









Honda
SUSTAINABILITY
REPORT
2017

HONDA

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Editorial Policy

• Organizations covered

This report covers the entire Honda Group, which consists of Honda Motor Co., Ltd. and its 442 group companies in and outside Japan (comprising 367 consolidated subsidiaries and 75 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 FY2017 (April 1, 2016 – March 31, 2017), 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.

• Guidelines

This report has been developed in accordance with the “Comprehensive” option of the Global Reporting Initiative (GRI) G4 Guidelines. For details, please refer to the GRI Content Index (⇒ [p. 96](#)).

*The guideline referenced in calculations and/or the basis for calculations is shown in the corresponding sections.

In 2016, Honda joined the GRI GOLD Community, a global, multi-stakeholder network program. It has over 550 members from 69 countries and includes diverse companies and organizations, from civil society groups and companies to United Nations agencies and intergovernmental agencies. Honda seeks to realize a sustainable world by proactively leveraging such networking opportunities.



• Assurance

Honda obtained the independent practitioner’s assurance of the environmental data for the year ended March 31, 2017. For more details, please refer to the Independent Practitioner’s Assurance section of the report (⇒ [p. 104](#)). Data indicated with received the independent practitioner’s assurance.

• Date of publication

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Honda releases a Sustainability Report every year.

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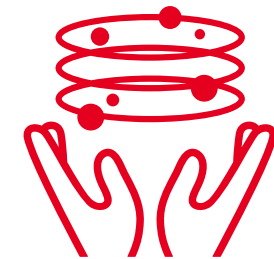
• Published by

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. 10](#))
- Six Precise Circles = Motorcycles, Automobiles, Power Products and New Businesses for the future (⇒ [p. 04](#))
- Supporting Hands = The desire of stakeholders who empathize with Honda’s initiatives (⇒ [p. 21](#))



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.

Honda Philosophy

Honda Philosophy

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

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

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

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



Fundamental Beliefs

Respect for the Individual

Initiative

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

Equality

Equality means to recognize and respect individual differences in one another and treat each other fairly. Our company is committed to this principle and to creating equal opportunities for each individual. An individual's race, sex, age, religion, national origin, educational background, 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.

2 philosophy

Overview

Honda's Business Domains

Principal Businesses Segments

Motorcycles

Honda offers a broad lineup from commuter models, which herald motorization in many regions around the globe and are loved by people the world over, to sports models that give people a taste of the joy of riding dynamics.

The Honda Super Cub continues to be an ultra long seller as a leading commuter model for nearly six decades. It continues to offer daily mobility to many users around the world, with cumulative global production topping 97 million units.

In 2016, Honda revamped the CBR1000RR, offering Honda's interpretation of a modern super sports motorcycle. In addition, the Honda X-ADV, which combines the high-level strength of adventure models and the convenience of commuter models and aims to carve out a new category, was launched in April 2017.

In this way, Honda continues to lead the industry as a top motorcycle manufacturer.



CBR1000RR SP



Wave110



Civic Sedan



HR-V

Automobiles

Honda has started production of the new NSX at a dedicated plant in North America. This car, boasting exceptional performance and quality, is assembled solely by associates who are master technicians and builders. This has only been made possible thanks to a history spanning 34 years in automobile production in North America. Honda infused the NSX with state-of-the-art technology based on a desire to convey the joy of driving in today's world. This spirit is one of the enduring features of Honda that people feel when they get behind the wheel of any one of our cars.

From the N-BOX mini-vehicle sold in Japan through global best-sellers the Civic and HR-V/Vezel to the Ridgeline pickup truck in North America, Honda has a full lineup of automobiles.

In addition, the Acura is being marketed in the United States and China as Honda's luxury brand. The Acura, with the brand slogan of "Precision Crafted Performance" since its inception 30 years ago, boasts models befitting the slogan, notably with the aforementioned NSX.

Power Products

Honda has been providing annually a total of six million power products to customers in more than 150 countries and regions based on a diverse range of items that feature Honda's general purpose engines, including tillers, generators, snow throwers, lawnmowers, pumps and outboard engines. Further, through development and commercialization of electrification of products, Honda continues to offer new values that are useful in various facets of people's daily lives, such as an innovative robotic lawnmower, Miimo, and a portable battery inverter power source, the LiB-AID E500.

The Company is also leasing the Honda Walking Assist Device, an assistive device for use in the training of walking. The device has been developed based on the theory of human walking, which Honda has accumulated through its robotics technology.

Looking ahead, Honda intends to continue to deliver products useful in everyday life to people across the world and spread the joy of helping others by maximizing and pursuing the potential of internal combustion engine and electrification technologies.



Miimo



Honda Walking Assist Device

Creating New Businesses

3

Aircraft and aircraft engines

Honda began delivery of the HondaJet to the world at the end of 2015 as a new proposal for personal mobility. Based on Honda's proprietary technology, including Over-The-Wing Engine Mount (OTWEM), HondaJet provides a top-class mobility experience in the sky. Sales started in North, Central and South America as well as Europe, and the aircraft has been very well received by the market. Honda also started taking orders in Southeast Asia in May 2017.

