the division aims to be No.1 in customer satisfaction by providing exciting experiences that exceed expectations.

Customer Satisfaction Survey

Honda conducts a survey around the world on customer satisfaction related to service operations for customers who have received after-sales service from a dealer. In FY2020, the survey was conducted in 26 countries, including Japan and countries in North America, South America, Europe, Asia and Oceania, Africa and the Middle East. The survey method enabled minute measurements of satisfaction for each part of the service process at a dealer, with the survey findings used to provide guidelines for each dealer. While comparing these guidelines with quality-related initiatives at dealers, activities are being undertaken toward better service quality at all points of customer contact by implementing a plan-do-check-act (PDCA) cycle.

In addition, once a year Honda conducts a survey comparing with other manufacturers and brands that are the benchmarks in each country, and the results are used as a reference to maintain and improve customer satisfaction at an industry-leading level. In FY2020, Honda attained top-level customer satisfaction in 19 countries*.



* Internal survey by Honda; as of March 2020

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Quality Initiatives**Customer Relations Center**

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

The center receives feedback in the form of customer questions, suggestions, requests and complaints 365 days a year, and during FY2020 it processed 224,272 inquiries. To ensure that this valuable information is put to good use in Honda's operations, the facility shares it in a timely manner with the company's R&D, manufacturing, service and sales departments in compliance with laws and regulations as well as Honda's own policies concerning the handling of personal information.



Sharing customer feedback during training at the Quality Innovation Center in Tochigi Prefecture

Honda Total Care

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

Members can access information that is useful for car maintenance and management and make appointments for inspections via a dedicated Honda Total Care membership website. In addition, the Honda Total Care Emergency Support Center is accessible with the touch of a button in case of an emergency as a part of the system that enhances customer convenience.

The Honda Total Care Emergency Support Center is a one-stop contact point for the members in trouble such as a road collision or vehicle breakdown. This service thereby relieves members from the burden and confusion of making various contacts to insurance companies and car dealers. The Center is in service 24 hours a day, seven days a week, and it makes smooth arrangements for roadside assistance for members in need and provides support for car operating instructions, among other services.

Honda has also entered into a business alliance with the Japan Automobile Federation (JAF), a first in the automotive industry, to provide the industry's most expansive* roadside service as an optional service.

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



* Survey by Honda; as of December 2019

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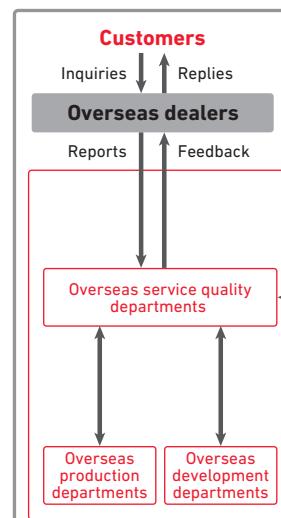
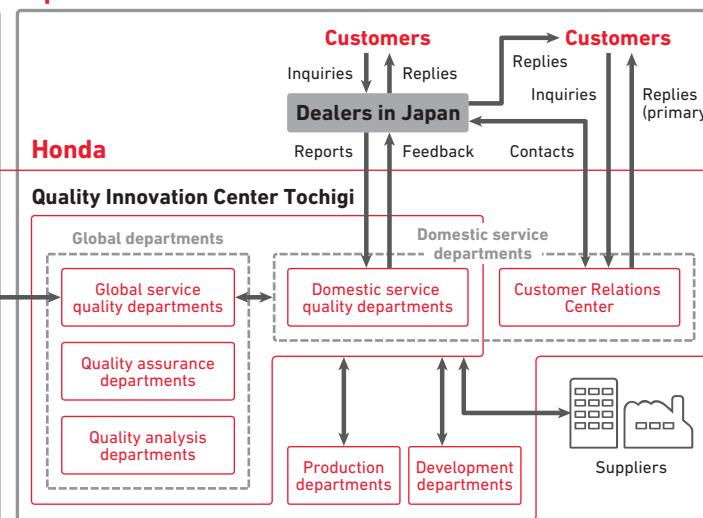


quality

Quality Initiatives**V. Quality Information Collection/Analysis and Quality Improvement**

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

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

Market quality enhancement system (automobiles)**Overseas****Japan**

and quality assurance and further strengthens the flow of customer feedback.

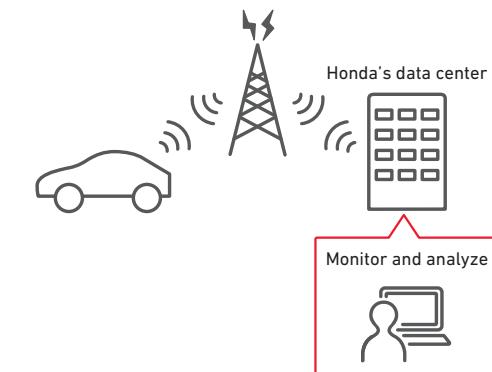
When a quality issue does occur, Honda moves quickly to resolve it, for example, by working closely with R&D and production departments to investigate and address the cause, assisting affected customers and taking action to prevent a recurrence.

Trial of Prediction System

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

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

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

Image of the prediction system

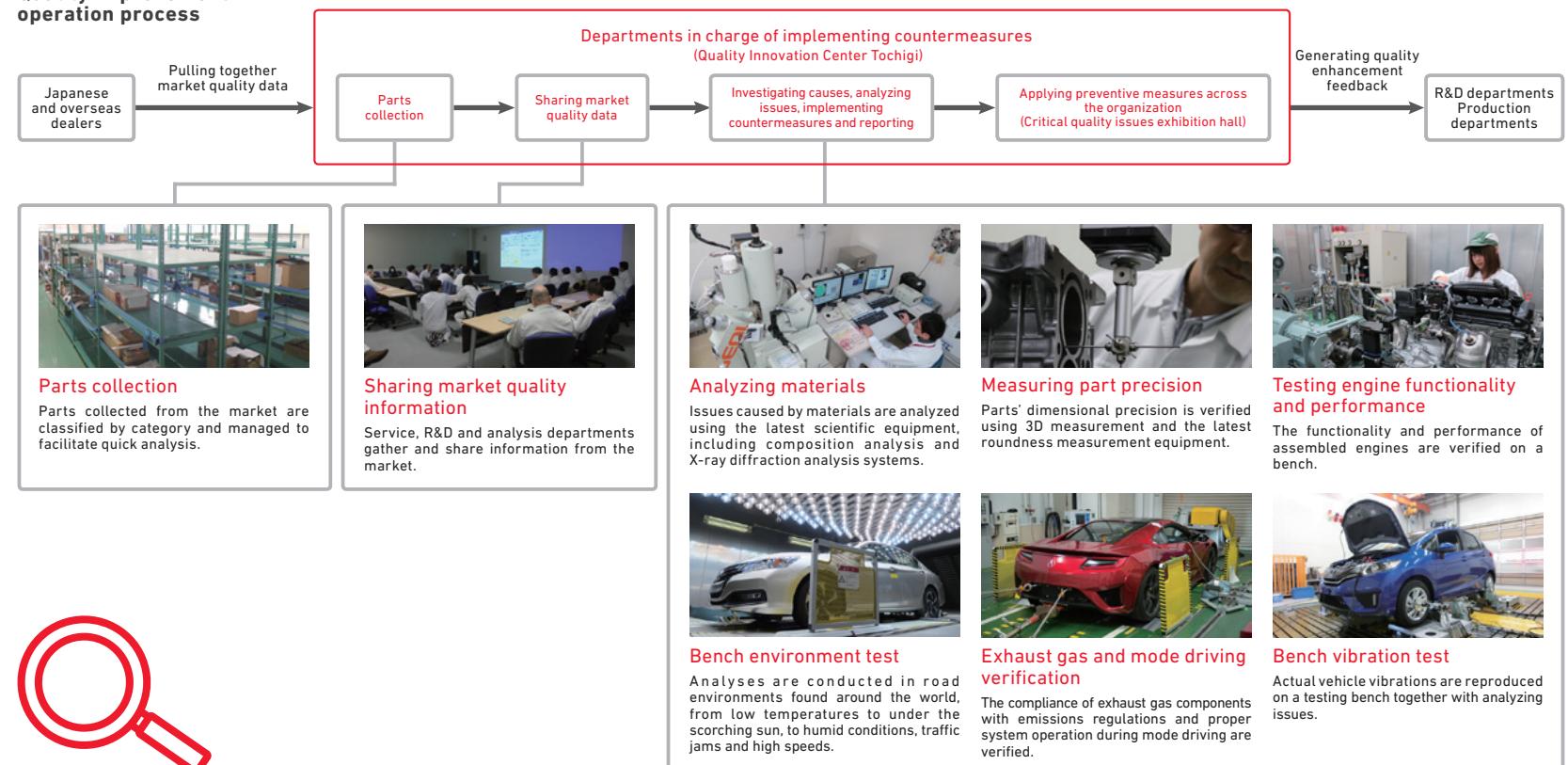
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Quality Initiatives**Quality Innovation Center Tochigi**

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

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

Quality improvement operation process

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Quality Initiatives**Critical Quality Issues Exhibition Hall Presents Examples of Key Quality Issues**

A critical quality issues exhibition hall was established at the Quality Innovation Center Tochigi in 2009 so that the past experience with market quality issues is not forgotten and to make sure the lessons are passed on by displaying actual items and teaching about the issues.

The hall provides key examples of past market quality issues. Around 2,700 people visit the hall annually for training or as part of a tour. The targets include not only Honda associates but also suppliers, overseas distributors and service division personnel.

In particular, training for engineers designing and developing products is being expanded from new recruits and newly promoted managers to also include young associates in their fifth year with the Company and associates from Honda's overseas businesses in order to strengthen activities preventing people from forgetting past issues with market quality.



Rust on the body of a Honda Civic made in 1981



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



Training for members of an overseas factory



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Quality Initiatives**Analysis in Partnership with Overseas Entities**

Overseas production plants play a central role in conducting the same type of quality enhancement activities as Quality Innovation Center Tochigi.

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



Quality Innovation Center Tochigi, Japan

Working with automotive production plants**quality**

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Quality Initiatives

Handling of Quality Issues When They Occur

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

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

Number of Global Quality Committee meetings (FY2020)

Segment	Number of times
Automobiles	56
Motorcycles	21
Life Creation	5
Total	82

<Airbag recalls>

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

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

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

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



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Third-Party Evaluation

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

Results of the 2019 IQS for automobiles

J.D. Power Asia Pacific

Country	Brand	Ranking	
U.S.A.	Honda	No. 16	
	Acura	No. 24	
Japan	Honda	No. 4	
Country	Segment	Model	Ranking
U.S.A.	Small Premium Car	ILX	No. 3
	Compact SUV	CR-V	No. 3
Japan	Mini-vehicle	N-WGN	No. 3
	Midsize	Vezel	No. 2
	Minivan	Step WGN	No. 1
		Freed	No. 3
China	Midsize	City	No. 2
	Midsized Upper	Accord	No. 1
	Large SUV	UR-V	No. 2
	Large MPV	Elision	No. 1
India	Entry Midsize	Amaze	No. 1
	Compact SUV	WR-V	No. 3
Thailand	Entry Midsize	Jazz	No. 1
		City	No. 3
	Compact SUV	HR-V	No. 2
	Midsize	Civic	No. 3

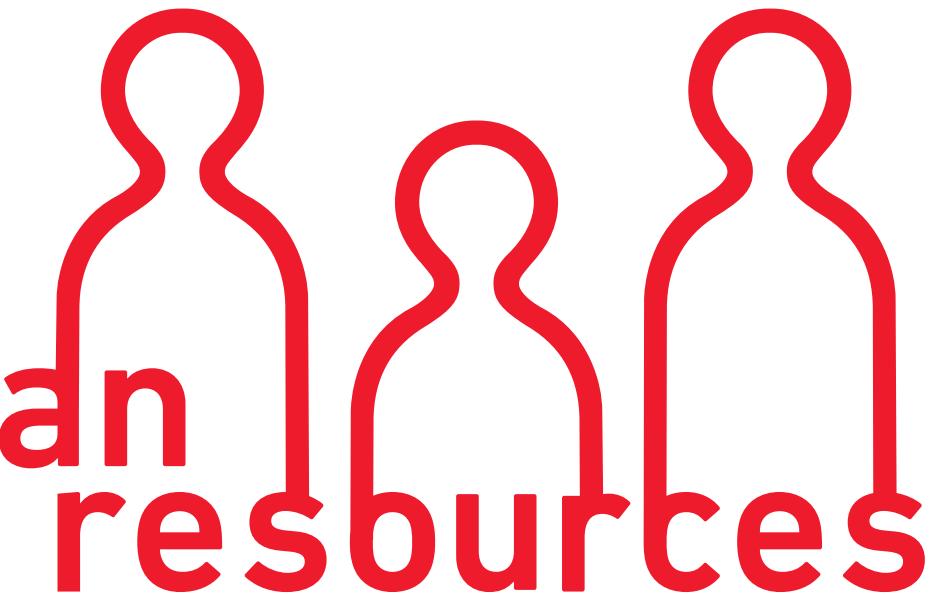
• Includes top three vehicles in major markets from January to December 2019

Sources:

- J.D. Power and Associates 2019 U.S.
• Initial Quality Study SM (based on responses from more than 76,256 owners who purchased or leased a new vehicle as surveyed from February to May 2019)
- J.D. Power Asia Pacific 2019 Japan
• Initial Quality Study SM (based on responses from more than 21,728 owners who purchased a new vehicle as surveyed from May to June 2019)
- J.D. Power Asia Pacific 2019 China
• Initial Quality Study SM (based on responses from more than 33,468 owners who purchased a new vehicle as surveyed from November 2018 to May 2019)
- J.D. Power Asia Pacific 2019 India
• Initial Quality Study SM (based on responses from more than 6,051 owners who purchased a new vehicle as surveyed from May to September 2019)
- J.D. Power Asia Pacific 2019 Thailand
• Initial Quality Study SM (based on responses from more than 6,632 owners who purchased a new vehicle as surveyed from August 2018 to June 2019)



7 Human Resources



human resources

Material Issues

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

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Basic Approach**Basic Policy for Personnel Management**

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

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

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



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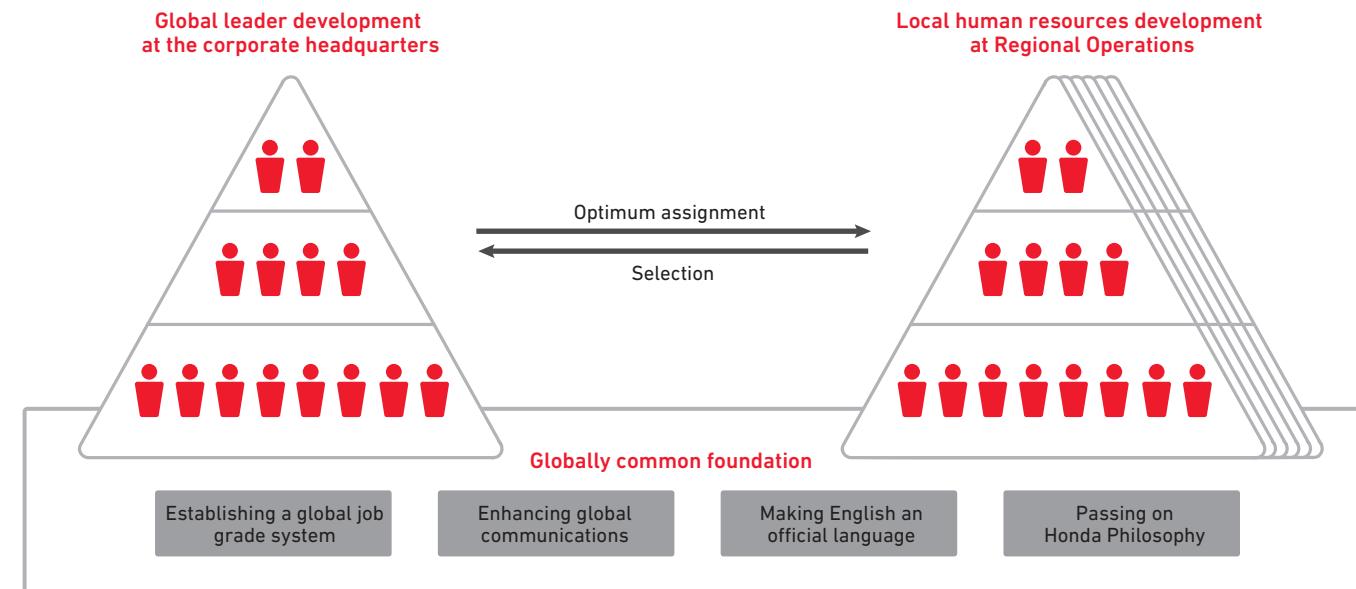
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Global Management**Human Resources Vision and Strategies**

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

In order to achieve this goal, Honda is pushing ahead with Global Human Resources Management Approaches. This initiative facilitates developing and assigning global personnel who plan, design and develop products that reflect market demand and who deliver quality products in a stable manner.

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

Global human resources management approaches

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**Global Management****Honda's Approaches**

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

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

Another approach is the Global Job Grade System (⇒ p. 115), which allows these global human resources to be able to play active roles worldwide.

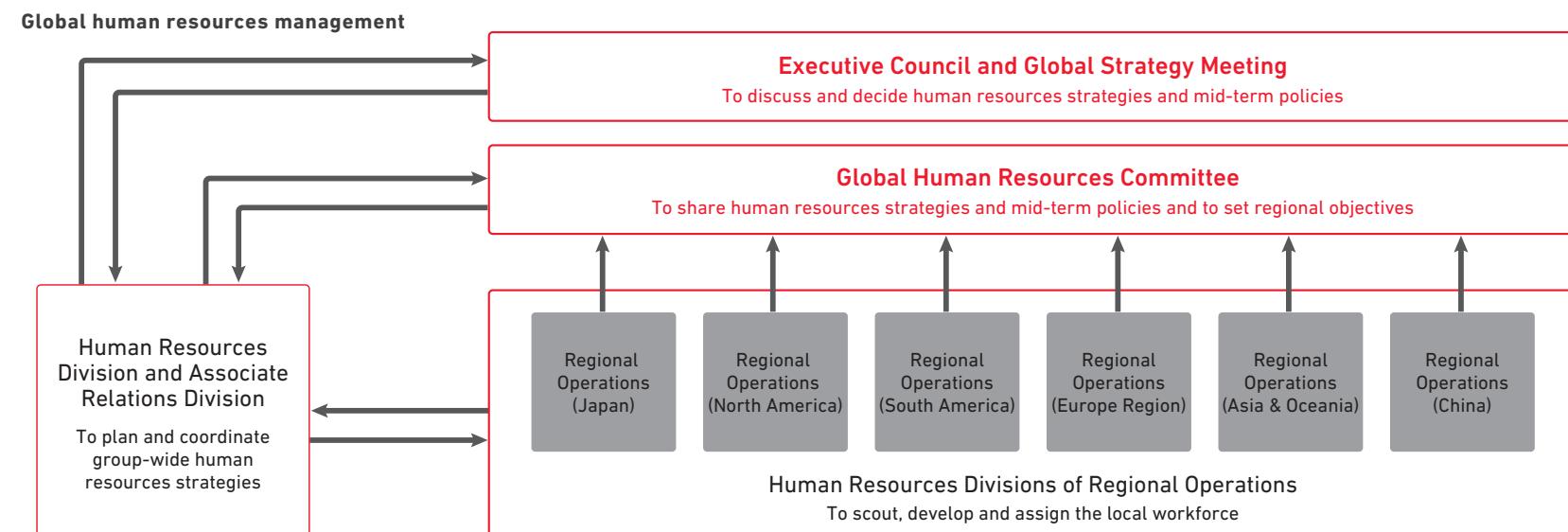
The system defines managerial positions varying from one operation base to another by common grades across the group. The Company aims

to realize ideal management-level assignments with competent local personnel actively demonstrating their abilities in response to the needs of global operation bases.