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

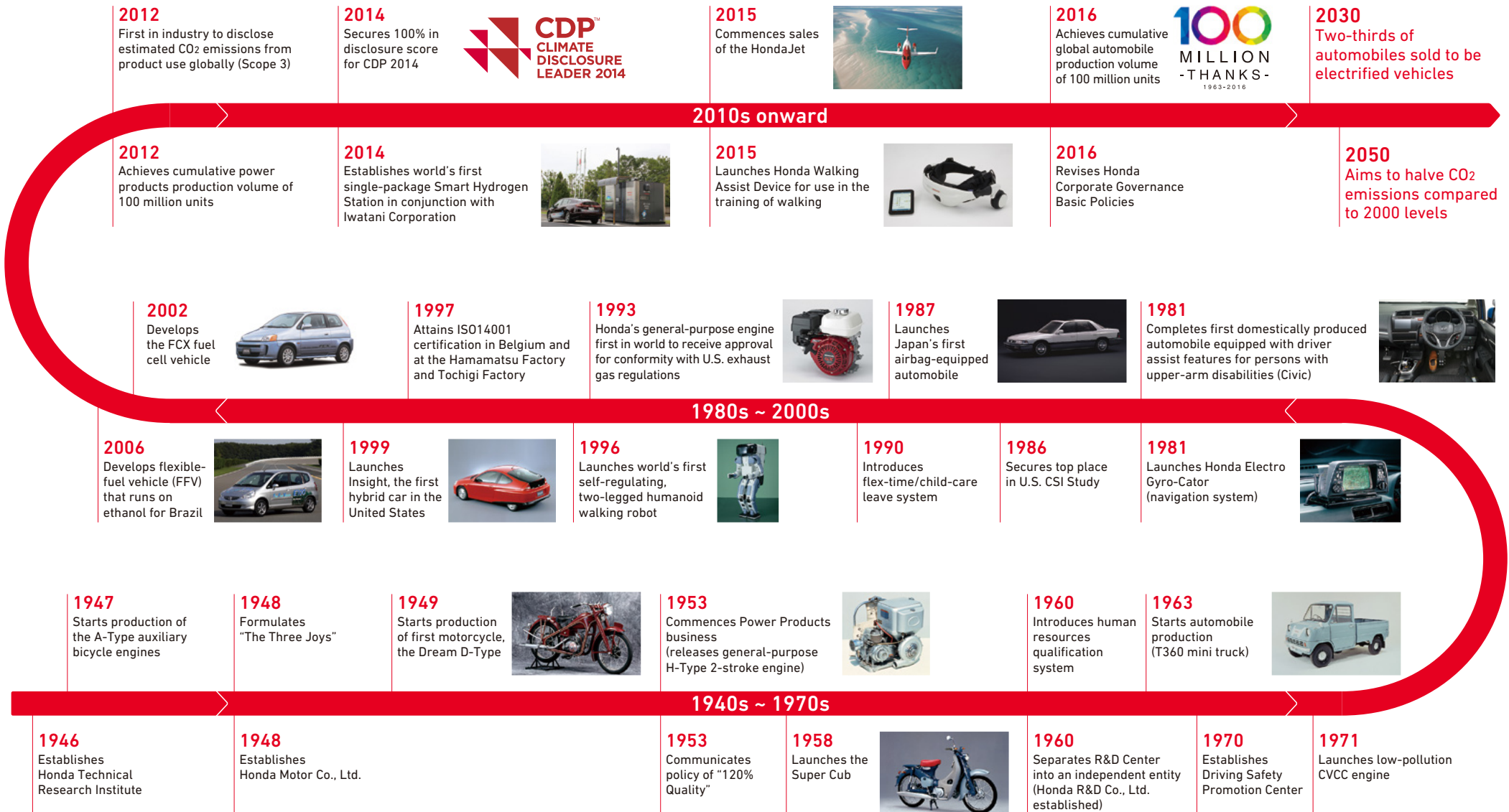


HondaJet



HF120 turbofan engine

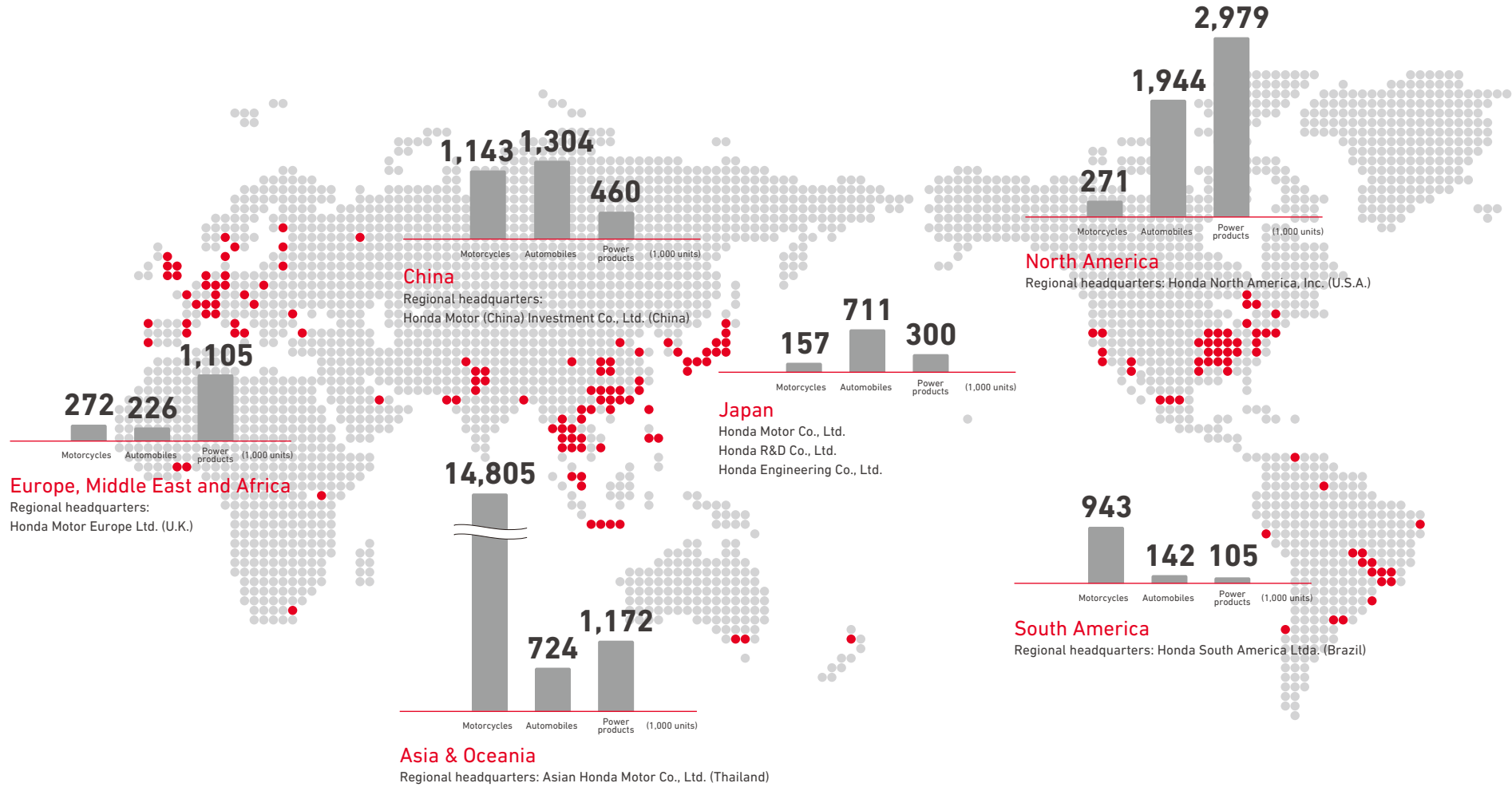
Overview Honda's Value Creation History



Overview

Unit sales and principal operation bases

Joy of mobility to **28,000,000** people transcending national borders



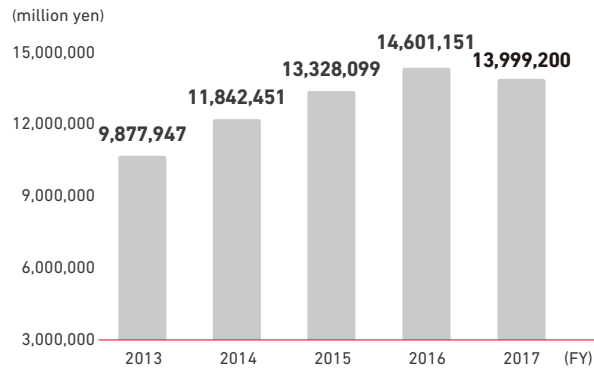
Company name: Honda Motor Co., Ltd.
 Established: September 1948
 President, CEO & Representative Director: Takahiro Hachigo
 Capital: 86,067 million yen (as of March 31, 2017)

*The graphs show unit sales (retail) of motorcycles, automobiles and power products (in units of 1,000) in each of the six regions. [April 2016 to March 2017]
 The symbol ● represents the approximate locations of Honda Group companies.

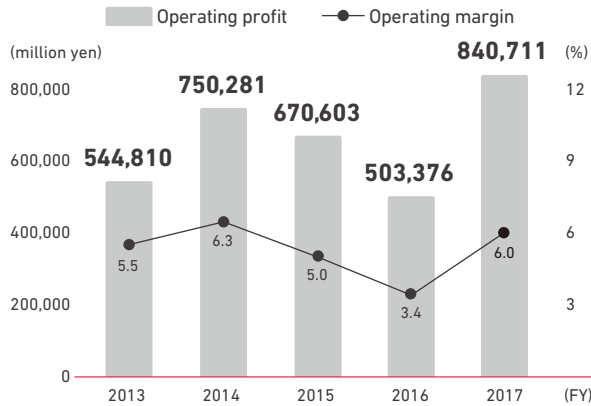
Overview

Financial Data

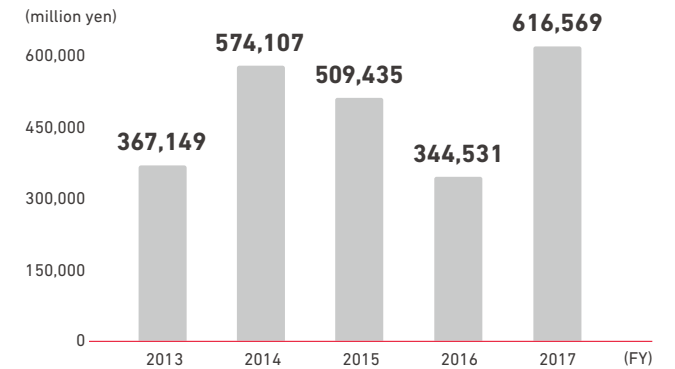
Sales revenue



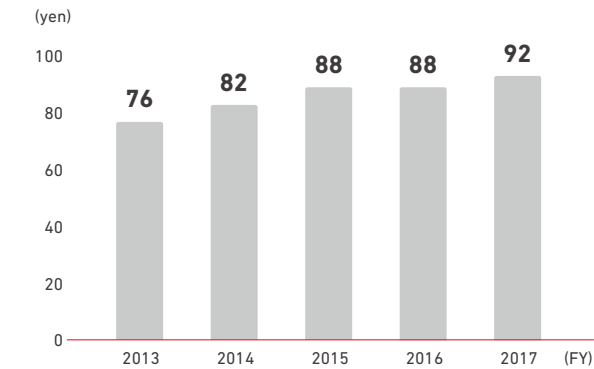
Operating profit/Operating margin



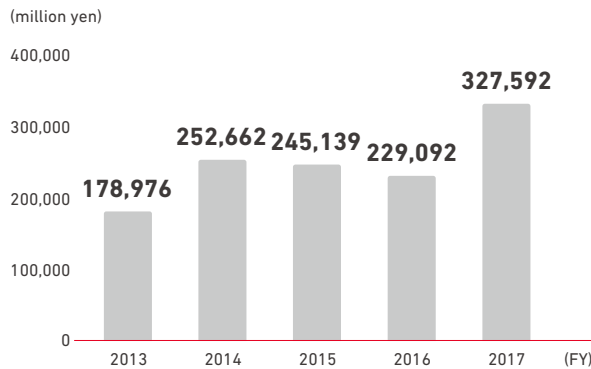
Profit for the year attributable to owners of the parent



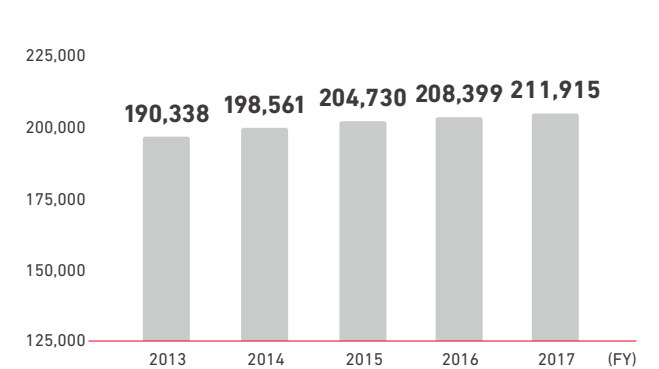
Dividend per share



Income tax expense



Number of employees



*Data collected in accordance with the criterion of USGAAP until FY2014 and IFRS in FY2015

Message from the President and CEO

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

Honda has strived to be a "company that society wants to exist" by undertaking various initiatives to provide appealing products and services that bring joy to customers in all aspects of our businesses, namely motorcycles, automobiles and power products. Thanks to these efforts, we have achieved growth as a mobility company that provides value unique to Honda to our 28 million customers around the world every year.

Meanwhile, the business environment surrounding Honda has been changing rapidly.

These changes include evolving consumer values such as the shift from "owning" to "using" things (i.e., products and services) that has accompanied the diversification of lifestyle choices; the advance of an aging society and acceleration of urbanization; and continued changes in our climate. Moreover, we are now witnessing a number of changes that were unimaginable in the past, such as the transformation of the industrial structure due to advances in energy conversion, artificial intelligence (AI) and the Internet of Things (IoT) and other technologies.

As these medium- and long-term changes in the business environment unfold, it will be important for Honda to determine how we can transform and evolve the value of our existing businesses of motorcycles, automobiles and power products, while continuing to achieve sustainable growth and helping to solve various social issues. This involves the ways we create unprecedented and completely new value and also encompasses new domains transcending the framework of our existing businesses.

To do so, it is essential to formulate a vision while looking ahead to the future and then take actions to fulfill that vision to ensure that we can quickly address the changing times. Accordingly, we formulated the "2030 Vision" as a new challenge directed at the next generation that articulates the ways we can provide value unique to Honda.

Our 2030 Vision incorporates Honda's passionate ideas of "technologies are for people" and "challenge new things" and indicates the direction we are taking toward the future.

By pursuing this vision, Honda aims to continue achieving sustainable growth together with society. You can look forward to Honda making further strides within this era of change.

I sincerely appreciate your continued support for our endeavors.

T. Hachigo

President, CEO and
Representative Director



Vision

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—

Direction of Initiatives

- Creating value for “mobility” and “daily lives”
- Accommodate the different characteristics of people and society
- Toward a clean and safe/secure society

Formulation of 2030 Vision

Honda is facing numerous social issues that have been much discussed, including poverty and refugee problems, human rights issues, climate change, energy problems, improving occupational health and safety, and the aging of society. Within this context, for Honda, which undertakes a diverse range of businesses globally, understanding its opportunities and responsibilities in the value chain will also be essential for identifying priority issues in management. Honda formulated the 2030 Vision giving consideration to the changes already occurring in society and to the needs of stakeholders.

Honda’s 2030 Vision is expressed in this 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—.”

Direction of Our Initiatives for Realizing the Vision

Honda has determined the three directions of initiatives for realizing the vision.

The first is “creating value for ‘mobility’ and ‘daily lives.’”

In the future, changes to the industrial structure are expected to be spurred by such developments as the introduction of automated driving, the Internet of Things (IoT) and artificial intelligence (AI) in all areas of our lives, as well as by advances in cloud technologies. At the same time, changes in people’s values, beginning with consumption trends, are also likely to progress rapidly.

Honda aims to “provide people the joy and freedom of mobility” and “provide people the joy of making their lives better.” The Company’s strength lies in having cultivated up to the present broad technological capabilities from aircraft to humanoid robots and the ability to both envision and realize these. To further take advantage of these strengths, Honda intends to expand its efforts into development of technology/products/services in the areas of robotics and energy, in addition to mobility.

The second direction is “accommodate the different characteristics of people and society.”