Human Resources Management Structure

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

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



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Human Resources Initiatives**Human Rights****Basic Approach**

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

Specific Initiatives

In its company-wide risk management activities, Honda regards human rights as an important risk and manages it accordingly. As a measure to prevent the risk from occurring, Honda works to identify any risk concerns by conducting an annual assessment of Group companies to check if their operations comply with the Associate Relations Policies (\Rightarrow p. 111). Starting from FY2017, the scope of the assessment was extended to include joint ventures. Honda also performs monthly checks on the status of labor management of all local subsidiaries, including joint ventures, and shares the results in the Global Monthly Report. Moreover, to make an appropriate response when there is a risk concern, Honda has in place a system to share and discuss the issue through meetings with regional human resources officers.

In addition, Honda provides training on the Honda Philosophy all around the world. The Company also works to promote awareness and thorough implementation of the Code of Conduct by distributing leaflets, posting the relevant information on the corporate intranet and providing training. Additionally, level-specific pre-assignment training is provided to persons stationed overseas to cultivate awareness for the importance of local labor management based on the Associate Relations Policies. In

FY2020, there were no incidents identified.

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

Diversification Aimed at Leveraging Total Workforce Strength

Individual differences that are demonstrated by its workforce represent a strength of a company in flexibly responding to the ever-changing business environment. Honda globally pursues workforce diversification, believing that these individualities integrate and evolve into innovation.

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

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



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

Honda's approach to personnel education is built around on-the-job training (OJT), specifically, building specialized skills and professional capabilities through direct experience. In order to facilitate effective OJT, Honda has established for every job description and area of expertise training programs with systemized contents and levels for the knowledge and skills required. These programs provide an opportunity to understand each associate's level of expertise and management capabilities, while serving as indicators to know if further development is needed.

To supplement these OJT programs, Honda also offers off-the job training (Off-JT) designed to provide associates with an opportunity to enhance their careers by developing new specialized skills or management capabilities. Specifically, these training programs are level-specific and include specialized training for each job description, entry level training, basic training based on the Honda Philosophy, management training provided for acquisition of new qualifications, quality training and other training.

Principal Off-JT programs

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

DATA

Annual training hours and cost per associate

> p.130



human resources

Global Leader Development

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

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

Establishing the Global Job Grade System

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

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

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Human Resources Initiatives**Passing on the Honda Philosophy**

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

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

Promoting the Use of English as an Official Language between Regions

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

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



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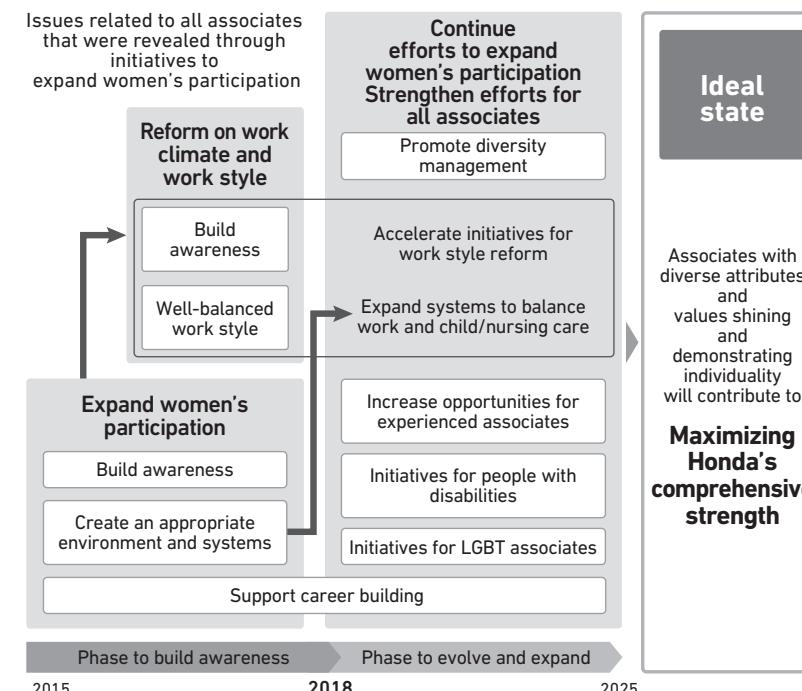
Human Resources Initiatives**Initiatives Related to Diversity****Advancement in Workforce Diversification**

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

In January 2015, the Company established the Diversity Promotion Office, an organization specialized in diversifying Honda's workforce. In Japan, Honda first embarked on the expansion of women's participation.

Roadmap for Workforce Diversification at Honda

Issues related to all associates that were revealed through initiatives to expand women's participation



During the period from 2015 to 2017, which the Company regards as a phase to build awareness, Honda has established a foundation to realize a world where people can equally develop their careers regardless of gender.

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

WEB

Honda Diversity & Inclusion
(Japanese only)

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

Promoting Diversity Management

Honda defines diversity management as the establishment of a framework that makes effective use of diverse members. In addition to recruiting diverse human resources, it is crucial to accept their diversity and respect individuality. Honda is proceeding with organizational management that draws out the independence of members, allows them to share objectives they can relate to and guides them to fully perform their duties. More specifically, Honda's diversity management initiatives are led by its management in a conscious effort to promote the development of human resources and creation of an organization with a focus on the respect for individuality.

Major Initiatives for Promoting Diversity Management

Initiative	Lecture on diversity management	Training for cultivating superiors' diversity skills
Aim	Foster an appropriate work climate to accept, nurture and leverage diversity	Identify their own challenges to clarify the way they want to be and learn how to achieve that goal
Target	Associates holding division manager or equivalent positions and those in management positions	Associates holding division manager or equivalent positions
Number of participants	Total of about 1,500 over the two years since 2018	Total of about 160 over the two years since 2018
Duration	2 hours	7 hours/session x 4 days



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Human Resources Initiatives**Meaning of Expanding Women's Participation**

In Japan, Honda has been working to expand women's roles since 2007 and offering greater opportunities by building awareness, introducing systems to help women achieve a work-life balance and providing career support programs. As a result, the proportion of female associates in the workforce has increased from 5.0% in the 2005 base year to 7.9%.

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

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

Honda's Action Plan**1. Period of plan**

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

2. Issues at Honda

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

3. Targets

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

4. Details of initiatives and period of implementation

<Initiative 1> Continue to foster awareness of the need to embrace diversity

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

<Initiative 2> Nurture female associates and accelerate their utilization

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

<Initiative 3> Constantly strive to create an environment enabling women to build a career

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

<Initiative 4> Continue to strengthen the employment of women

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



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

Human Resources Initiatives**Initiatives for Expanding Women's Participation**

In order to accelerate the expansion of women's participation, Honda has been promoting initiatives under three pillars: "Build awareness and foster an appropriate work climate," "Support career building" and "Create an appropriate environment and systems." Through its efforts undertaken over the three years since 2015, Honda has steadily increased associates' awareness for the idea of workforce diversity and the meaning of expanding women's participation, and is beginning to achieve some concrete results. As an example of an external evaluation, Honda received the second level (★★) "L-boshi" certification* from the Ministry of Health, Labour and Welfare as a female-friendly company in August 2018.

In March 2019, Honda was selected for the Ministry of Economy, Trade and Industry's New Diversity Management Selection 100. The designation

is designed to increase the number of companies engaging in diversity management and to award those achieving value creation by leveraging the abilities of diverse human resources.

Honda also supports the provisions of the Women's Empowerment Principles (WEPs), a set of principles for companies voluntarily promoting women's empowerment.

DATA

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

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DATA

Percentage of women in the Honda workplace: FY2020

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DATA

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

> p.131

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

Pillars of initiatives	Objective	Target	Description
Build awareness and foster an appropriate work climate	Increase women's participation	Management-level associates Female associates All associates	Lecture for increasing women's participation (about 30 participants) Lecture for increasing women's participation (total of 8 times; about 230 participants) Lectures and seminars (total of 39 times from 2015 to 2018; 3,600 participants) Shine at Work – Seminar to Raise Awareness for Self-Reliant Human Resources (total of 31 times from 2015 to 2017; 2,300 participants)
	Hold company-wide diversity exchange events	Female associates Chief supervisors	Diversity Forum 2016 (total participation of about 30 associates) Diversity Forum (total participation of about 500 associates)
	Foster an appropriate work climate and build work style awareness	Management-level associates	Work climate and work style lecture (total of 19 times; about 800 participants) Management support workshop (total of 7 times; about 100 participants)
	Nurture associates with a focus on the individual	Female associates Other than above	Introduction of career development plans. Individual interviews with career advisors with a total of about 2,900 female associates over the five years since 2015 Career theme training for middle- and higher-level associates and career base training for young associates (total of 31 times; 700 participants)
	Support associates in child-rearing years	Associates taking maternity leave and/or child care leave	• Program to support career development during child care leave (used by about 240 associates as of February 2020) • Seminar on balancing work with child care (for associates and their spouses) (total of 28 times over the three years since 2017; about 630 participants)
	Create an appropriate environment and systems	Associates engaging in child care or nursing care Associates in child-rearing and nursing-care years Associates leaving their job following a transfer of their spouses	Half-day paid leave system (for all associates); further enhancement of the system of working at home (since April 2019); enhancement of the system of short working hours • System to provide financial support for child care; enhancement of children's nursing care leave (since October 2016) • Company nurseries (opened in the Tochigi district in April 2017 and in the Wako district in April 2018) • Enhancement of the system of temporary nursery services (since April 2017) • Enhancement of the system of nursing care leave (since April 2019) • Establishment of fixed-shift system for shift work associates at manufacturing workplaces (since April 2019) A system of transfer and a system of leave to accompany their spouses introduced (in April 2018) in addition to the career reinstatement program
Strengthen the employment of women	Increase the percentage of women	New graduates and mid-career associates	Increasing recruitment of women majoring in science and engineering and for administrative positions

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Human Resources Initiatives**Initiatives for LGBT Associates**

Honda respects diversity in terms of gender identity, sexual orientation and a sense of value. To create an environment that allows individual associates to remain true to themselves and demonstrate their abilities to the fullest, the Company has proactively been working to promote an understanding and acceptance of gender diversity since 2019. Honda is also promoting corporate activities to facilitate society's understanding of LGBT. As a specific effort, the Company is supporting LGBT-related and other events.

Increasing Opportunities for Experienced Associates to Expand Their Roles

In promoting age-based diversity, Honda seeks to expand opportunities of active participation for every associate regardless of age. In order for Honda to maximize its comprehensive corporate strength toward the realization of the 2030 Vision, each associate needs to adapt to a likely change in his or her work resulting from the anticipated changes in company operations. As experienced associates aged 50 or over, who have supported its growth to date, are growing in numbers, Honda has launched career story training that focuses on individuals, rather than treating them as a group. The program offers an opportunity for individual associates to think about their career development by themselves.

In terms of the creation of necessary systems, Honda introduced a flexible retirement system in April 2017 to allow associates to choose when to retire (up to the age of 65) according to their plan in order to

Overview of Career Story Training

Initiative	Career story training
Aim	Provide an opportunity to clarify individuals' ideas of work and life and integrate these ideas into their future lives
Target	General associates aged 55 to 59
Number of participants	Total of about 400 over the two years since 2018
Duration	7 hours/session x 2 days

provide a more suitable working environment for people aged 60 and over. In FY2020, 86% of associates who have reached the retirement age of 60 chose to continue working.

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

DATA

Number of persons over 60 employed by Honda in Japan

> p.131

Employment of People with Disabilities

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

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

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

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

Employment of individuals with disabilities at Honda Group companies in Japan in FY2020 stands at 2.3%, or 1,096 individuals, which is above the legally mandated level of 2.2%.

DATA

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

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Human Resources Initiatives**Advancement of Diversification in Employment**

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

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

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

DATA

Number of global hires

> p.131

and Welfare. Honda has been implementing other initiatives as well to meet diverse needs of individual associates. Specifically, the Company introduced a system of transfer and a system of leave in April 2018 for associates to accompany their spouses being transferred. In April 2019, the Company also extended the scope of its existing system of short working hours, system of working at home and half-day paid leave system. Beginning from April 2020, Honda introduced a system of short-term leave for disease and fertility treatment and a system of long-term leave for fertility treatment.

Honda will continue to establish systems and an environment to accelerate initiatives related to diversity (⇒ p. 117) and enable both varied lifestyles and careers desired by individual associates.

DATA

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

> p.131

DATA

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

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**Helping Associates Balance the Demands of Work, Parenting, Nursing Care and Medical Treatment**

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

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

As a result of these initiatives, Honda has been certified as a company that supports child-rearing by the Japanese Minister of Health, Labour

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Human Resources Initiatives**External Evaluations of Honda's Initiatives for Promoting Diversity****Selected for the New Diversity Management Selection 100**

In March 2019, Honda was commended by the Minister of Economy, Trade and Industry for its diversity management which leads to value creation by leveraging the abilities of diverse human resources.

**"L-boshi" Certification**

In August 2018, Honda received the "L-boshi" certification from the Japanese Minister of Health, Labour and Welfare as a company promoting the participation of women.

**"Kurumin" Certification**

In July 2012, Honda received the "Kurumin" certification from the Japanese Minister of Health, Labour and Welfare as a company supporting child-rearing.

**Direction of Future Initiatives**

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

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



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Human Resources Initiatives**Building Healthy Working Environments****Realizing Work Styles That Pursue the Quality of Output and More Effective Use of Time**

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

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

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

From the viewpoint of work style reform, Honda is further evolving its initiatives to create a culture and environment that enables diverse human resources to demonstrate their abilities to the fullest in order to pursue the quality of output and make the most effective use of limited time. While implementing appropriate time management, Honda has been making efforts to encourage telecommuting and other flexible work styles for increasing output within a limited amount of time and to raise awareness of both management and associates for streamlining work and promoting the delegation of authority.

As a result, total annual working hours averaged 1,997 per associate in FY2020, and associates averaged 18.8 paid vacation days.

DATA

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

> p.132

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

Counseling Hotlines for Associates

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

Examples of counseling hotlines in Japan

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



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Human Resources Initiatives**Evaluation and Treatment****Personnel Evaluation System**

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

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

DATA

Percentage of associates going through the evaluation programs

> p.132

Compensation and Incentives

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

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

DATA

Percentage of performance-based remuneration in Japan

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Starting salary in Japan

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Human Resources Initiatives**Establishing a Good Relationship with Associates****Creating an Environment of Free and Open Dialogue**

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

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

Measurement of Associate Engagement

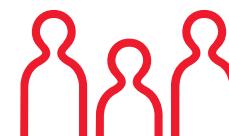
Honda measures associate engagement in all regions to obtain associate feedback for building a healthier work environment. The measurement is conducted based on the common criteria within each region, with the target of achieving a "very good" engagement level of associates working at Honda. The measurement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

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

DATA

Associate engagement in Japan

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**Occupational Safety and Health**

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

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

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

Honda and its associates act in accordance with the Honda Code of Conduct (⇒ p. 45), which outlines the behavior to be practiced by associates around the world. In the field of safety and health, Honda strives to create a health and safety workplace, while each associate works to maintain such a workplace and to prevent accidents from occurring or recurring.

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

Honda's policy

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

Required conduct

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

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Human Resources Initiatives**Collaboration with Overseas Group Companies**

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

For production activities, in particular, Honda aims to increase the effectiveness of safety management in each country and region. To this end, the Regional Operations take the lead in carrying out proactive activities by focusing on the implementation of an occupational health and safety management system, diffusion and execution of risk assessment and the establishment of explosion and fire prevention measures.

Honda also conducts occupational health and safety audits and reviews based on a plan to share recognition of health and safety management. At the same time, the Company strives to improve the management system as well as to develop human resources for safety control in each country and region.

DATA

Frequency rate of lost workday injuries

> p.132

DATA

Number of Industry Accident Fatalities (in Japan and Overseas)

> p.132



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

Health and Safety Governance Structure

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

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

Occupational Safety and Health Management System (OSHMS)

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

Activities based on an OSHMS approach

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

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

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

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

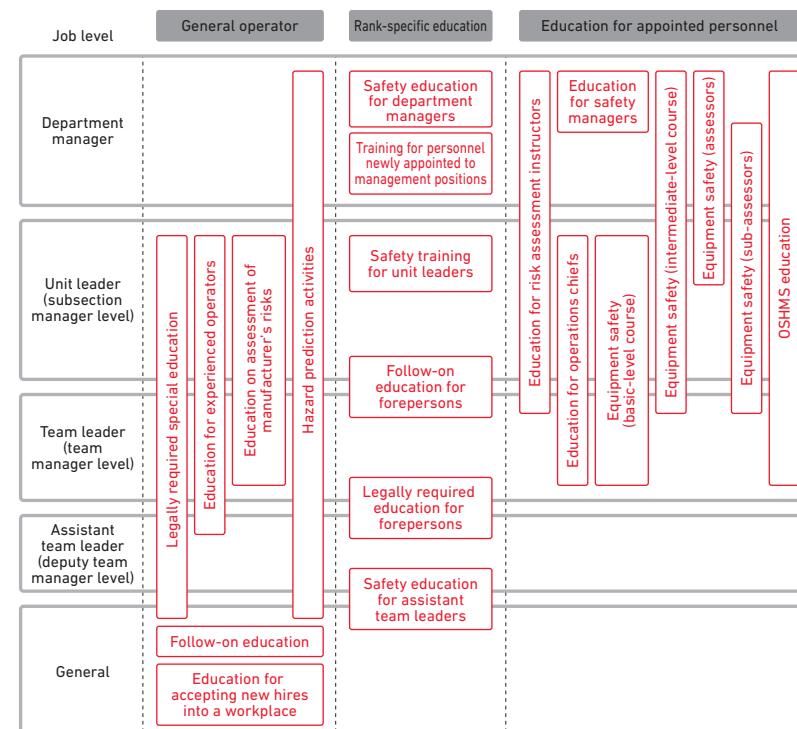
Human Resources Initiatives**Creating working environment criteria**

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

Health and safety education and training

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

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

Diagram of Honda's health and safety training scheme (production activities)**Each Associate Working Safely and Energetically While Remaining Healthy Both Physically and Mentally**

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

Honda aims to become a company in which each associate works safely and energetically while remaining healthy both physically and mentally as they make their own efforts to maintain and promote their health for their own future in a comfortable work environment.