Honda aims to provide all persons, who are from diverse cultures and have different values, not only with what they want and need but that will also provide them with never-before-seen or imagined new value. A diverse society is formed by the gathering of diverse individuals. Honda intends to contribute to the over 7 billion people around the world who have various values regardless of their age, gender, differences in culture or presence or non-presence of disabilities.

The third direction is “toward a clean and safe/secure society.”

In environmental fields, Honda will accelerate initiatives for a zero-emission society by actively promoting the effective use of renewable energy, realizing Zero Emission Vehicles (ZEV) and promoting electrification in working to also achieve a zero-emission society.

In safety fields, Honda will provide safety and security to all persons involved in transport as we work to create a collision-free mobile society. The Company’s efforts will include promoting traffic safety education that we have actively implemented since our founding as well as improving vehicle safety through intelligent and connectivity technologies.

Honda aims for a presence that leads the way in realizing a “carbon-free society” and a “collision-free mobile society.”

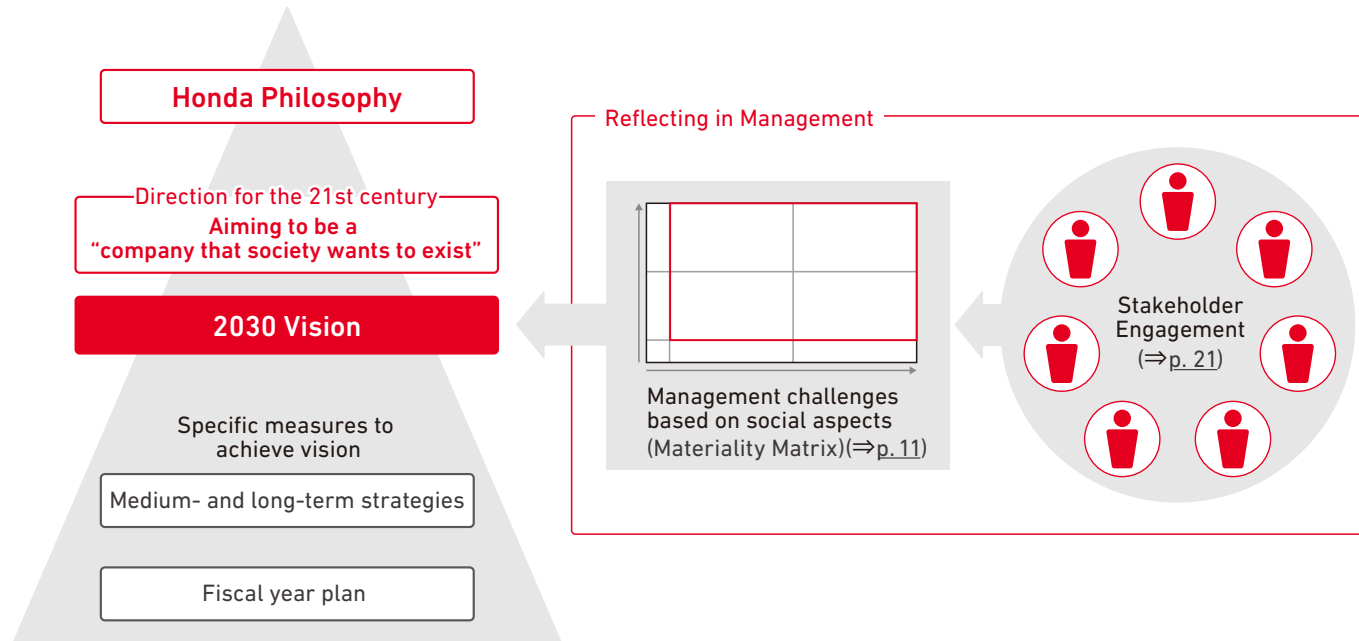
Vision

Positioning of 2030 Vision

Honda places the Honda Philosophy as the starting point of all business activities. Additionally, by making the pursuit of corporate growth opportunities compatible with the realization of a sustainable society, Honda aims to be a “company that society wants to exist,” which is the Company’s ongoing effort for the 21st century. In order to meet this objective, Honda has established three guidelines, namely, “Creating the Joys,” “Expanding the Joys” and “Ensuring the Joys for the Next Generation.” These also serve as guidelines for the 2030 Vision.

Honda is devising medium- and long-term strategies that consider the roles it should fulfill and contributions it should make and that are matched to the characteristics of each region around the world, using as the Company’s guide its materiality matrix, which assesses issues based on both stakeholder and Honda’s corporate perspectives.

Society’s expectations of Honda also continue to evolve along with the times. As a responsible global company, the Company will continue listening to the diverse opinions of society and Honda’s stakeholders while making efforts to quickly resolve issues to earn the trust and meet the expectations of stakeholders (⇒ p. 11 “Materiality Matrix,” ⇒ p. 21 “Stakeholder Engagement”).