Toward achieving this goal, a Health Statement has been announced by Honda's president. Also, various health promotion measures are being strengthened, including raising self-awareness for health, educating managers and supervisors and providing occupational health education.

DATA

Honda's Health Statement

> p.133

DATA

Number of participants in training related to health and safety standards

> p.132

Medical Checkups

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

Measures for Prevention of Adult On-Set Diseases

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

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Human Resources Initiatives

Activities toward ensuring that no smoking would be allowed on the premises by 2023

Ensuring the health of our customers and associates is the topmost priority for us, and to put in place measures to prevent any effects of "unwanted passive smoking" on their health, we at Honda are currently working toward the goal that no smoking would be allowed on the premises of all our operation bases inside Japan, starting in April 2023. During the time until this ban on smoking on our premises takes effect, we will promote various related educational activities as a way to help gain the understanding of both smokers and nonsmokers on what unwanted passive smoking is all about. Support will also be provided to help any willing current smokers kick their habit, in collaboration with related divisions such as the divisions in charge of health management.

Activities to provide support for the associates' eating habits

Our cafeteria menus show numerical figures for caloric intake, vegetable intake, and the salt content of each individual dish, enabling each associate to choose their dishes with an awareness of the intake levels. Included in the menus are nutritionally well-balanced "Health-oriented Dishes," offering limited caloric intake and salt content. Our menus also offer "Vegetable Specials" that provide half the vegetable intake necessary for a day, and well-balanced and low-calorie "Healthy Dishes," adding creative touches so that the associates could focus more on what they eat daily. Furthermore, as an initiative to heighten associates' interest in their eating habits, there is a "Healthy Food Day" once a month at the cafeterias, which on this day offer even more health-conscious "Nice Meals" for all of the cafeterias' course meals.

Collaboration with the Health Insurance Association**Introducing the Healthy Point Program**

The Honda Health Insurance Association works under the idea of "realizing a healthy and spiritually-rich life."

Toward this goal, the Association introduced a Healthy Point Program as an incentive scheme to support associates who are making efforts to prevent diseases and improve their lifestyle habits.

Additionally, a portal site for individuals, called "Health UP WEB," went online in January 2018. The aim is to centrally manage and provide individual health information, foster self-awareness for one's own health and encourage voluntary health promotion efforts. This portal site is accessible from personal computers and smartphones, which allows associates to view their health checkup results of the past five years and keep track of their individual, daily health promotion efforts, including pedometer records, meals and blood pressure.

Walking events are also held to provide motivation for associates to start health promotion activities. For reinforcing specific health guidance, the Association and each business site are collaborating to set up a system to make it easier for associates to receive health checkups and guidance.



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**Human Resources Initiatives****Measures to Promote Mental Health**

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

Honda-Wide Mental Health Policy**Basic approach**

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

Activity structure

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

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

Enhancing a Selection-Based Welfare Program

Under Honda's Selection-based Welfare Program, associates use points (allotted as welfare-related expenses) to freely choose from a diverse menu of services the ones that match their preferences. The purpose of the program is to provide an environment that gives associates a sense of security in their lives and allows them to concentrate on their work. Honda's program offers an enhanced menu of services for health promotion, primarily aimed at "maintaining physical and mental well-being" and "encouraging exercise," to enable associates to enjoy a healthy life well into the future.

Services for "maintaining physical and mental well-being" include receiving health checkups, counseling and guidance, as well as vaccinations, using company-owned recreation facilities and enrolling in yoga classes. For "encouraging exercise," the menu offers such services as using fitness and sports facilities and participating in sporting events.

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Human Resources Data**Consolidated number of associates**

	FY2018	FY2019	FY2020
Japan	64,755	66,507	67,144
North America	54,044	55,076	52,598
South America	14,271	14,835	15,870
Europe/Africa/Middle East	8,591	9,118	8,658
Asia & Oceania	55,845	57,012	57,320
China	18,132	17,174	17,084
Total	215,638	219,722	218,674

Number of associates by gender

	FY2018	FY2019	FY2020
	48,512	49,202	48,369
Japan	Male	44,712	45,107
	Female	3,800	4,112

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

**Number of new permanent associates**

	FY2018	FY2019	FY2020
Japan	1,372	1,529	1,485
Male	1,165	1,294	1,234
Female	207	235	251
North America	5,037	4,456	2,549
Male	3,537	3,176	1,731
Female	1,500	1,280	818
South America	578	992	1,428
Male	480	820	1,191
Female	98	172	237
Europe/Africa/Middle East	819	739	158
Male	677	589	101
Female	142	150	57
Asia & Oceania	2,776	3,042	4,160
Male	2,143	2,521	3,512
Female	633	521	648
China	5,545	8,986	2,141
Male	5,208	7,972	1,837
Female	337	1,014	304

Number of associates by employment contract and type

	FY2018	FY2019	FY2020
Japan	By contract		
	Permanent	41,741	42,550
	Non-permanent	6,667	6,475
	By type		
	Full-time	48,304	48,848
	Part-time	104	177
			182

Attrition rate (%) (including compulsory retirees)

	FY2018	FY2019	FY2020
Japan	1.5	1.7	1.7
Male	1.4	1.6	1.6
Female	2.5	2.9	2.4
North America	10.5	11.7	11.2
South America	5.9	5.1	4.7
Europe/Africa/Middle East	4.7	2.9	6.6
Asia & Oceania	3.9	2.2	5.7
China	6.9	6.3	5.8

Percentage of associates from local communities taking upper management positions

Percentage of associates from local communities in entire upper management positions	
North America	59
South America	48
Europe	46
Asia & Oceania	38
China	3

Annual training hours and cost per associate

	Annual training time (hours)	Annual training cost (yen)
Japan	8.9	41,200
North America	9.75	26,700
South America	22.6	90,800
Europe/Africa/Middle East	16.78	21,000
Asia & Oceania	17.6	19,980
China	42.9	29,700

• Amounts are approximate estimates.

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Human Resources Data

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

	FY2015 (base year)	FY2018	FY2019	FY2020
Compared with FY2015 (times)	1.00	1.40	1.90	2.10

Percentage of women in the Honda workplace: FY2020

	Ratio of women in the entire workforce	Ratio of women in management positions
Japan	7.9	1.2
North America	24.9	15.7
South America	12.7	10.5
Europe/Africa/Middle East	17.4	14.7
Asia & Oceania	12.1	8.3
China	12.3	12.6
Total	13.8	8.0

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

	Base salary (Female : Male)	Total compensation (Female : Male)
Management positions	1:1.03	1:1.04
General associates	1:1.18	1:1.34

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

Number of persons over 60 employed by Honda in Japan

	FY2016	FY2017	FY2018	FY2019	FY2020
Number of persons*	711	729	1,097	1,155	1,111

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

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

	FY2016	FY2017	FY2018	FY2019	FY2020
Number of associates*	1,094	1,073	1,041	1,055	1,096
Percentage of employment*	2.30	2.32	2.31	2.32	2.30

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

Number of global hires

	FY2019	FY2020	FY2021
Number of people hired	15	19	4

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

	FY2016	FY2017	FY2018	FY2019	FY2020
Short working hours to facilitate child care	182	219	269	319	311
	5	6	14	22	19
Administrative leave to facilitate child care	177	213	255	297	292
	397	452	454	459	506
Nursing care leave for children	21	32	50	80	124
	376	420	404	379	382
Work at home during child raising	1,116	1,356	1,797	1,662	1,812
	718	892	1,245	1,212	1,336
Childcare cost subsidy	398	464	552	450	476
	-	145	249	445	869
Male	-	38	76	192	518
	-	107	173	253	351
Female	-	74	150	180	210
	-	1	5	6	15
Short working hours to facilitate nursing care	-	73	145	174	195
	3	8	5	6	8
Administrative leave to facilitate nursing care	1	5	3	2	4
	2	3	2	4	4
Male	11	22	22	25	26
	8	14	13	19	18
Female	3	8	9	6	8
	22	11	37	40	376
Male	17	10	31	30	316
	5	1	6	10	60
Female	-	22	29	47	115
	-	12	17	27	81
Male	-	10	12	20	34
	-	10	12	20	34

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

	FY2016	FY2017	FY2018	FY2019	FY2020
Reinstatement rate	98.3	96.1	96.5	98.4	99.2
Male	-	100.0	100.0	100.0	100.0
Female	-	95.5	95.7	97.8	98.7

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**human resources****Human Resources Data****Total working hours per associate and average paid vacation days taken in Japan**

	FY2016	FY2017	FY2018	FY2019	FY2020
Total working hours per associate	1,964	1,954	1,932	1,909	1,997
Average paid vacation days taken	18.4	19.0	18.7	19.3	18.8

Percentage of associates going through the evaluation programs

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

Percentage of performance-based remuneration in Japan

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

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

Starting salary in Japan

	Monthly salary (yen)	Compared to minimum wage (%)
High school	177,800	108
Technical college and junior college	198,900	121
Undergraduate	222,300	135
Graduate school (Master's degree)	248,800	151

* Minimum wage is calculated using 20.3 eight hour days as one month based on the minimum wage for the Tokyo metropolitan area (1,013 yen/hour). This is a graded salary system and there is no difference in salary for males and females with the same qualification level.

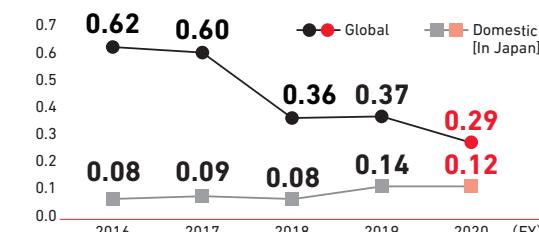
Associate engagement in Japan (Total of 24 questions in six categories; average on a scale of 1 to 5)
Target: 3.50 points or more (Status of "very good" engagement levels* working at Honda)

	FY2019	FY2020
All associates	3.46	3.48
Male	3.47	3.48
Female	3.44	3.45
Percentage of respondents for all associates	96.2%	97.7%

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

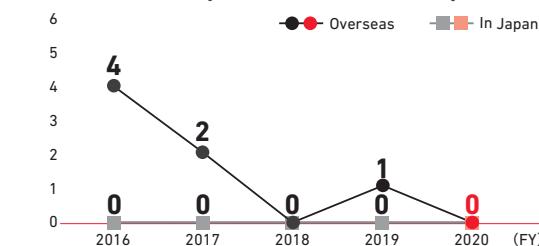
Number of participants in training related to health and safety standards

Health-related training	767
Education for Company-wide Safety and Health Audit Committee members	7
Education for associates newly promoted to management positions	304
Training for newly appointed officers (in charge of occupational health and safety, traffic or fire and disaster prevention)	71

Frequency rate of lost workday injuries

• Global (Frequency rate of lost workday injuries): The number of lost workday injuries per one million work hours at Honda's 7 production bases in Japan and 62 overseas production bases

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

Number of industry accident fatalities (in Japan and overseas)

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Human Resources Data**Honda's Declaration on Health Promotion**

Respect for the Individual is Honda's Fundamental Belief, and what we do believe to be the most important element for Honda is our people.

We try to be a company where each and every associate can stay healthy full of their own hopes and dreams, and where they can give full play to their potential strengths. Staying healthy would basically be up to each associate's own awareness and efforts, but the company will also keep up the activities to help support your health. Let us create together a Honda where each and every associate can preferably "stay healthy for life," enjoying long, healthy, and happy lives, and can continue taking on challenges for fulfilling their own dreams.

強みでHonda'Z. 一人ひとりの健康から!!

Each person staying healthy is the starting point for creating a truly strong Team Honda.

A00 (Basic requirement) for ensuring "Lifelong health"

We will be a company where "each associate can maintain their physical and mental health as they work with their full strength in safe conditions." To achieve this, a pleasant workplace environment will be ensured for everyone, who will take the initiative in maintaining their own physical and mental health with their future clearly in view.

The steps for ensuring your "Lifelong Health"

To keep working in high spirits = To stay healthy: This is not only important for each person him/herself but is also one of the most significant factors for ensuring sustained growth for the workplace and the company. As a way of ensuring "lifelong health" for everyone, we have set the following 3 Pillars and the 5 Matters for Better Health Management, as we embark on the activities toward more health-oriented corporate management.

The 3 Pillars of Honda's health-oriented corporate management activities

- Promote more educational activities on how each individual can work toward becoming healthier and staying healthy: Provide more feedback on results of the periodic health checkups and physical fitness tests
 - "Promote further education of the associates through educational videos and periodic publications"
 - "Examine the initiatives for carrying out physical fitness tests during working hours"

Help the associates gain a more accurate understanding on their own physical and mental conditions through both aspects of the health checkups and the physical fitness tests, and support them as they carry out their own duties for remaining healthy.

2. Conduct activities involving the whole workplace for promoting more health awareness

- "Make more visible (transparency) the current conditions of physical and mental health of everyone in the organization"
- To further reinforce the duty of care of managers and supervisors, we will utilize revealed data, and will implement activities for further promoting health awareness of all members of the organization and encouraging more related communication. In fiscal 2019, we implemented such activities in advance in the production areas (shopfloors), and we will gradually expand the activities to cover all areas.

3. Promote activities for continuously improving the workplace environment

- Set aside one day each month as "Healthy Food Day" at the company cafeterias, and expand and improve the healthy dishes on the menus.
- Toward the goal of achieving a "Ban on all smoking on the premises by 2030," reduce to zero any unwanted passive smoking for the associates
- In collaboration with the Honda Health Insurance Association and other organizations, implement various other health promotion measures

The 5 Matters for Better Health Management

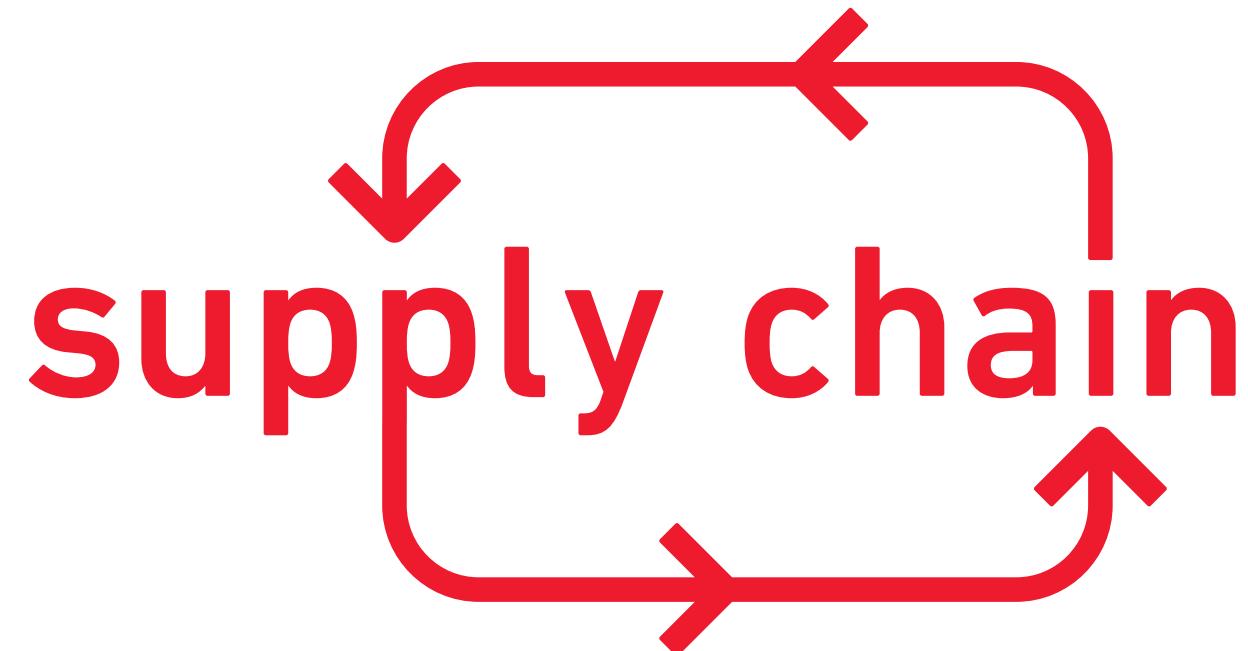
- Enough good quality sleep
- Nutritionally well-balanced meals
- The habit of regular physical exercise
- No smoking
- Only moderate drinking

April 1, 2020
 Takahiro Hachigo
 President and Representative Director
 Honda Motor Co., Ltd.

八郷 隆弘



7 Supply Chain



Material Issues

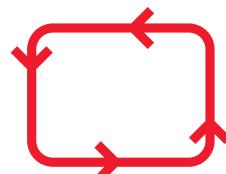
- Responding to climate change and energy issues
- Deploying total supply chain sustainability initiatives

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— Basic Approach

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**Basic Approach****Strengthening Supply Chain Sustainability**

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

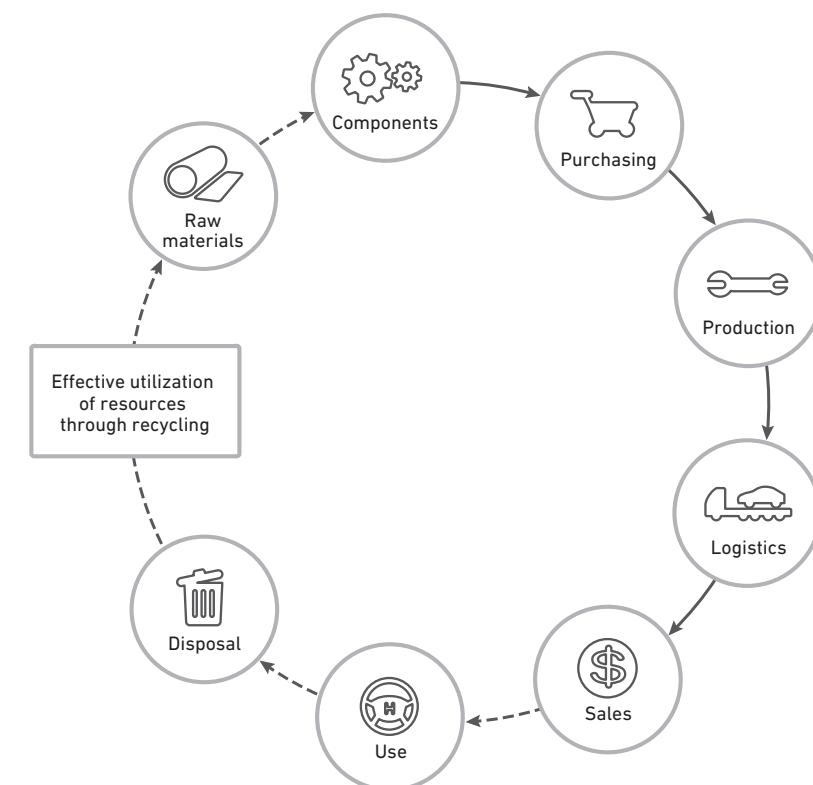
Companies within the automobile industry, which is a broad-based industry supported by many suppliers, must pursue the reduction of not only their own environmental impacts but also those of suppliers throughout their entire supply chain.

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

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

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

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

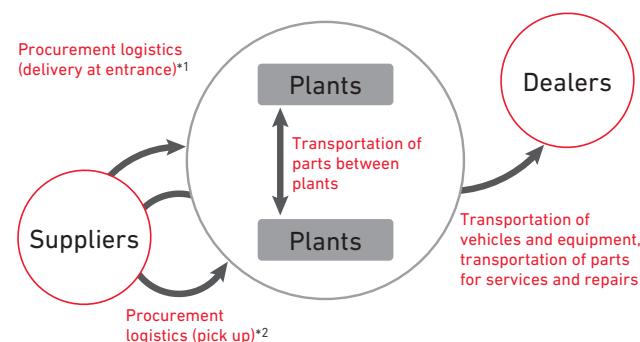
Overview of supply chain

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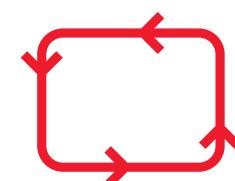
Basic Approach to Logistics

At Honda, many parts that are used in its products are transported from suppliers to its plants. Likewise, the completed models as well as parts for services and repairs are sent directly from the plants to dealers. Due to the extremely large volume of transportation that takes place throughout the manufacturing process at Honda, increasing efficiency, along with reducing environmental burden, compliance and risk management in logistics, are becoming critical issues. For instance, to reduce environmental burden Honda is seeking more efficient container transport.

Overview of Honda logistics

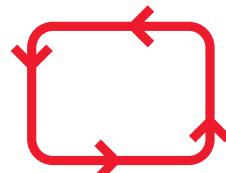
*1 A transportation operator retained by the supplier delivers sourced parts to the entrance of Honda's plants.

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



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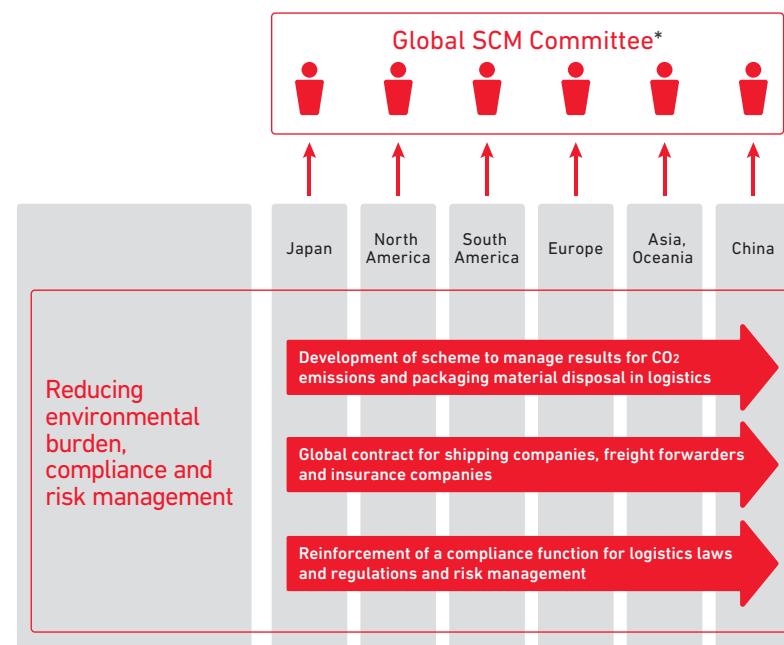
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* A committee to debate Supply Chain Management (SCM) issues at the global headquarters and in respective regions in order to achieve medium-term goals

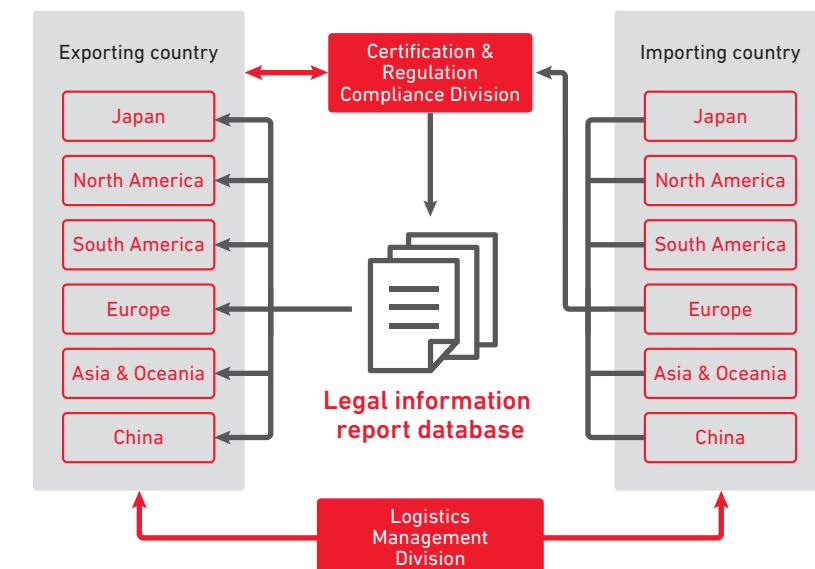
supply chain**Global Management of Logistics****Integrated Management Framework Transcending Divisions and Regions**

Honda is promoting the reduction of environmental burden derived from logistics as well as compliance and risk management through a global organization. This body has teamed up with logistics-related divisions and the six regional headquarters worldwide to formulate policies and carry out strategies for tackling the various logistics-related pending issues and challenges. The aim is to manage the challenges, including environmental response for CO₂ reduction, management of transportation companies, response to laws and regulations, insurance policy and risk management, in an integrated fashion.

Logistics global management framework**Integrated Management of Legal Information Concerning Logistics**

In order to supply products and parts across countries and regions, it is necessary to identify and analyze a variety of factors that include differing transport infrastructure, laws and risk of natural disasters. Laws and regulations, in particular, have the potential to significantly impact safety and speed in transportation.

Honda aims to consistently secure precise information and enable efficient, accurate and early global response. To do so, the Company strives to strengthen compliance with laws and regulations by creating a function for the integrated management of international treaties and legal information concerning logistics operations and by ensuring swift response.

Integrated management framework for legal information

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Basic Approach

Basic Approach to Logistics

Global Management of Logistics

Logistics Initiatives

Basic Approach to Purchasing

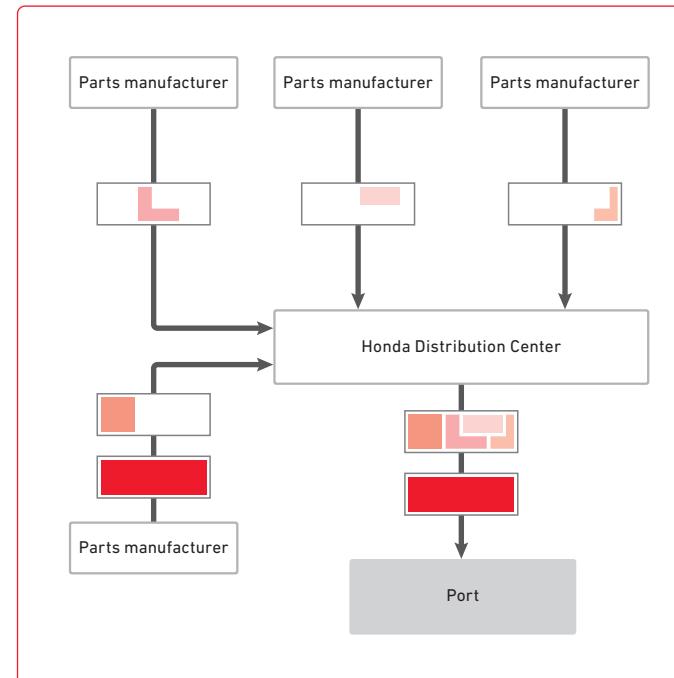
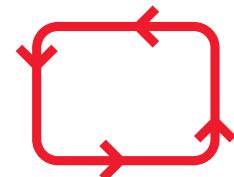
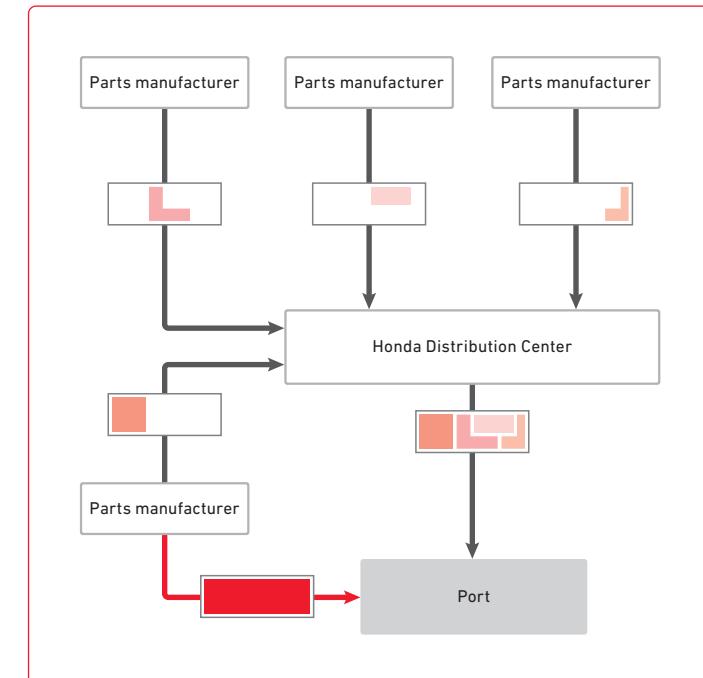
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Social Contribution Activities ... 149**Logistics Initiatives****Reducing Environmental Burden through More Efficient Container Transport**

When exporting automotive parts from the United States, Honda had sought to improve transport efficiency and reduce environmental burden by having suppliers send them to the Honda Distribution Center to

maximize the container loading rate. Now, Honda is exploring ways for improvement to further reduce environmental burden. One such initiative is to transport automotive parts directly to the port if the container loading rate is already high at the time of shipment at suppliers and if these suppliers are located closer to the port in order to shorten the transport distance.

Before**After**

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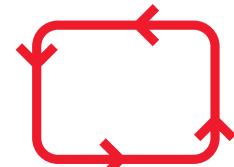
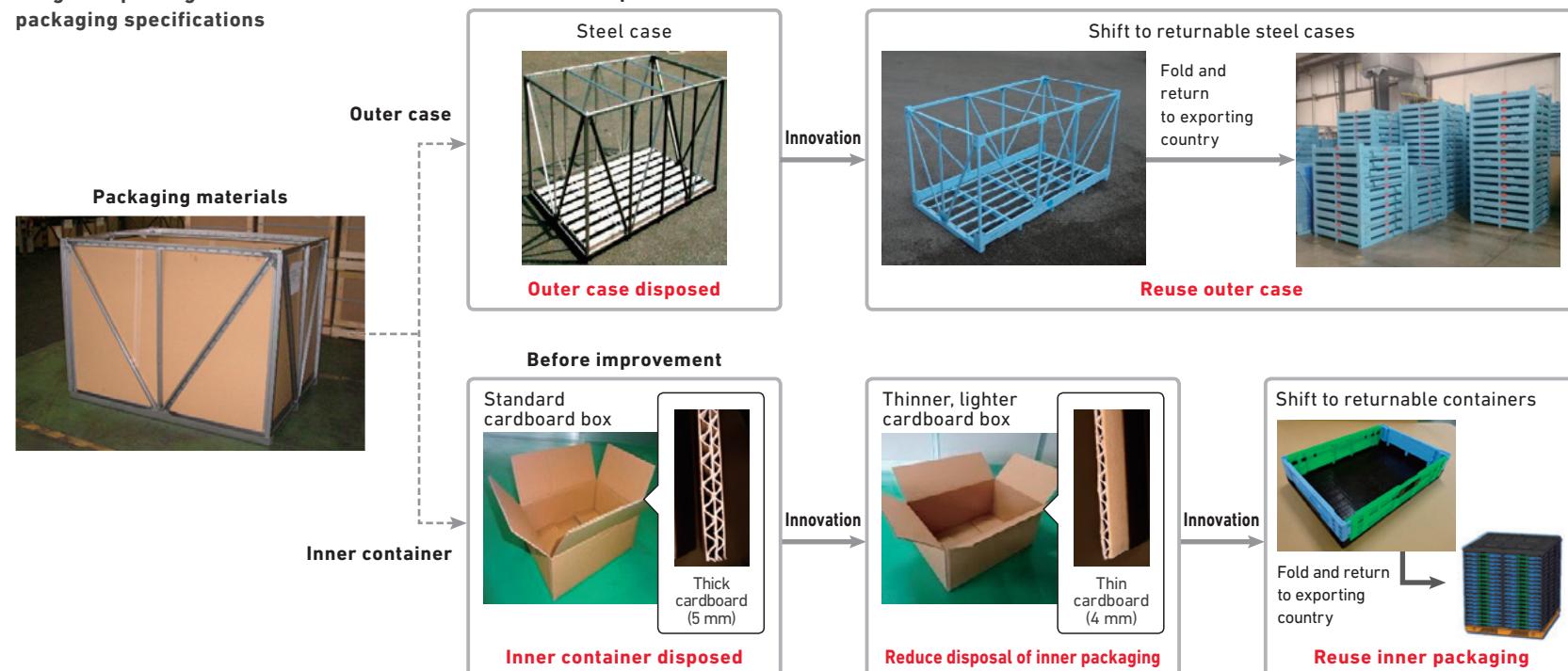
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Logistics Initiatives**Technological Advancement of Packaging Materials**

Honda exports (supplies) parts between factories across different countries and regions, and conducts assembly of vehicles and equipment in the importing countries.

Such export of parts involves usage of packaging materials, which are classified into outer case and inner container.

In the past, these packaging materials were disposed of in the importing country. To counter this, Honda has innovated packaging technology to reuse containers and reduce the weight of packaging materials, thereby reducing both waste and CO₂ output.

Image of updating of packaging specifications

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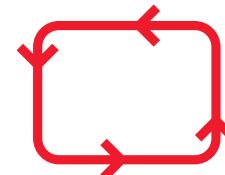
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Basic Approach to Purchasing

Purchasing Belief, Three Purchasing Principles and Purchasing Code of Conduct

Honda's goal is to achieve a sustainable society across the supply chain. The Company implements initiatives with consideration for the environment, safety, human rights, compliance and social responsibility, among others, in partnership with its suppliers worldwide. Based on the Honda Philosophy, the Company established the Purchasing Belief and Three Purchasing Principles and engages in business that is fair and equitable with transparency.

Honda defined points of concern that it should follow, in particular, as the Purchasing Code of Conduct, and by following this Code, the Company enhances trust with related divisions and business partners as well as builds sound relationships with suppliers.



Purchasing Belief and Three Purchasing Principles

We do fair and equitable business with transparency based on the "Purchasing Belief" and the "Three Purchasing Principles."

Purchasing Belief

We sustain the procurement of good products at reasonable prices and in a timely manner.

Three Purchasing Principles

Fair and open trade

We do business with suppliers who can satisfy the requirements of quality, quantity, price and timing and who can share the concept of sustainability with us, based on open competition.

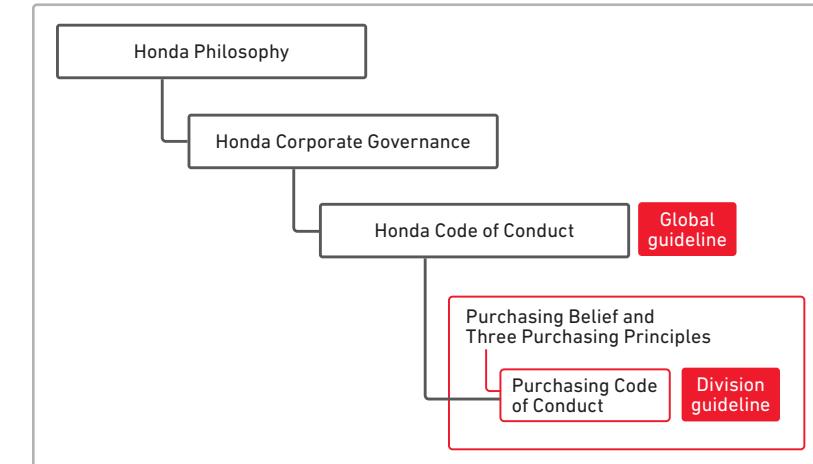
Equal partnership

We conduct business on an equal footing regardless of the business size of the supplier or their nationality and other factors.

Respect for suppliers

We respect suppliers' management and dignity.