Materiality Matrix

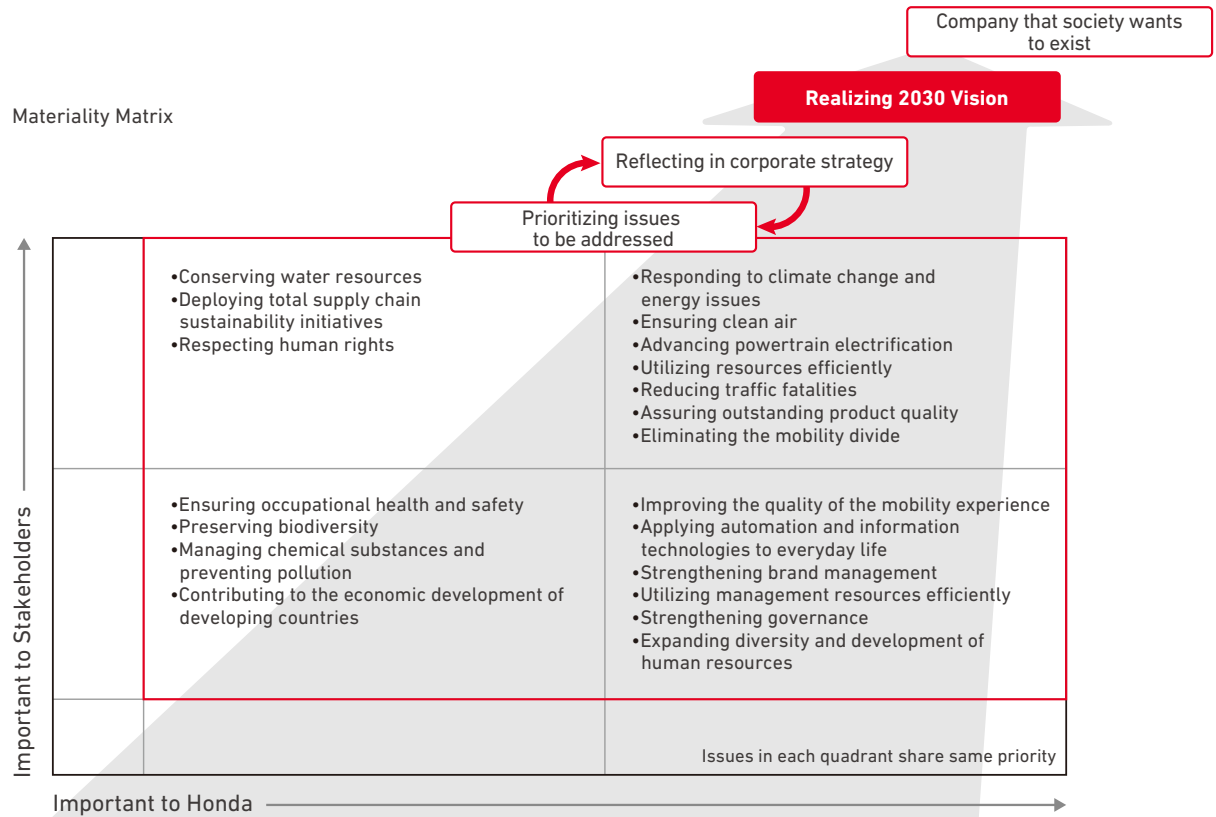
Evaluation of Issues from the Stakeholders' Perspective (Materiality Matrix)

Visualizing Issues and Reflecting in Corporate Strategy

At Honda, key issues that require addressing are organized from a corporate perspective and from the viewpoint of our stakeholders as a step toward achieving our long-term vision, which is based on the Honda Philosophy. The materiality matrix provides the essential framework for organizing these issues. By creating and employing this matrix, we confirmed the coverage of each issue and clarified where it is positioned.

The materiality matrix was prepared in two stages, in which issues were identified and then were categorized according to their materiality. Issues were identified through dialogue between members of respective operating divisions within the Company and from global and value chain perspectives in light of the status of technological innovation, SDGs* and social issues pursuant to the Paris Agreement. Evaluation of the materiality of these issues in light of the views of stakeholders was conducted through dialogue with leading environmental, social and corporate governance (ESG) rating agencies and NGOs in Europe and the United States that focus on sustainability issues. The contents were also evaluated and assessed by management at the Company's Sustainability Strategy Committee meetings and other occasions.

This resulted in the successful visualization of critical issues to be addressed on a priority basis as a mobility company, including the realization of a carbon-free society and a collision-free society. Our efforts aim to contribute to the achievement of certain SDGs, notably Goal 13 "Take urgent action to combat climate change and its impacts" and 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 will be reflected in corporate strategy and incorporated into respective business activities to achieve the vision.



*This refers to Sustainable Development Goals, which 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.

Sustainability Management Structure

Structure for Deliberating Sustainability Initiatives

Around the world, the growth potential of companies is evaluated increasingly not by short-term performance but from a medium- to long-term perspective.

Honda has been striving to strengthen initiatives to resolve various issues that impact corporate value over the medium and long term, taking into account the views of stakeholders. In other words, we believe that improving sustainability as a company is one of the vital elements of corporate strategy.