Positioning of Purchasing Code of Conduct



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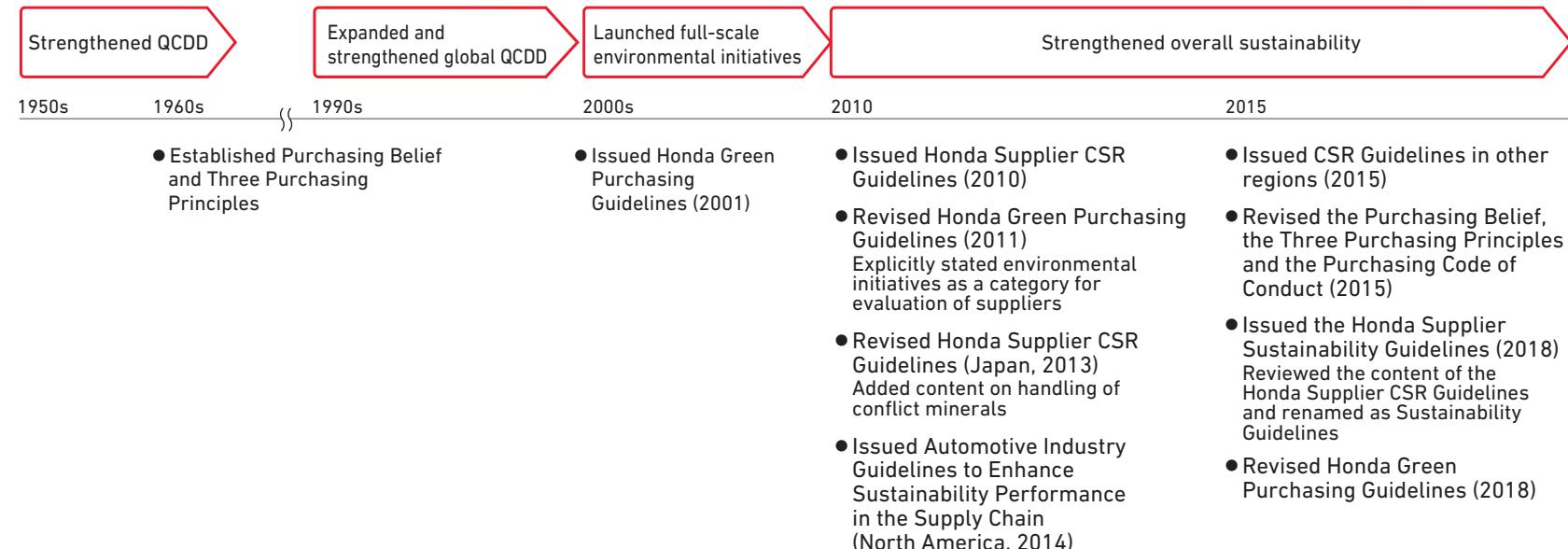
Global Management of Purchasing**Establishment of Guidelines**

The Company published the Honda Supplier Sustainability Guidelines and Honda Green Purchasing Guidelines to share its approach to sustainability with suppliers worldwide and to promote Honda initiatives. (Please refer to the links on the right.)

Through the Guidelines, Honda seeks to prevent compliance violations and other issues in advance along with reducing its environmental impact.

If a supplier fails to follow the Guidelines, Honda immediately receives a report from the supplier and works to prevent a recurrence by requesting them to analyze the cause and draw up the corrective action plan.

If the corrective action plan received from the supplier is determined to be inappropriate, Honda considers its future business relations with them, taking into account the social impact of the problem.

Changes in purchasing practices

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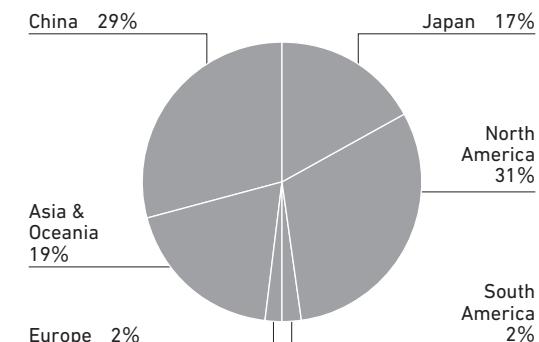
Global Management of Purchasing**Purchasing System**

Honda conducts business in six regions worldwide and has respectively established purchasing functions. In line with Honda's corporate philosophy of "building products close to the customer," each region is encouraged to source locally. The rate of local procurement in the United States, Honda's largest production base, reaches 80% for major global models.

Purchasing Operations, which supervises the global function overall, is located in Japan, providing cross-regional and cross-business

coordination and planning sustainability policies and goals. In 2016, the Company established the Sustainability Management Department, Purchasing Planning Division, as a department dedicated to reinforcing and accelerating sustainability initiatives.

In addition, Meetings of the International Purchasing Conference, the Global Correlation Meeting, the Six Region Sustainability Purchasing Meeting and other gatherings are held regularly. Through these meetings, collaboration between Purchasing Operations and each of the regional and business operation is promoted, enabling implementation of the PDCA cycle on a global scale.

Honda's global purchasing network**Global meeting structure****Regional distribution of purchasing volume (FY2020)**

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Global Management of Purchasing**International Purchasing Conference**

The International Purchasing Conference, attended by the Chief Officers of Regional Operations and Purchasing Operations, is held in six regions worldwide in order to strengthen the links between regional business direction and purchasing direction.

Global Correlation Meeting

The Global Correlation Meeting is held once a year with management-level associates from purchasing and each Regional Operation with the objectives of confirming, discussing and examining Honda's medium- and long-term direction with regard to purchasing activities on a global level and the initiatives in each region. In FY2020, the Global Correlation Meeting was held in Japan to coordinate the direction of sustainability initiatives.

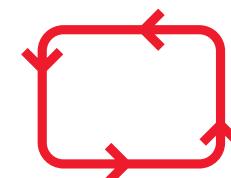
Six Region Sustainability Purchasing Meeting

The Six Region Environmental Purchasing Meeting had been held since 2011 in order to strengthen initiatives aimed at a low-carbon society across the global supply chain. This meeting was composed of working level staff from six regions. It discussed and coordinated policies and methods of reducing CO₂ together with suppliers in each region worldwide.

In FY2017, Honda added human rights and compliance initiatives and transformed the meeting into the Six Region Sustainability Purchasing Meeting.



Six Region Sustainability Purchasing Meeting



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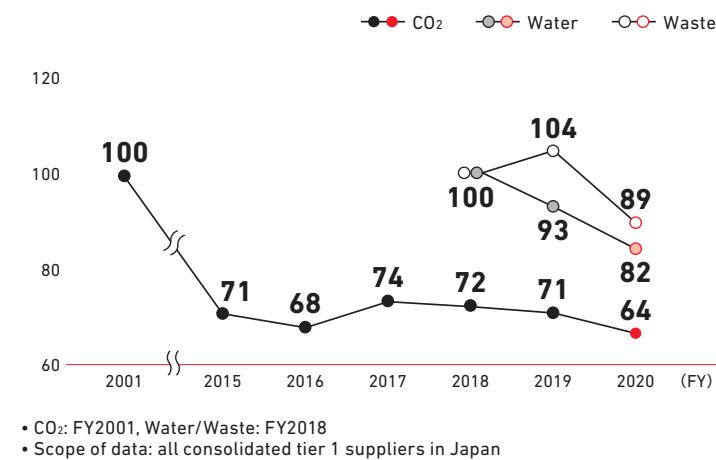
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Purchasing Initiatives**Reducing Environmental Impact at Suppliers' Sites**

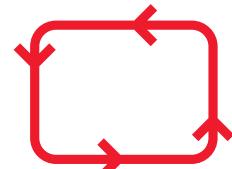
In the Honda Global Environmental Purchasing Vision, the Company has adopted the concept of coexisting in shared prosperity with local communities by reducing environmental impact together with Honda's suppliers worldwide in its component procurement operations.

Based on this vision, the Company formulated the Honda Green Purchasing Guidelines, which forms the policy, and the Environmental Purchasing Grand Design, which shows the steps toward the Company's priority of attaining a low-carbon society.

Honda shares the guidelines and the grand design with suppliers in each region and works to realize a low-carbon supply chain.

Performance of reducing environmental impact index of CO₂ emissions/water use/waste generation per millions of yen

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
CO ₂ (t/millions of yen)	1.07	1.01	1.11	1.08	1.07	0.95
Water (m ³ /millions of yen)	10.43	10.08	9.48	9.99	9.29	8.19
Waste (t/millions of yen)	0.49	0.53	0.54	0.59	0.62	0.53

**supply chain****Management of CO₂ Data**

In order to increase the effectiveness of reductions in environmental impacts in the supply chain, Honda established a system for the integrated management of data on reduction in CO₂ emissions at suppliers in FY2012 and commenced full-scale operation in FY2015. Since FY2018, Honda has been taking part in CDP's supply chain program (an international initiative by institutional investors requesting companies for disclosure of information on climate change policies) to share similar data.

Honda is using these tools to share reduction targets (reduce CO₂ emissions intensity by 1% per year) and progress status and to implement the PDCA cycle with suppliers worldwide.

As of 2019, approximately 1,700 companies, equating to more than 80% of purchasing value on a global level, are using these tools.

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

Initiatives to Reduce Environmental Impact in the Supply Chain

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

In Japan, Honda sets a specific numerical CO₂ target of its group suppliers and promotes reduction initiatives in partnership with them.

In FY2019, Honda began an initiative concerning the management of water and waste targets (maintain or improve FY2018 results). As part of this initiative, Honda progressively started the "Supplier Visit on Environment Effort." For this initiative, Honda visits each group supplier's site to confirm the results of efforts to reduce environmental impact and their environmental activities at production sites. This is also a good opportunity for Honda and its group suppliers to share information with each other. Honda actively works with group suppliers to promote efforts to achieve its goals.

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Purchasing Initiatives**Chemical Substance Management**

The Company issued the Honda Chemical Substance Management Standard, which aims to ensure that all the components that make up Honda products comply with laws and regulations and to reduce their impact on the global environment and ecosystem. Honda requests suppliers around the world to establish a structure for managing chemical substances that meets the standard and to submit a conformity declaration to assure the supply of components are meeting the standard. The Company also uses an industry standard management system for data on specific chemicals contained in components, which are evaluated prior to commencing mass production.

Measures to Counter Procurement Risk

Honda views all phenomena that can impact production, including natural disasters, fires, financial issues and labor issues within the supply chain, as risks. Accordingly, the Company works to reduce these risks and prevent the spread of any impact if they materialize throughout the supply chain, beginning with the procurement of components and materials. For example, Honda defines all components and materials that are dependent on production at one facility as Mission-Critical Parts, and inspections and countermeasures are implemented continually around the world.

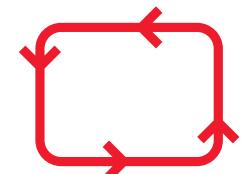
Honda began operating a procurement risk management system with suppliers in Japan in December 2014. Through the operation of this system, the Company established structures to assess damage and identify the impact on production at suppliers in a short time after the occurrence of a major disaster.

Honda also performs once-yearly evaluations based on supplier surveys in order to minimize financial risk. In addition, the Company checks risk every month by referring to information from third-party organizations.

Requiring Legal Compliance from Suppliers

Honda seeks to strengthen sustainability, including compliance, throughout the supply chain. It concludes basic agreements on component procurement that specify areas of attention such as safety, disaster prevention, environmental preservation and protection of resources along with compliance with each country's laws and regulations in conducting business.

In 2015 Honda also added provisions concerning bribery prevention to basic agreements and is working to strengthen its worldwide efforts to prevent bribery.



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Purchasing Initiatives**Third-Party Audit for Suppliers**

Honda distributed a checklist to suppliers requesting independent inspection in order to confirm the status of initiatives relative to guidelines.

Honda introduced a third-party audit in Japan in 2016 for suppliers with large business volume and significant influences on the Company in line with rising expectations worldwide to fulfill corporate social responsibility that also includes the supply chain. Going forward, Honda will expand the initiative to high-risk suppliers where there is higher potential for issues or the impact on the Company may be great in case a problem did arise, based on the flow diagram indicated on the right.

The audit comprises two phases, a written survey and an on-site check.

For the written survey, Honda conducts the following three measures for targeted suppliers.

- Distributes an audit check sheet based on international standards
- Confirms the status of sustainability activities
- Provides feedback on the results of analysis

The audit check sheet sets broad categories for evaluation that include the environment, compliance and information disclosure in addition to human rights and labor matters, such as child labor and forced labor, in an effort to verify supplier activities.

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

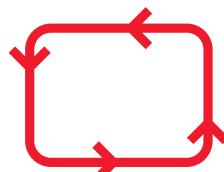
For items requiring improvement, an improvement plan and a report on results are issued. A follow-up investigation is employed if needed to confirm that the PDCA cycle for the improvement plan is up and running and that it is linked to ongoing improvement activities.

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

There were no instances of issues bearing significant risk in FY2020.

Flow diagram of third-party audit

Confirming the status of wastewater treatment at a supplier site



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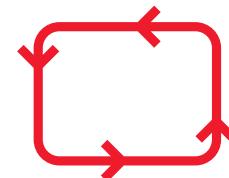
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Purchasing Initiatives**Instruction and Training for Associates**

To ensure that every associate involved in Honda's purchasing operations promotes honest and fair initiatives, Honda has prepared manuals and personnel development programs in each region.

For example, in North America Honda takes up various topics through seminars, e-learning and on-the-job training (OJT). In its Basic Training Course, the Company shares its approach in such areas as the selection of suppliers and initiatives to strengthen QCDDE. Honda's Building Business Relations training emphasizes the importance of the Company's code of conduct, legal compliance and confidentiality in developing positive long-term relationships with suppliers.

In this way, Honda has developed programs worldwide that incorporate the cultural and social background of each region in addition to basic knowledge about purchasing operations to provide instruction for all purchasing associates.



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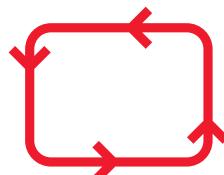
Purchasing Initiatives**Collaboration with Industry Groups and Suppliers**

Honda is striving to strengthen sustainability across the entire supply chain through this kind of collaborative capacity building between the automotive industry and its suppliers.

Collaboration with Industry Groups

Honda North America Inc., Honda's U.S. subsidiary, participates in four working groups established by the Automotive Industry Action Group (AIAG) to strengthen sustainability in the supply chain. They are the Responsible Sourcing working group, the Sustainability working group, the GHG working group and the Chemical Management working group. The sub working group to Responsible Sourcing is the Working Conditions working group, which Honda co-chairs, promotes training for suppliers. Since 2012, the Work Group has been offering training sessions on corporate ethics, environmental regulations, the working environment, human rights and other topics for tier 1 and sub-tier suppliers in North America.

In addition, Honda participates in AIAG's Corporate Responsibility Steering Committee to proactively identify issues, needs and trends in and outside the automobile industry.

**Supply chain****Dialogue with Suppliers**

In April 2019, Honda convened a Sustainability Information Sharing Meeting, where it shared current social trends and provided feedback on the results of inspections at business partners in accordance with the Honda Supplier Sustainability Guidelines.

Honda also regularly holds conferences around the world to share with suppliers the direction of its business and the substance of its initiatives. In FY2020, meetings were held in 26 locations around the world. At regional conferences, Honda presented Supplier Awards to recognize those suppliers who have achieved outstanding results in each aspect of QCDDE.

In Japan, Honda has held annual Suppliers Conferences since 1974. Senior management from 333 suppliers attended the conference held in January 2020. At the conference, Honda explained both company-wide policies and purchasing policies for the motorcycle, automobile and life creation businesses. In FY2018, Honda started presenting the Sustainability Awards to those suppliers making outstanding efforts in all areas concerning environmental, social and governance (ESG) aspects. The award is an extension of the former Environment Awards that focused on greenhouse gases (GHG) by also including social and governance aspects.

In North America, Honda presents the Sustainability Award to suppliers who made the greatest contributions in social areas such as compliance, safety and health, community contribution activities, the environment, diversity and human rights.

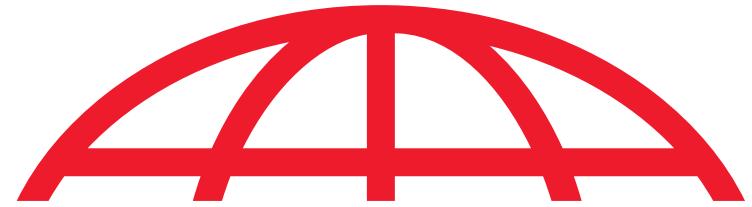
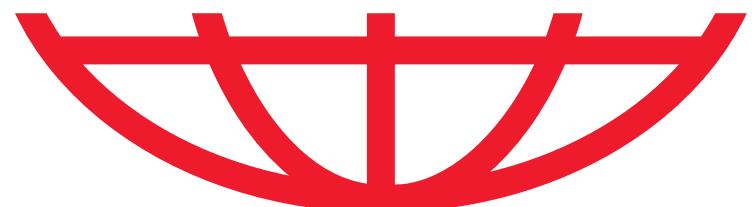


Presentation of Sustainability Award to Toyoda Gosei Co., Ltd. in Japan



Presentation of Sustainability Award to Madison Precision Products, Inc. in North America

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Activities

social

contribution

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**Basic Approach****Honda Social Contribution Activities**

Since the Company was founded, Honda has sought to contribute to society and customers by creating quality products and technologies while coexisting harmoniously with the communities that host its operations. In the 1960s, while the Company was still in a period of early growth, Honda began to launch philanthropic initiatives designed to strengthen ties with local communities.

Currently, Honda undertakes various social contribution activities in the seven regions of the Company's worldwide operations, aiming to share joy with people all around the world and to become a company society wants to exist. Honda also strives to support initiatives that reflect local circumstances in its corporate activities overseas. In order to be able to share joy, Honda will continue to pursue various social contribution activities while communicating with customers and local residents.

Basic Approach

In 2006, Honda formulated basic principles and directions of Honda philanthropy for its social contribution activities. Under this policy, in every part of the world, the Company has carried out initiatives adapted to the circumstances of various regions, with the aim of creating future societies "That are Full of Dreams."

After reviewing in 2018 the activities in response to a changing environment, Honda formulated its Global Policy for Social Contribution Activities. Accordingly, it engages in activities that have greater unity; at the same time, it is strengthening its global networks with the aim of realizing its 2030 Vision to "serve people worldwide with the joy of expanding their life's potential."

Based on its fundamental principles of "Respect for the Individual" and "the Three Joys," Honda seeks to improve the quality of people's daily lives around the world. In order to share this joy, the Company hopes that its associates will strive to accelerate their initiatives worldwide.

Global Policy for Social Contribution Activities**Corporate Philosophy**

Honda will proactively exercise its initiatives for social contribution, founded on the fundamental principles of "Respect for the Individual" and "the Three Joys," to support Honda's universal passion: to improve the quality of people's daily lives.

Objective

Honda will aspire to become "a company that society wants to exist," and will contribute to the realization of a sustainable society, by serving people worldwide with the joy of expanding their life's potential through its social contribution activities.

Activity Policy

- Honda will earn social acceptance by creating empathy and trust through active community engagement and by being a good corporate citizen.
- Honda will use its resources and workforce to contribute to society from a global point of view, while maintaining the importance of each region.
- Honda will promote and facilitate maximum associate participation in, and passion for, social contribution activities.

Field of Activities

- Supporting our youth for the future
- Protecting the global environment
- Promoting traffic safety
- Addressing local community needs



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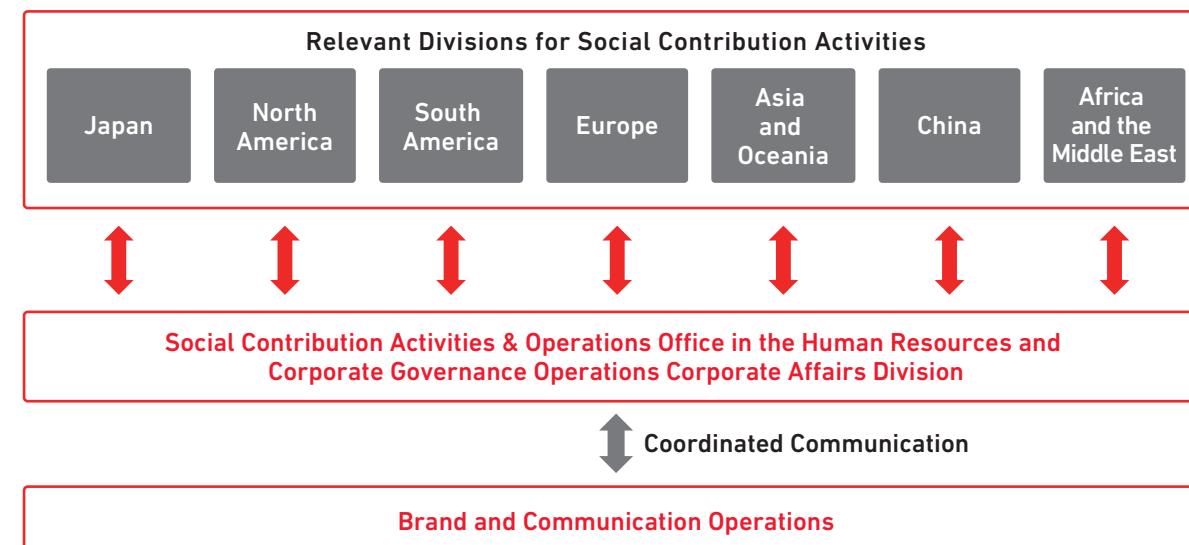
Global Management**Honda's Global System for Social Contribution Activities**

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

Honda pursues a variety of activities in seven regions, taking maximum advantage of its resources in line with its Global Policy for Social Contribution Activities.

To strengthen Honda's global networks, the Social Contribution Activities & Operations Office in the Human Resources and Corporate Governance Operations Corporate Affairs Division gathers activity data from across the seven regions, shares activity policies and works together with the Brand and Communication Operations for coordinated communication of information.

Going forward, the Honda Group intends to fulfill its responsibilities as a corporate citizen; to this end, the Group will continue its efforts to create future societies "That are Full of Dreams" and, hand in hand with local residents under globally coordinated initiatives, it will continue to promote a wide range of activities.

Honda's Global System for Social Contribution Activities

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Social Contribution Activities Initiatives**Japan****[Protecting the Global Environment]****Beach Cleanup Projects Implemented by the Honda Group across Japan**

Based on a desire to use company technologies to benefit the world, Honda developed the Beach Cleaner in 2006 that cleans up the beaches without harming their ecosystem. Currently, members of the Honda Group across Japan plan and operate cleanup activities. So far, since getting underway the activities have been carried out at more than 100 locations nationwide, with approximately 7,000 local residents taking part each year. The amount of beach trash collected by the project was 45 tons in FY2020, with the cumulative total since its launch reaching 500 tons. The project seeks both to create beaches that can be walked on barefoot with peace of mind, and to nurture mindsets whereby people pick up rubbish when they see it. Going forward, Honda will continue to provide opportunities to think about the environment in an enjoyable manner.



Beach cleanups carried out at about 30 locations nationwide in FY2020
(Photo taken in Nagasaki Prefecture in June 2019)

social contribution activities**North America****[Supporting Our Youth for the Future]****Providing Educational Opportunities: Eagle Rock School and Professional Development Center**

In 1993, American Honda Motor Co., Inc. opened Eagle Rock School and Professional Development Center. Eagle Rock School is a nationally recognized high school that supports the expansion of educational opportunities for students who have not found success in traditional school settings, as well as research into new educational methods. The school emphasizes experiential education, an integrated curriculum and project-based learning. The companion Professional Development Center (PDC) collaborates with high school educators and administrators around the country who wish to study how to re-engage, retain and graduate students.



Eagle Rock offering experiential, interactive and individualized classes to each student's unique needs and passions

Class of 2019 at Eagle Rock School celebrating their success and accomplishments



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**Social Contribution Activities Initiatives****South America**
[Addressing Local Community Needs]**Participating in “Virada Sustentável” Campaign – Facilitating Learning about Sustainability and Taking an Inspiring Approach**

Moto Honda da Amazonia Ltda. participates in the “Virada Sustentável” Campaign (meaning “to become a sustainable society”), which takes place annually in different parts of Manaus City in the Brazilian state of Amazonas. The event provides information and education about sustainability to people of different backgrounds, using an upbeat and inspiring approach to the theme. In the 2019 event, 109 Honda associates took part as supporting volunteers. They took the initiative in cleaning the sandy beaches of the Amazon River and actively supported education activities on the environment and traffic safety for both children and adolescents. Approximately 550 persons participated in the event.



Event providing a fun opportunity to learn about sustainability (July 2019)

Social contribution activities**Europe**
[Addressing Local Community Needs]**“Local Hero for Sustainability” Award**

In FY2020, Honda Motor Europe Logistics NV (HMEL), based in Aalst, Belgium, was appointed by the city of Aalst as one of just four companies to receive a “Local Hero for Sustainability” award. It was as the result of its 17 years of support for the 17 Sustainable Development Goals (SDGs) of the United Nations. The city recognized HMEL’s environmental activities to date, which included thorough implementation of a recycling project and establishment of efficient transportation routes, and noted how HMEL has reached its sustainability goals while still maintaining economic progress. HMEL also received the “Charter for Sustainability” award in FY2017.



Receiving a “Local Hero for Sustainability” award in recognition of HMEL’s ongoing SDGs-based efforts toward environmental improvement (September 2019)

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**Social Contribution Activities Initiatives****Asia and Oceania**
[Promoting Traffic Safety]**Striving for its Best for a Traffic Safety Society: Honda's Helmet Donation Project**

In order to raise awareness about wearing helmets while riding electric bicycles and motorcycles among citizens, especially children leading the future of Vietnam, Honda Vietnam Co., Ltd. (HVN) in cooperation with the National Traffic Safety Committee (NTSC) and the Ministry of Education and Training (MOET) has been carrying out the Helmet Donation Project for first-grade students under the theme "Keep Full Dreams Together" since 2018. Over the course of two years, HVN has donated nearly 4 million helmets directly to all first-grade students nationwide with the wish that these will make them gradually aware of traffic safety and remind their families and communities of complying with helmet-wearing regulations in particular and traffic safety in general. In 2018 alone, the helmet-wearing ratio of 6- to 18-year-old children increased from 35–40% to 52%. In the future, HVN hopes to increase this ratio to 66%.



Poster promoting Honda's Helmet Donation Project in 2019



Honda Helmet Donation Ceremony in Thanh Hoa Province (September 2019)

social contribution activities**China**
[Protecting the Global Environment]**Afforestation in Inner Mongolia, Where Desertification Is a Major Problem**

Honda Motor (China) Co., Ltd. initiated afforestation activities in Inner Mongolia as part of a long-term environmental conservation project. Since 2008, the entire Honda Group in China has been involved in the activities. The project has succeeded in afforesting 967 hectares of land by 2017. In its five-year plan starting from 2018, it aims to afforest an additional 467 hectares.

In 2019, a total of 207 participants, including associates of 16 joint ventures and students who had received support from the Honda Dream Fund, a project that supports the dreams of children growing up in poverty, carried out afforestation activities. These activities provided the participants with an opportunity to experience the Honda Philosophy firsthand.



Afforestation activities continuously conducted throughout the Honda Group (August 2019)

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Quality	94
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Social Contribution Activities Initiatives

Social Contribution Activities Data

Social Contribution Activities Initiatives**Africa & Middle East
[Addressing Local Community Needs]****Holding a Motorcycle Safety Seminar in Nigeria**

Honda provides a seminar for riders to learn appropriate motorcycle riding and maintenance in Nigeria.

The seminar teaches the importance of performing pre-ride checks; appropriate riding posture (when applying a brake or clutch); the benefits of motorcycles that use Honda's genuine parts and engine oil; and regular maintenance.

Dealers in Nigeria hold this seminar every month, with a total of 4,202 and 6,300 riders participating in 2018 and 2019, respectively.

Honda is the only motorcycle manufacturer conducting such an activity in Nigeria. The Company intends to continue the activity to help increase traffic safety in the country if by only slightly.



Honda's motorcycle safety seminar in FY2020 receiving 1.5 times more participants than the previous year

Honda conducts a variety of other social contribution activities as well. Further details can be found at the following link.

WEB

Honda Social Contribution Activities

> <https://global.honda/about/sustainability/community.html>



7 Performance Report

Environment	53
Safety	80
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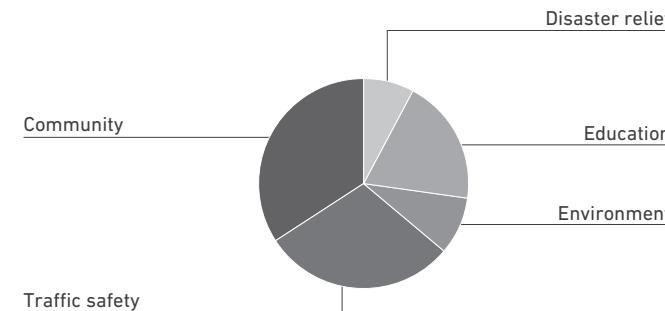
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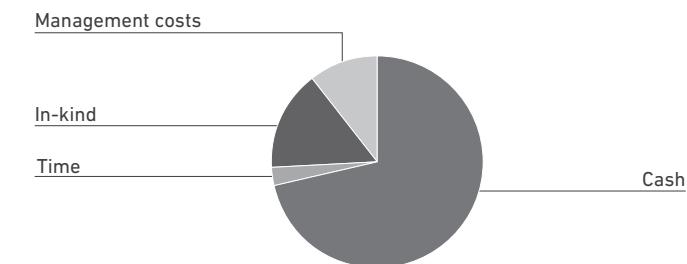
Social Contribution Activities Initiatives

Social Contribution Activities Data**Social Contribution Activities Data****Expenditure related to social contribution activities (FY2020)**

	Expenditure (million yen)
Disaster relief	760
Education	1,848
Environment	874
Traffic safety	2,847
Community	3,249
(Total)	9,578

**How the contribution breaks down (FY2020)**

	Expenditure (million yen)
Cash	6,857
Time	251
In-kind	1,460
Management costs	1,010
(Total)	9,578



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Assurance GRI Content Index Financial Data

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Assurance

To disclose environmental data in a more transparent and reliable manner to our diverse stakeholders, Honda obtained the independent practitioner's assurance of the environmental data indicated with for the year ended March 31, 2020 in the Japanese version of this report by Deloitte Tohmatsu Sustainability Co., Ltd., a subsidiary of Deloitte Touche Tohmatsu LLC, which is a member firm of Deloitte Touche Tohmatsu Limited.

Scope of Assurance

Environmental data assured:

- Direct emissions from business activities (Scope 1), Indirect emissions from energy use (Scope 2) and Emissions from customer use of sold products (Scope 3, category 11) out of Honda's total GHG emissions
- GHG emissions (direct emissions (Scope 1), Indirect emissions (Scope 2), Total emissions (Scope 1 and 2))
- Energy consumption (Direct energy consumption, Indirect energy consumption and Total energy consumption)
- Water intake/Wastewater volume
- Atmospheric pollutants (SO_x emissions, NO_x emissions)
- Waste generated

Deloitte.

デロイトトーマツ

(TRANSLATION)

Independent Practitioner's Assurance Report

July 10, 2020

Mr. Takahiro Hachigo,
President and Representative Director,
Honda Motor Co., Ltd.

Masahiko Sugiyama
Representative Director
Deloitte Tohmatsu Sustainability Co., Ltd.
3-2-3, Marunouchi, Chiyoda-ku, Tokyo

We have undertaken a limited assurance engagement of the environmental data indicated with for the year ended March 31, 2020 (the "Environmental Data") included in the "Honda Sustainability Report 2020" (the "Report") of Honda Motor Co., Ltd. (the "Company").

The Company's Responsibility

The Company is responsible for the preparation of the Environmental Data in accordance with the calculation and reporting standard adopted by the Company (the Report P74-77). Greenhouse gas quantification is subject to inherent uncertainty for reasons such as incomplete scientific knowledge used to determine emissions factors and numerical data needed to combine emissions of different gases.

Our Independence and Quality Control

We have compiled with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Environmental Data based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board ("IAASB"), ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the IAASB and the *Practical Guideline for the Assurance of Sustainability Information*, issued by the Japanese Association of Assurance Organizations for Sustainability Information.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

- Evaluating whether the Company's methods for estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or reperforming the estimates.
- Performing interviews of responsible persons and inspecting documentary evidence to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Environmental Data is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company.

The above represents a translation, for convenience only, of the original Independent Practitioner's Assurance report issued in the Japanese language.

Member of
Deloitte Touche Tohmatsu Limited

GRI Content Index

For the GRI Content Index Service, GRI Services reviewed that the GRI content index is clearly presented and the references for all disclosures included align with the appropriate sections in the body of the report.

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part omitted	Reason	Explanation
GRI 101: Foundation 2016					
General Disclosures					
GRI 102: General Disclosures 2016	Organizational profile				
	102-1 Name of the organization	10			
	102-2 Activities, brands, products, and services	7,8,10			
	102-3 Location of headquarters	2,10			
	102-4 Location of operations	2,10			
	102-5 Ownership and legal form	10			
	102-6 Markets served	10,11			
	102-7 Scale of the organization	10,13 2020 Form 20-F https://global.honda/investors/library/form20_f.html 1,2,9,10,11,12,13,29,30,F-8,F-46,F-47,F-48			
	102-8 Information on employees and other workers	130			
	102-9 Supply chain	135,142			
	102-10 Significant changes to the organization and its supply chain	2			
	102-11 Precautionary Principle or approach	2			
	102-12 External initiatives	32			
	102-13 Membership of associations	32,119,148			
	Strategy				
	102-14 Statement from senior decision-maker	3,4			
	102-15 Key impacts, risks, and opportunities	15,16,17,18,19,20,21,22,23,24,25,26, 27,33,34,35,48,49,50,56,57,58,59,60, 61,81,82,95,111,135			
	Ethics and integrity				
	102-16 Values, principles, standards, and norms of behavior	5,15,16,17,24,45			
	102-17 Mechanisms for advice and concerns about ethics	46			
	Governance				
	102-18 Governance structure	28,37,38,39,40,41,42,43,44			
	102-19 Delegating authority	28			
	102-20 Executive-level responsibility for economic, environmental, and social topics	28			
	102-21 Consulting stakeholders on economic, environmental, and social topics	28			
	102-22 Composition of the highest governance body and its committees	37,38,39,40,41,42,43,44			
	102-23 Chair of the highest governance body	37,38,39,40,41,42,43,44			

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GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part omitted	Reason	Explanation
	102-24 Nominating and selecting the highest governance body	37,38,39,40,41,42,43,44 Honda Corporate Governance Basic Policies https://global.honda/investors/policy/governance.html			
	102-25 Conflicts of interest	37,38,39,40,41,42,43,44 Honda Corporate Governance Basic Policies https://global.honda/investors/policy/governance.html			
	102-26 Role of highest governance body in setting purpose, values, and strategy	28			
	102-27 Collective knowledge of highest governance body	28			
	102-28 Evaluating the highest governance body's performance	28			
	102-29 Identifying and managing economic, environmental, and social impacts	28			
	102-30 Effectiveness of risk management processes	28			
	102-31 Review of economic, environmental, and social topics	28			
	102-32 Highest governance body's role in sustainability reporting	28			
	102-33 Communicating critical concerns	28,37			
	102-34 Nature and total number of critical concerns	28,37,38,40			
	102-35 Remuneration policies	41,51 Honda Corporate Governance Basic Policies https://global.honda/investors/policy/governance.html			
	102-36 Process for determining remuneration	41,51 Honda Corporate Governance Basic Policies https://global.honda/investors/policy/governance.html			
	102-37 Stakeholders involvement in remuneration	41,51 Honda Corporate Governance Basic Policies https://global.honda/investors/policy/governance.html			
	102-38 Annual total compensation ratio	41,51 Honda Corporate Governance Basic Policies https://global.honda/investors/policy/governance.html			
	102-39 Percentage increase in annual total compensation ratio	41,51 Honda Corporate Governance Basic Policies https://global.honda/investors/policy/governance.html			

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GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part omitted	Reason	Explanation
Stakeholder engagement					
	102-40 List of stakeholder groups	29,30			
	102-41 Collective bargaining agreements	2020 Form 20-F https://global.honda/investors/library/form20_f.html 81,82			
	102-42 Identifying and selecting stakeholders	29,30			
	102-43 Approach to stakeholder engagement	29,30			
	102-44 Key topics and concerns raised	29,30			
Reporting practice					
	102-45 Entities included in the consolidated financial statements	2 2020 Form 20-F https://global.honda/investors/library/form20_f.html 29, 30, F-91			
	102-46 Defining report content and topic Boundaries	2,15,16,17,24,28			
	102-47 List of material topics	24			
	102-48 Restatements of information	2			
	102-49 Changes in reporting	2			
	102-50 Reporting period	2			
	102-51 Date of most recent report	2			
	102-52 Reporting cycle	2			
	102-53 Contact point for questions regarding the report	2			
	102-54 Claims of reporting in accordance with the GRI Standards	2			
	102-55 GRI content index	159,160,161,162,163,164,165,166,167, 168,169,170			
	102-56 External assurance	158			

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GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission				
			Part omitted	Reason	Explanation		
Material Topics							
GRI 200 Economic Standard Series							
Economic Performance							
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	24					
	103-2 The management approach and its components	24					
	103-3 Evaluation of the management approach	24					
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	13					
	201-2 Financial implications and other risks and opportunities due to climate change	56,57,58,63					
	201-3 Defined benefit plan obligations and other retirement plans	2020 Form 20-F https://global.honda/investors/library/form20_f.html F-25, F-54, F-55, F-56, F-57, F-58					
	201-4 Financial assistance received from government	-	Financial assistance received from government	This information is currently unavailable.	We will improve our information disclosure using GRI Standards with a view to completing this in time for our 2021 Sustainability Report (to be published in June 2021).		
Market Presence							
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	24					
	103-2 The management approach and its components	24					
	103-3 Evaluation of the management approach	24					
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	132					
	202-2 Proportion of senior management hired from the local community	130					
Indirect Economic Impacts							
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	24					
	103-2 The management approach and its components	24					
	103-3 Evaluation of the management approach	24					
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	92					
	203-2 Significant indirect economic impacts	10,142,156					
Procurement Practices							
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	24					
	103-2 The management approach and its components	24					
	103-3 Evaluation of the management approach	24					
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	142					