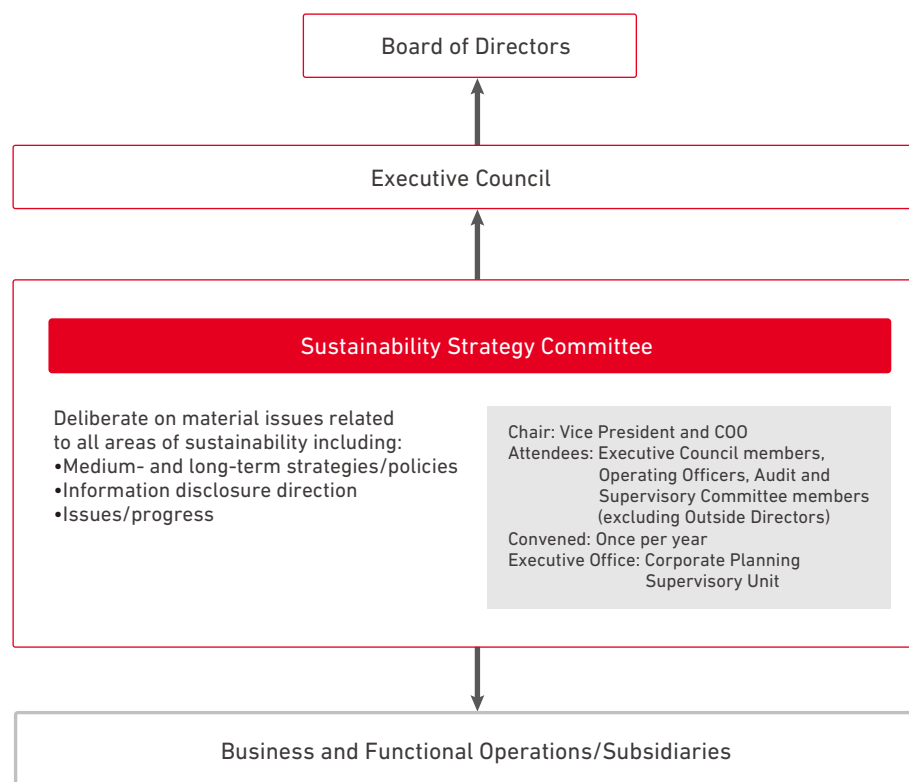
For this reason, we initiated the Sustainability Strategy Committee, chaired by the company Vice President and COO, as a platform to discuss and assess policy and initiatives related to sustainability activities.

Through this Committee, we compare the challenges in realizing the long-term vision of the company against the expectations and demands of key stakeholders identified through dialogue, and deliberate on material issues at the management level, including verifying progress of response and implementation.

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

Honda determines corporate strategy through the Executive Council and Board of Directors, taking into consideration the key challenges examined here, which are implemented as strategies and measures for business and functional operations and subsidiaries.

Sustainability Management Structure from FY2018



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 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".

The resolution has been approved in a regular shareholders' meeting held on the 15th of June 2017 and the Company is adopting a "company with an Audit and Supervisory Committee" system with the aim of reinforcing the supervisory function of the Board of Directors and ensuring the prompt decision-making. Under the system, the Company operates the Audit and Supervisory Committee, which consists of directors, to delegate the authority to directors from the Board of Directors and accelerate the separation of the supervisory function and business execution function.

Honda is making efforts to appropriately disclose corporate information including the release and disclosure of quarterly financial results and management policies in a timely and accurate manner to bolster trust and appreciation from shareholders/

Overview of corporate governance (as of June 15, 2017)

Form of organization Company with Audit and Supervisory Committee

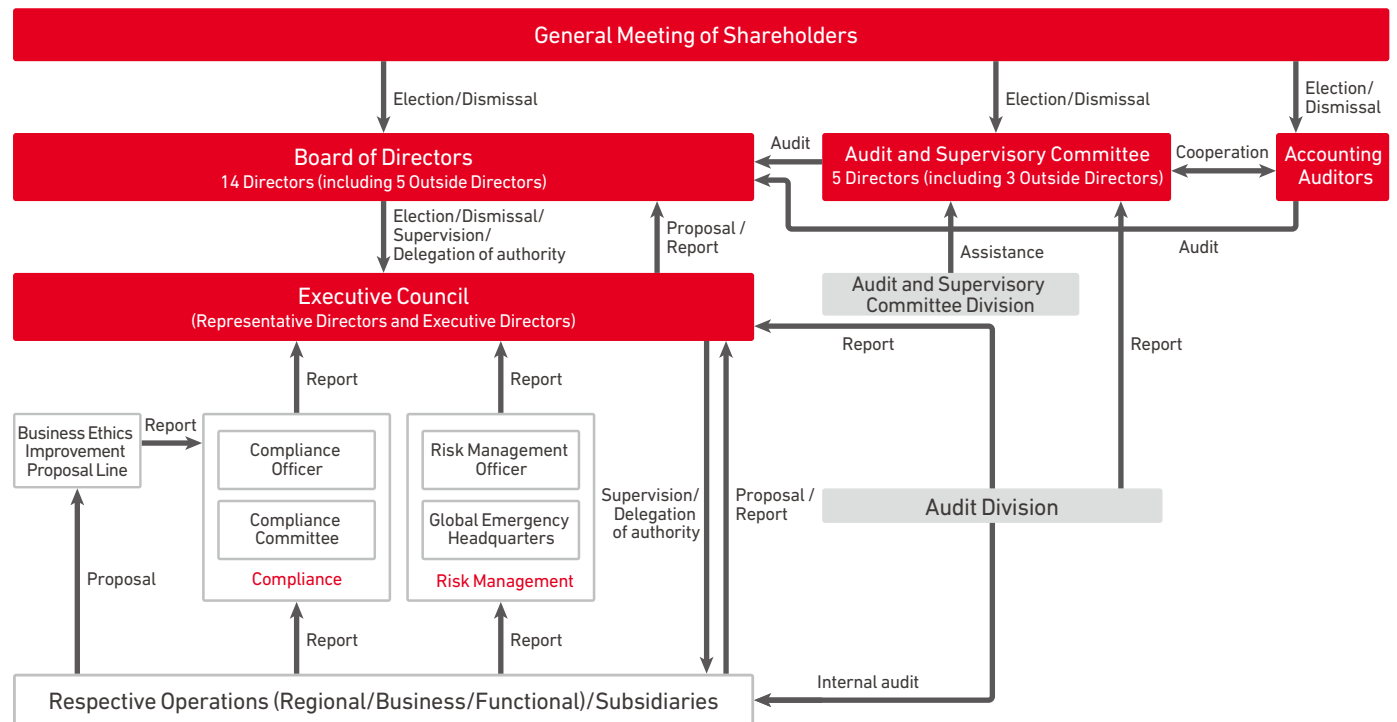
- Number of Directors (excluding Audit and Supervisory Committee Members)...9
 - Number of Outside Directors2
 - Number of Specified Independent Directors2
 - Number of Female Directors1
- Term of Directors (excluding Audit and Supervisory Committee Members)...1 year
- Number of Directors serving as Audit and Supervisory Committee Members5
 - Number of Outside Directors3
 - Number of Specified Independent Auditors3
 - Number of Female Outside Directors1
- Terms of Directors serving as Audit and Supervisory Committee Members ...2 years

investors and society. Going forward, we will continue to strive to ensure the transparency of our 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.