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GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part omitted	Reason	Explanation
Anti-corruption					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	24,45,46,47 24,45,46,47 24,45,46,47			
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption 205-2 Communication and training about anti-corruption policies and procedures 205-3 Confirmed incidents of corruption and actions taken	46 46 46			
Anti-competitive Behavior					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	24,45,46,47 24,45,46,47 24,45,46,47			
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	47			
GRI 300 Environmental Standards Series					
Materials					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	24,54,55,56,57,58,59,60,61 24,54,55,56,57,58,59,60,61 24,54,55,56,57,58,59,60,61			
GRI 301: Materials 2016	301-1 Materials used by weight or volume 301-2 Recycled input materials used 301-3 Reclaimed products and their packaging materials	- - 67	Materials used by weight or volume Recycled input materials used	This information is currently unavailable. This information is currently unavailable.	We will improve our information disclosure using GRI Standards with a view to completing this in time for our 2021 Sustainability Report (to be published in June 2021). We will improve our information disclosure using GRI Standards with a view to completing this in time for our 2021 Sustainability Report (to be published in June 2021).
Energy					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	24,54,55,56,57,58,59,60,61 24,54,55,56,57,58,59,60,61 24,54,55,56,57,58,59,60,61			

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GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part omitted	Reason	Explanation
GRI 302: Energy 2016	302-1 Energy consumption within the organization	75	Energy intensity	This information is currently unavailable.	We will improve our information disclosure using GRI Standards with a view to completing this in time for our 2021 Sustainability Report (to be published in June 2021).
	302-2 Energy consumption outside of the organization	75			
	302-3 Energy intensity	-			
	302-4 Reduction of energy consumption	75			
	302-5 Reductions in energy requirements of products and services	56,57,58,66			
Water					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	24,54,55,56,57,58,59,60,61	Evaluation of the management approach	24,54,55,56,57,58,59,60,61	We will improve our information disclosure using GRI Standards with a view to completing this in time for our 2021 Sustainability Report (to be published in June 2021).
	103-2 The management approach and its components	24,54,55,56,57,58,59,60,61			
	103-3 Evaluation of the management approach	24,54,55,56,57,58,59,60,61			
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	60,70	Habitats protected or restored	This information is currently unavailable.	We will improve our information disclosure using GRI Standards with a view to completing this in time for our 2021 Sustainability Report (to be published in June 2021).
	303-2 Management of water discharge-related impacts	70			
	303-3 Water withdrawal	76			
	303-4 Water discharge	60,70,76			
	303-5 Water consumption	76			
Biodiversity					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	24,54,55,56,57,58,59,60,61,71	Evaluation of the management approach	24,54,55,56,57,58,59,60,61,71	We will improve our information disclosure using GRI Standards with a view to completing this in time for our 2021 Sustainability Report (to be published in June 2021).
	103-2 The management approach and its components	24,54,55,56,57,58,59,60,61,71			
	103-3 Evaluation of the management approach	24,54,55,56,57,58,59,60,61,71			
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	71	Habitats protected or restored	This information is currently unavailable.	We will improve our information disclosure using GRI Standards with a view to completing this in time for our 2021 Sustainability Report (to be published in June 2021).
	304-2 Significant impacts of activities, products, and services on biodiversity	71			
	304-3 Habitats protected or restored	-			
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	71			

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GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	24,54,55,56,57,58,59,60,61,63,65,66, 69,72,73			
	103-2 The management approach and its components	24,54,55,56,57,58,59,60,61,63,65,66, 69,72,73			
	103-3 Evaluation of the management approach	24,54,55,56,57,58,59,60,61,63,65,66, 69,72,73			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	72,74,75			
	305-2 Energy indirect (Scope 2) GHG emissions	72,74,75			
	305-3 Other indirect (Scope 3) GHG emissions	72,74			
	305-4 GHG emissions intensity	78			
	305-5 Reduction of GHG emissions	72,74,75			
	305-6 Emissions of ozone-depleting substances (ODS)	68			
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	77			
Effluents and Waste					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	54,55,56,57,58,59,60,61,68,70			
	103-2 The management approach and its components	54,55,56,57,58,59,60,61,68,70			
	103-3 Evaluation of the management approach	54,55,56,57,58,59,60,61,68,70			
GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination	76			
	306-2 Waste by type and disposal method	77			
	306-3 Significant spills	55			
	306-4 Transport of hazardous waste	68			
	306-5 Water bodies affected by water discharges and/or runoff	70			
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	54,55,56,57,58,59,60,61			
	103-2 The management approach and its components	54,55,56,57,58,59,60,61			
	103-3 Evaluation of the management approach	54,55,56,57,58,59,60,61			
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	55			
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	135,140			
	103-2 The management approach and its components	135,140			
	103-3 Evaluation of the management approach	135,140			
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	141			
	308-2 Negative environmental impacts in the supply chain and actions taken	140,144,145,146,148			

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GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission				
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GRI 400 Social Standards Series							
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	111,112,113 111,112,113 111,112,113					
GRI 401: Employment 2016	401-1 New employee hires and employee turnover 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees 401-3 Parental leave	130 123 121,131					
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	111,112,113 111,112,113 111,112,113					
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	125					
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	111,112,113 111,112,113 111,112,113					
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system 403-2 Hazard identification, risk assessment, and incident investigation 403-3 Occupational health services 403-4 Worker participation, consultation, and communication on occupational health and safety 403-5 Worker training on occupational health and safety 403-6 Promotion of worker health 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships 403-8 Workers covered by an occupational health and safety management system 403-9 Work-related injuries 403-10 Work-related ill health	126 126,127 127,128 126 127 128,129 126 126 126,132 126,132					
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	111,112,113 111,112,113 111,112,113					

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GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part omitted	Reason	Explanation
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	115,126,127,130			
	404-2 Programs for upgrading employee skills and transition assistance programs	112,113,114,115,116,118,119,120,121,122			
	404-3 Percentage of employees receiving regular performance and career development reviews	124,132			
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	111,112,113,114,117			
	103-2 The management approach and its components	111,112,113,114,117			
	103-3 Evaluation of the management approach	111,112,113,114,117			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	37,51,114,117,118,119,120,121,122,130			
	405-2 Ratio of basic salary and remuneration of women to men	124,131			
Non-discrimination					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	45,46,47,111			
	103-2 The management approach and its components	45,46,47,111			
	103-3 Evaluation of the management approach	45,46,47,111			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	45,46,47			
Freedom of Association and Collective Bargaining					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	111,135,140			
	103-2 The management approach and its components	111,135,140			
	103-3 Evaluation of the management approach	111,135,140			
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	125,141,144,145,146,148			
Child Labor					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	111,135,140			
	103-2 The management approach and its components	111,135,140			
	103-3 Evaluation of the management approach	111,135,140			
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	141			
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	111,135,140			
	103-2 The management approach and its components	111,135,140			
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GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	141			

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GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part omitted	Reason	Explanation
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	111 111 111			
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	114,130			
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GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	140,141,142,143,145,146			
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GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part omitted	Reason	Explanation
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GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	93 108			
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			Part omitted	Reason	Explanation
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Financial Data

Operating and Financial Review

Sales Revenue

Honda's consolidated sales revenue for the fiscal year ended March 31, 2020, decreased by ¥957.6 billion, or 6.0%, to ¥14,931.0 billion from the fiscal year ended March 31, 2019, due mainly to decreased sales revenue in the Automobile business as well as negative foreign currency translation effects, which was partially offset by increased sales revenue in the Financial services business. Honda estimates that by applying Japanese yen exchange rates of the previous fiscal year to the current fiscal year, sales revenue for the year would have decreased by approximately ¥599.2 billion, or 3.8%, compared to the decrease as reported of ¥957.6 billion, which includes negative foreign currency translation effects.

Operating Costs and Expenses

Operating costs and expenses decreased by ¥864.8 billion, or 5.7%, to ¥14,297.3 billion from the previous fiscal year. Cost of sales decreased by ¥729.2 billion, or 5.8%, to ¥11,851.6 billion from the previous fiscal year, due mainly to a decrease in costs attributable to decreased consolidated sales revenue in the Automobile business. Selling, general and administrative expenses decreased by ¥132.8 billion, or 7.5%, to ¥1,641.5 billion from the previous fiscal year. Research and development expenses totaled to ¥804.1 billion basically unchanged from the previous fiscal year.

Operating Profit

Operating profit decreased by ¥92.7 billion, or 12.8%, to ¥633.6 billion from the previous fiscal year, due mainly to a decrease in profit attributable to decreased sales revenue and model mix as well as negative foreign currency effects, which was partially offset by continuing cost reduction as well as decreased selling, general and administrative expenses. Honda estimates that by excluding negative foreign currency effects of approximately ¥105.8 billion, operating profit would have increased by approximately ¥13.1 billion.

With respect to the discussion above of the changes, management identified factors and used what it believes to be a reasonable method to analyze the respective changes in such factors. Management analyzed changes in these factors at the levels of the Company and its material consolidated subsidiaries. "Foreign currency effects" consist of "translation adjustments", which come from the translation of the currency of foreign subsidiaries' financial statements into Japanese yen, and "foreign currency adjustments", which result from foreign-currency-denominated transaction. With respect to "foreign currency adjustments", management analyzed foreign currency adjustments primarily related to the following currencies: U.S. dollar, Japanese yen and others at the level of the Company and its material consolidated subsidiaries. The estimates excluding the foreign currency effects are not on the same base as Honda's consolidated financial statements, and do not conform to IFRS. Furthermore, Honda does not believe that these measures are substitute for the disclosure required by IFRS. However, Honda believes that such estimates excluding the foreign currency effects provide financial statements users with additional useful information for understanding Honda's results.

Profit before Income Taxes

Profit before income taxes decreased by ¥189.4 billion, or 19.3%, to ¥789.9 billion. The main factors behind this decrease, except factors relating to operating profit, are as follows:

Share of profit of investments accounted for using the equity method had a negative impact of ¥64.6 billion, due mainly to a decrease in profit attributable to decreased sales revenue at affiliates and joint ventures in Asia.

Finance income and finance costs had a negative impact of ¥32.1 billion, due mainly to effect from gains or losses on foreign exchange.

Income Tax Expense

Income tax expense decreased by ¥23.1 billion, or 7.6%, to ¥279.9 billion from the previous fiscal year. The average effective tax rate increased by 4.5 percentage points to 35.4% from the previous fiscal year.

Financial Data

Profit for the Year

Profit for the year decreased by ¥166.3 billion, or 24.6%, to ¥509.9 billion from the previous fiscal year.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent decreased by ¥154.5 billion, or 25.3%, to ¥455.7 billion from the previous fiscal year.

Profit for the Year Attributable to Non-controlling Interests

Profit for the year attributable to non-controlling interests decreased by ¥11.7 billion, or 17.9%, to ¥54.1 billion from the previous fiscal year.

Operating segments and geographic segments in financial data

Segment	Principal products and services	Functions
Motorcycle Business	Motorcycles, all-terrain vehicles (ATVs), side-by-sides (SxS) and relevant parts	Research and development, Manufacturing, Sales and related services
Automobile Business	Automobiles and relevant parts	Research and development, Manufacturing, Sales and related services
Financial Services Business	Financial services	Retail loan and lease related to Honda products, Others
Life Creation and Other Businesses	Power products and relevant parts, and others	Research and development, Manufacturing, Sales and related services, Others

• Operating segments are defined as the components of Honda for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The accounting policies used for these reportable segments are consistent with the accounting policies used in the Company's consolidated financial statements.

Area	Major countries
North America	United States, Canada, Mexico
Europe	United Kingdom, Germany, Belgium, Italy, France
Asia	Thailand, Indonesia, China, India, Vietnam
Other Regions	Brazil, Australia

• Segmentation by country and region is based on geographical proximity.

Financial Data

Motorcycle Business

Honda Group Unit Sales* (thousands)

	FY19	FY20	Change	%
Total	20,238	19,340	(898)	(4.4)
Japan	207	205	(2)	(1.0)
North America	301	330	29	9.6
Europe	249	239	(10)	(4.0)
Asia	18,224	17,262	(962)	(5.3)
Other Regions	1,257	1,304	47	3.7

Consolidated Unit Sales* (thousands)

	FY19	FY20	Change	%
Total	13,215	12,426	(789)	(6.0)
Japan	207	205	(2)	(1.0)
North America	301	330	29	9.6
Europe	249	239	(10)	(4.0)
Asia	11,201	10,348	(853)	(7.6)
Other Regions	1,257	1,304	47	3.7

*Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates and joint ventures accounted for using the equity method. Consolidated Unit Sales is the total unit sales of completed products corresponding to consolidated sales revenue to external customers, which consists of unit sales of completed products of Honda and its consolidated subsidiaries.

Total demand for motorcycles in Asia*¹ decreased around 7% from the previous year to approximately 41,090 thousand units in calendar year 2019. Looking at market conditions by country, in calendar year 2019, demand in India decreased around 13% from the previous year to approximately 18,790 thousand units. Demand in Indonesia increased around 3% from the previous year to approximately 6,500 thousand units. Demand in China decreased around 6% from the previous year to approximately 6,500 thousand units. Demand in Vietnam decreased around 4% from the previous year to approximately 3,250 thousand units. Demand in Pakistan decreased around 3% from the previous year to approximately 2,050 thousand units. Demand in Thailand decreased around 3% from the previous year to approximately 1,740 thousand units. Honda's consolidated unit sales in Asia were 10,348 thousand units in fiscal year 2020, a decrease by 7.6% from the previous fiscal year, mainly due to decreases primarily in sales of the Activa model in India, which offset increases primarily in sales of such commuter models as the RS150R in Malaysia. Honda's consolidated unit sales do not include sales by P.T. Astra Honda Motor in Indonesia, which is accounted for using the equity method. P.T. Astra Honda Motor's unit sales for fiscal year 2020 decreased around 2.3% from the previous fiscal year to approximately 4,850 thousand units, mainly due to decreases primarily in sales of the BeAT model, which offset increases primarily in sales of the new Genio model.

Total demand for motorcycles in Brazil*², the principal market within Other Regions, increased around 13% from the previous year to approximately 1,080 thousand units in calendar year 2019. In Other Regions (including South America, the Middle East, Africa, Oceania and other areas), Honda's consolidated unit sales increased 3.7% from the previous fiscal year to 1,304 thousand units in fiscal year 2020 due mainly to an increase in sales of the Elite 125 in Brazil.

*1 Based on Honda research. Only includes the following eight countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, India, Pakistan and China.

*2 Source: ABRACICLO (the Brazilian Association of Motorcycle, Moped, and Bicycle Manufacturers)

Financial Data

Automobile Business

Honda Group Unit Sales*

	FY19	FY20	Change	(thousands)
Total	5,323	4,790	(533)	(10.0)
Japan	719	672	(47)	(6.5)
North America	1,954	1,825	(129)	(6.6)
Europe	169	133	(36)	(21.3)
Asia	2,233	1,952	(281)	(12.6)
Other Regions	248	208	(40)	(16.1)

Consolidated Unit Sales*

	FY19	FY20	Change	(thousands)
Total	3,748	3,318	(430)	(11.5)
Japan	643	589	(54)	(8.4)
North America	1,954	1,825	(129)	(6.6)
Europe	169	133	(36)	(21.3)
Asia	734	563	(171)	(23.3)
Other Regions	248	208	(40)	(16.1)

*Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates and joint ventures accounted for using the equity method. Consolidated Unit Sales is the total unit sales of completed products corresponding to consolidated sales revenue to external customers, which consists of unit sales of completed products of Honda and its consolidated subsidiaries. Certain sales of automobiles that are financed with residual value type auto loans by our Japanese finance subsidiaries and sold through our consolidated subsidiaries are accounted for as operating leases in conformity with IFRS and are not included in consolidated sales revenue to the external customers in our Automobile business. Accordingly, they are not included in Consolidated Unit Sales, but are included in Honda Group Unit Sales of our Automobile business.

Total demand for automobiles in Japan*¹ decreased around 4% from the previous fiscal year to approximately 5,030 thousand units in fiscal year 2020. Honda's consolidated unit sales in Japan decreased 8.4% from the previous fiscal year to 589 thousand units*² in fiscal year 2020. This was mainly because of the impact of restrictions on the supply of parts for the new N-WGN, which offset increases primarily in sales of the Freed. Honda's unit production of automobiles in Japan decreased 11.4% from the previous fiscal year to 808 thousand units in fiscal year 2020. This was mainly because of decreases due to effects of restrictions on the supply of parts for the new N-WGN.

Total industry demand for automobiles in the United States*³, the principal market within North America, decreased around 1% from the previous year to approximately 17,040 thousand units in calendar year 2019. This result reflected decreased demand for passenger cars, despite a continued increase for light trucks. Honda's consolidated unit sales in North America decreased 6.6% from the previous fiscal year to 1,825 thousand units in fiscal year 2020. This decrease was mainly attributable to the effect of a decrease in sales of the Civic model, despite increases primarily in sales of the Passport model. Honda manufactured 1,736 thousand units in fiscal year 2020, a decrease of 3.7% from the previous fiscal year, mainly due to decreases in demand for passenger cars.

Total demand for automobiles in China, the largest market within Asia, decreased around 8% from the previous year to approximately 25,760 thousand units*⁴ in calendar year 2019. Total demand for automobiles in other countries in Asia decreased around 9% from the previous calendar year to approximately 7,810 thousand units*⁵. This was mainly due to decreases in demand in India and Indonesia. Honda's consolidated unit sales in Asia decreased 23.3% from the previous fiscal year to 563 thousand units in fiscal year 2020. The decrease was mainly attributable to the decrease in

sales of the Amaze in India, and the City in Malaysia. Honda's consolidated unit sales do not include unit sales of Dongfeng Honda Automobile Co., Ltd. and GAC Honda Automobile Co., Ltd., both of which are joint ventures accounted for using the equity method in China. Unit sales in China decreased 7.3% from the previous fiscal year to 1,389 thousand units in fiscal year 2020. The decrease was mainly attributable to a decrease in sales of the Fit model, despite the effect of launching the new Envix model and the Inspire. Honda's unit production by consolidated subsidiaries in Asia decreased 24.4% from the previous fiscal year to 606 thousand units*⁶ in fiscal year 2020. Meanwhile, unit production by Chinese joint ventures Dongfeng Honda Automobile Co., Ltd. and GAC Honda Automobile Co., Ltd. decreased 8.1% from the previous fiscal year to 1,370 thousand units in fiscal year 2020.

*1 Source: JAMA (Japan Automobile Manufacturers Association), as measured by the number of regular vehicle registrations (661cc or higher) and mini vehicles (660cc or lower)

*2 Certain sales of automobiles that are financed with residual value type auto loans by our Japanese finance subsidiaries and sold through our consolidated subsidiaries are accounted for as operating leases in conformity with IFRS and are not included in consolidated sales revenue to external customers in the Automobile business. Accordingly, they are not included in consolidated unit sales.

*3 Source: Autodata

*4 Source: CAAM (China Association of Automobile Manufacturers)

*5 The total is based on Honda research and includes the following eight countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Taiwan, India and Pakistan.

*6 The total includes the following nine countries: Thailand, Indonesia, Malaysia, the Philippines, Vietnam, Taiwan, India, Pakistan and China.

Financial Data

Life Creation and Other Businesses

Honda Group Unit Sales/Consolidated Unit Sales* (thousands)

	FY19	FY20	Change	%
Total	6,301	5,701	(600)	(9.5)
Japan	336	312	(24)	(7.1)
North America	3,049	2,848	(201)	(6.6)
Europe	984	845	(139)	(14.1)
Asia	1,559	1,375	(184)	(11.8)
Other Regions	373	321	(52)	(13.9)

*Honda Group Unit Sales is the total unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates and joint ventures accounted for using the equity method. Consolidated Unit Sales is the total unit sales of completed power products corresponding to consolidated sales revenue to external customers, which consists of unit sales of completed power products of Honda and its consolidated subsidiaries. In Life Creation business, there is no discrepancy between Honda Group Unit Sales and Consolidated Unit Sales since no affiliate and joint venture accounted for using the equity method was involved in the sale of Honda power products.

Honda's consolidated unit sales in North America decreased 6.6% from the previous fiscal year to 2,848 thousand units in fiscal year 2020, mainly due to a decrease in the sales of OEM engines*, which offset an increase primarily in the sales of lawnmowers.

Honda's consolidated unit sales in Europe decreased 14.1% from the previous fiscal year to 845 thousand units in fiscal year 2020, mainly due to a decrease in sales of OEM engines and lawnmowers.

Honda's consolidated unit sales in Asia decreased 11.8% from the previous fiscal year to 1,375 thousand units in fiscal year 2020. This was mainly due to a decrease in sales of OEM engines and brush cutters.

*OEM (Original Equipment Manufacturer) engines: refers to engines installed on products sold under a third-party brand.

Financial Data

Consolidated Statements of Financial Position

March 31, 2019 and 2020

Assets	2019	2020
Current assets:		
Cash and cash equivalents	¥2,494,121	¥2,672,353
Trade receivables	793,245	633,909
Receivables from financial services	1,951,633	1,878,358
Other financial assets	163,274	190,053
Inventories	1,586,787	1,560,568
Other current assets	358,234	365,769
Total current assets	7,347,294	7,301,010
Non-current assets:		
Investments accounted for using the equity method	713,039	655,475
Receivables from financial services	3,453,617	3,282,807
Other financial assets	417,149	441,724
Equipment on operating leases	4,448,849	4,626,063
Property, plant and equipment	2,981,840	3,051,704
Intangible assets	744,368	760,434
Deferred tax assets	150,318	132,553
Other non-current assets	162,648	209,695
Total non-current assets	13,071,828	13,160,455
Total assets	¥20,419,122	¥20,461,465

Liabilities and Equity	2019	2020
Current liabilities:		
Trade payables	¥1,184,882	¥958,469
Financing liabilities	3,188,782	3,248,457
Accrued expenses	476,300	449,716
Other financial liabilities	132,910	209,065
Income taxes payable	49,726	43,759
Provisions	348,763	287,175
Other current liabilities	599,761	593,447
Total current liabilities	5,981,124	5,790,088
Non-current liabilities:		
Financing liabilities	4,142,338	4,221,229
Other financial liabilities	63,689	303,570
Retirement benefit liabilities	398,803	578,909
Provisions	220,745	238,439
Deferred tax liabilities	727,411	698,868
Other non-current liabilities	319,222	344,339
Total non-current liabilities	5,872,208	6,385,354
Total liabilities	11,853,332	12,175,442
Equity:		
Common stock	86,067	86,067
Capital surplus	171,460	171,823
Treasury stock	(177,827)	(273,940)
Retained earnings	7,973,637	8,142,948
Other components of equity	214,383	(114,639)
Equity attributable to owners of the parent	8,267,720	8,012,259
Non-controlling interests	298,070	273,764
Total equity	8,565,790	8,286,023
Total liabilities and equity	¥20,419,122	¥20,461,465

Financial Data

Consolidated Statements of Income

Years ended March 31, 2019 and 2020

	2019	2020
Sales revenue	¥15,888,617	¥14,931,009
Operating costs and expenses:		
Cost of sales	(12,580,949)	(11,851,659)
Selling, general and administrative	(1,774,393)	(1,641,590)
Research and development	(806,905)	(804,123)
Total operating costs and expenses	(15,162,247)	(14,297,372)
Operating profit	726,370	633,637
Share of profit of investments accounted for using the equity method	228,827	164,203
Finance income and finance costs:		
Interest income	48,618	49,412
Interest expense	(13,217)	(24,689)
Other, net	(11,223)	(32,645)
Total finance income and finance costs	24,178	(7,922)
Profit before income taxes	979,375	789,918
Income tax expense	(303,089)	(279,986)
Profit for the year	¥676,286	¥509,932
Profit for the year attributable to:		
Owners of the parent	¥610,316	¥455,746
Non-controlling interests	65,970	54,186
Earnings per share attributable to owners of the parent (Yen)		
Basic and diluted	345.99	260.13

Consolidated Statements of Cash Flows

Years ended March 31, 2019 and 2020

	2019	2020	Yen (millions)
Cash flows from operating activities:			
Profit before income taxes	¥979,375	¥789,918	
Depreciation, amortization and impairment losses excluding equipment on operating leases	721,695	699,877	
Share of profit of investments accounted for using the equity method	(228,827)	(164,203)	
Finance income and finance costs, net	(88,608)	(47,892)	
Interest income and interest costs from financial services, net	(124,076)	(130,636)	
Changes in assets and liabilities			
Trade receivables	9,344	132,702	
Inventories	(60,906)	(59,931)	
Trade payables	(11,816)	(141,159)	
Accrued expenses	25,372	(4,529)	
Provisions and retirement benefit liabilities	(1,590)	118	
Receivables from financial services	(260,704)	103,614	
Equipment on operating leases	(230,311)	(270,677)	
Other assets and liabilities	11,045	(20,524)	
Other, net	3,706	10,959	
Dividends received	175,244	185,742	
Interest received	270,776	288,821	
Interest paid	(150,162)	(162,263)	
Income taxes paid, net of refund	(263,569)	(230,522)	
Net cash provided by operating activities	775,988	979,415	
Cash flows from investing activities:			
Payments for additions to property, plant and equipment	¥(420,768)	¥(370,195)	
Payments for additions to and internally developed intangible assets	(187,039)	(231,063)	
Proceeds from sales of property, plant and equipment and intangible assets	20,765	17,638	
Payments for acquisitions of subsidiaries, net of cash and cash equivalents acquired	—	(3,047)	
Payments for acquisitions of investments accounted for using the equity method	(2,401)	(14,584)	
Payments for acquisitions of other financial assets	(506,431)	(282,806)	
Proceeds from sales and redemptions of other financial assets	515,670	265,980	
Other, net	2,649	(1,404)	
Net cash used in investing activities	(577,555)	(619,481)	
Cash flows from financing activities:			
Proceeds from short-term financing liabilities	8,435,249	9,037,608	
Repayments of short-term financing liabilities	(8,213,698)	(9,039,601)	
Proceeds from long-term financing liabilities	1,900,257	2,021,173	
Repayments of long-term financing liabilities	(1,726,097)	(1,676,504)	
Dividends paid to owners of the parent	(194,271)	(196,795)	
Dividends paid to non-controlling interests	(66,872)	(54,280)	
Purchases and sales of treasury stock, net	(64,556)	(96,113)	
Repayments of lease liabilities	(47,088)	(78,659)	
Other, net	—	(4,240)	
Net cash provided by (used in) financing activities	22,924	(87,411)	
Effect of exchange rate changes on cash and cash equivalents	16,276	(94,291)	
Net change in cash and cash equivalents	237,633	178,232	
Cash and cash equivalents at beginning of year	2,256,488	2,494,121	
Cash and cash equivalents at end of year	¥2,494,121	¥2,672,353	

Financial Data

Segment Information

Segment information as of and for the years ended March 31, 2019 and 2020 is as follows:

	As of and for the year ended March 31, 2019							As of and for the year ended March 31, 2020							As of and for the year ended March 31, 2019							
	Motorcycle Business		Automobile Business		Financial Services Business		Life Creation and Other Businesses		Segment Total	Reconciling Items	Consolidated	Motorcycle Business		Automobile Business		Financial Services Business		Life Creation and Other Businesses		Segment Total	Reconciling Items	Consolidated
Sales revenue:																						
External customers	¥2,100,155	¥11,072,117	¥2,365,355	¥350,990	¥15,888,617		—	¥15,888,617														
Intersegment	—	215,647	14,687	26,266	256,600	(256,600)	—															
Total	2,100,155	11,287,764	2,380,042	377,256	16,145,217	(256,600)	15,888,617															
Segment profit (loss)	291,642	209,694	235,945	(10,911)	726,370	—	726,370															
Segment assets	1,523,817	7,923,802	10,236,066	328,870	20,012,555	406,567	20,419,122															
Depreciation and amortization	66,680	603,124	784,683	14,198	1,468,685	—	1,468,685															
Capital expenditures	74,024	525,419	2,041,735	16,074	2,657,252	—	2,657,252															

Explanatory notes:

- Intersegment sales revenues are generally made at values that approximate arm's-length prices.
- Reconciling items include elimination of intersegment transactions and balances as well as unallocated corporate assets. Unallocated corporate assets included in reconciling items as of March 31, 2019 and 2020 amounted to ¥682,842 million and ¥787,022 million, respectively, which consist primarily of the Company's cash and cash equivalents and financial assets measured at fair value through other comprehensive income.

Financial Data

Motorcycle Business

Sales revenue from external customers decreased by ¥40.8 billion, or 1.9%, to ¥2,059.3 billion from the previous fiscal year, due mainly to decreased consolidated unit sales as well as negative foreign currency translation effects.

Operating profit decreased by ¥5.9 billion, or 2.0%, to ¥285.6 billion from the previous fiscal year, due mainly to a decrease in profit attributable to decreased sales volume and model mix as well as negative foreign currency effects, which was partially offset by continuing cost reduction.

Automobile Business

Sales revenue from external customers decreased by ¥1,113.0 billion, or 10.1%, to ¥9,959.0 billion from the previous fiscal year, due mainly to decreased consolidated unit sales.

Operating profit decreased by ¥56.3 billion, or 26.9%, to ¥153.3 billion from the previous fiscal year, due mainly to a decrease in profit attributable to decreased sales volume and model mix as well as negative foreign currency effects, which was partially offset by decreased selling, general and administrative expenses as well as continuing cost reduction.

Financial Services Business

Sales revenue from external customers increased by ¥221.6 billion, or 9.4%, to ¥2,586.9 billion from the previous fiscal year, due mainly to increased revenues on disposition of lease vehicles and operating lease revenues.

Operating profit decreased by ¥16.2 billion, or 6.9%, to ¥219.7 billion from the previous fiscal year, due mainly to increased selling, general and administrative expenses, which was partially offset by an increase in profit attributable to increased sales revenue.

Life Creation and Other Businesses

Sales revenue from external customers decreased by ¥25.3 billion, or 7.2%, to ¥325.6 billion from the previous fiscal year, due mainly to decreased consolidated unit sales in Life creation business.

Operating loss was ¥25.0 billion, an increase of ¥14.1 billion from the previous fiscal year, due mainly to a decrease in profit attributable to decreased sales volume and model mix. In addition, operating loss of aircraft and aircraft engines included in the Life creation and other businesses was ¥42.2 billion, an increase of ¥2.0 billion from the previous fiscal year.

Financial Data

Financial Summary

Fiscal years ended March 31

	U.S. GAAP Yen (millions)						IFRS Yen (millions)							
	2010	2011	2012	2013	2014	2015		2014	2015	2016	2017	2018	2019	2020
Sales, income and dividends							Sales, income and dividends							
Net sales and other operating revenue	¥8,579,174	¥8,936,867	¥7,948,095	¥9,877,947	¥11,842,451	¥12,646,747	Sales revenue	¥12,506,091	¥13,328,099	¥14,601,151	¥13,999,200	¥15,361,146	¥15,888,617	¥14,931,009
Operating income	363,775	569,775	231,364	544,810	750,281	606,878	Operating profit	823,864	670,603	503,376	840,711	833,558	726,370	633,637
Operating margin	4.2%	6.4%	2.9%	5.5%	6.3%	4.8%	Operating margin	6.6%	5.0%	3.4%	6.0%	5.4%	4.6%	4.2%
Income before income taxes and equity in income of affiliates	336,198	630,548	257,403	488,891	728,940	644,809	Share of profit of investments accounted for using the equity method	130,916	96,097	126,001	164,793	247,643	228,827	164,203
Income taxes	146,869	206,827	135,735	178,976	252,662	235,204	Profit before income taxes	933,903	806,237	635,450	1,006,986	1,114,973	979,375	789,918
Equity in income of affiliates	93,282	139,756	100,406	82,723	132,471	126,570	Income tax expense	267,992	245,139	229,092	327,592	(13,666)	303,089	279,986
Net income attributable to non-controlling interests	(14,211)	(29,389)	(10,592)	(25,489)	(34,642)	(43,168)	Profit for the year	665,911	561,098	406,358	679,394	1,128,639	676,286	509,932
Net income attributable to Honda Motor Co., Ltd.	268,400	534,088	211,482	367,149	574,107	493,007	Profit for the year attributable to owners of the parent	624,703	509,435	344,531	616,569	1,059,337	610,316	455,746
Cash dividends paid during the period	61,696	92,170	108,138	129,765	142,381	158,601	Dividends paid to owners of the parent	142,381	158,601	158,601	162,205	174,221	194,271	196,795
Research and development	463,354	487,591	519,818	560,270	634,130	662,610	R&D expenditures	625,698	670,331	719,810	659,918	730,734	820,037	821,478
Interest expense	12,552	8,474	10,378	12,157	12,703	16,598	Interest expense	12,803	18,194	18,146	12,471	12,970	13,217	24,689
Assets, long-term debt and shareholders' equity							Assets, liabilities and equity							
Total assets	¥11,629,115	¥11,577,714	¥11,787,599	¥13,635,357	¥15,622,031	¥18,088,839	Total assets	¥16,048,438	¥18,425,837	¥18,229,294	¥18,958,123	¥19,349,164	¥20,419,122	¥20,461,465
Long-term debt	2,313,035	2,043,240	2,235,001	2,710,845	3,234,066	3,933,860	Financing liabilities (Non-current liabilities)	3,224,512	3,926,276	3,736,628	4,022,190	3,881,749	4,142,338	4,221,229
Total Honda Motor Co., Ltd. shareholders' equity	4,328,640	4,439,587	4,398,249	5,043,500	5,918,979	6,696,693	Equity attributable to owners of the parent	6,335,534	7,108,627	6,761,433	7,295,296	7,933,538	8,267,720	8,012,259
Capital expenditures (excluding purchase of operating lease assets)	348,981	326,620	424,413	630,408	782,027	714,502	Additions to property, plant and equipment	803,231	703,920	687,306	588,360	484,778	466,657	455,169
Depreciation (excluding property on operating leases)	401,743	377,272	345,105	335,536	442,318	490,375	Depreciation	419,022	451,052	486,410	484,133	513,455	499,036	470,320

Financial Data**Financial Summary (continued)**

Fiscal years ended March 31

	U.S. GAAP Yen						IFRS Yen						
	2010	2011	2012	2013	2014	2015	2014	2015	2016	2017	2018	2019	2020
Per common share							Per share						
Net income attributable to Honda Motor Co., Ltd.:							Profit for the year attributable to owners of the parent						
Basic	¥147.91	¥295.67	¥117.34	¥203.71	¥318.54	¥273.54	Basic	¥346.62	¥282.66	¥191.16	¥342.10	¥590.79	¥345.99
Diluted	147.91	295.67	117.34	203.71	318.54	273.54	Diluted	346.62	282.66	191.16	342.10	590.79	345.99
Dividends	38	54	60	76	82	88	Dividends	82	88	88	92	100	111
Honda Motor Co., Ltd. shareholders' equity	2,385.45	2,463.29	2,440.35	2,798.37	3,284.14	3,715.66	Equity attributable to owners of the parent	3,515.27	3,944.23	3,751.59	4,047.81	4,461.36	4,698.74
	Yen (millions)							Yen (millions)					
Sales							Sales						
Sales amounts: ¹							Sales revenue: ¹						
Japan	¥1,577,318	¥1,503,842	¥1,517,927	¥1,652,995	¥1,912,504	¥1,810,283	Japan	¥1,920,114	¥1,800,439	¥1,754,167	¥1,799,772	¥1,919,130	¥2,042,891
	18%	17%	19%	17%	16%	14%		15%	14%	12%	13%	12%	13%
Overseas	7,001,856	7,433,025	6,430,168	8,224,952	9,929,947	10,836,464	Overseas	10,585,977	11,527,660	12,846,984	12,199,428	13,442,016	13,845,726
	82%	83%	81%	83%	84%	86%		85%	86%	88%	87%	88%	87%
Total	¥8,579,174	¥8,936,867	¥7,948,095	¥9,877,947	¥11,842,451	¥12,646,747	Total	¥12,506,091	¥13,328,099	¥14,601,151	¥13,999,200	¥15,361,146	¥15,888,617
	100%	100%	100%	100%	100%	100%		100%	100%	100%	100%	100%	100%
	Thousands							Thousands					
Unit sales:²							Unit sales:²						
Motorcycle Business	9,639	18,331	15,061	15,494	17,021	17,765	Motorcycle Business	17,008	17,592	17,055	17,661	19,554	20,238
Automobile Business	3,392	3,529	3,108	4,014	4,323	4,364	Automobile Business	4,340	4,367	4,743	5,028	5,199	5,323
Life Creation Business	4,744	5,509	5,819	6,071	6,036	6,001	Life Creation Business	6,018	5,983	5,965	6,121	6,262	6,301
Number of employees	176,815	179,060	187,094	190,338	198,561	203,902	Number of employees	199,368	204,730	208,399	211,915	215,638	219,722
Exchange rate (yen amounts per U.S. dollar)							Exchange rate (yen amounts per U.S. dollar)						
Rates for the period-end	¥93	¥83	¥82	¥94	¥103	¥120	Rates for the period-end	¥103	¥120	¥113	¥112	¥106	¥111
Average rates for the period	93	86	79	83	100	110	Average rates for the period	100	110	120	108	111	111

*1 The geographic breakdown of sales amounts is based on the location of customers.

*2 Honda changed its counting method for unit sales as follows:

· 2009–2010: the total of unit sales of completed products of Honda and its consolidated subsidiaries, and sales of parts for local production at Honda's affiliates accounted for using the equity method

· 2011–2020: the total of unit sales of completed products of Honda, its consolidated subsidiaries and its affiliates accounted for using the equity method (Honda Group Unit Sales)



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Published in July 2020