*<http://world.honda.com/investors/policy/governance.html>

Corporate Governance Structure (as of June 15, 2017)



Corporate Governance

Corporate Governance

Executive Decision-Making Process

On June 15, 2017, in order to further strengthen the supervisory function of the Board of Directors and speed up decision-making, the Company has determined to make the transition to a company with an Audit and Supervisory Committee that enables increased segregation between the supervisory function and the business execution function and further delegation of the business execution authority to the Executive Directors in accordance with the provisions of the Company's Articles of Incorporation and resolutions approved by the Board. The new system enables quick decision-making and prompt business execution. Under the system, the separation of management supervision and business execution is promoted, shifting the focus of the board's function more to overseeing 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 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 nine inside directors and five outside directors.

Candidates for Director are exceptional people who are familiar with corporate management and the Company's business, and who have superior character and insight. Gender, nationality and other attributes are of no consequence. Candidates are

nominated by the Board of 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. 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.

Status of the meetings of the Board of Directors (FY2017)

● Number of meetings held (no. of times)	10
● Attendance rate of Directors (%)	100
Attendance rate of Outside Directors (%)	100
● Attendance rate of Corporate Auditors (%)	100
Attendance rate of Outside Corporate Auditors (%)	100

Outside Directors

The Company appoints outside Directors who can supervise the Company's business management from an objective and broad perspective based on their abundant experience and considerable knowledge. 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 Independence criteria for 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.

*<http://world.honda.com/investors/policy/governance.html>

Support Systems for Outside Directors

Honda provides necessary support to outside directors through

the Secretarial Division or the Audit and Supervisory Committee's Division in a timely manner.

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

Business Execution Management (Organizational Management)

On the basis of our Fundamental Beliefs and from a long-term perspective, to support business expansion six Regional Operations functions have been established; they are responsible for management of the business in their respective regions. The Business Operations for motorcycles, automobiles and power products develop medium- to long-term plans for their respective products and coordinate efforts with the six Regional Operations functions to optimize and enable smooth global business operations. In addition, each of the Company's Functional Operations, including Business Management Operations, Personnel Affairs and Corporate Governance Operations, Brand Communications Operations, IT Operations, Production Operations, Purchasing Operations and Customer First Operations, is providing support and coordinating efforts to increase the effectiveness and efficiency of the Honda Group as a whole.

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

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

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 participation in deliberations of the Board of Directors, attendance at meetings of the Executive Council and other 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 have been 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.

Status of meetings of the Board of Corporate Auditors
(fiscal year ended March, 2017) (before transfer to the company with the Audit and Supervisory committee)

- Number of meetings held (no. of times) 10
- Attendance rate of Corporate Auditors (%)100
- Attendance rate of Outside Corporate Auditors (%)100

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 of finance and accounting," as specified under Article 121-9 of the Implementation Regulations of Japan's Company Law. 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 U.S. Public Company Accounting Reform and Investor Protection Act of 2002 (Sarbanes-Oxley Act of 2002). All five members of the Audit and Supervisory Committee remain independent as specified by the regulations of the U.S. Securities and Exchange Commission.

Training for Officers

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

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

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. Please refer to Article 12* of the "Honda Corporate Governance Basic Policies" concerning the policy for determining remuneration for Directors.

*<http://world.honda.com/investors/policy/governance.html>

Total amount of executive remuneration and bonuses, total amount by type and number of eligible Directors (Units: Number of persons: millions of yen)

Category	Directors (including Outside Directors)		Corporate Auditors (including Outside Corporate Auditors)		Total (including outside executives)	
	Persons	Amount	Persons	Amount	Persons	Amount
Executive remuneration	13 (2)	647 (23)	5 (3)	181 (47)	18 (5)	828 (71)
Executive bonuses	13 (2)	275 (8)	- (-)	- (-)	13 (2)	275 (8)
Total	-	923 (31)	-	181 (47)	-	1,104 (79)

This amount includes remuneration paid to four Directors and one Corporate Auditor who retired during the fiscal year ended March 2017.

Annual total remuneration and bonuses of highest paid individuals (Japan)

Annual total remuneration and bonuses of highest-paid individuals (millions of yen)	150
Ratio to median annual total remuneration for all associates (%)	1,896

Rate of increase in annual total remuneration and bonuses of highest-paid individuals (Japan)

Rate of increase in annual total remuneration and bonuses of highest-paid individuals (%)	132
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Remuneration of Accounting Auditors

The Company has had its financial statements audited in accordance with the Company Law 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 83 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, Hiroyuki Yamada and Tomoo Nishigori), who are in overall charge of the Outside Audits, and 80 professional staff members (including 26 certified public accountants, 3 accountants with U.S. public accountant certification and 51 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 consented to by the Board of Directors, with the prior approval of the Board of Corporate Auditors.

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, in 2003 Honda formulated the Honda Conduct Guidelines for the Honda Group, which have been shared throughout the Group, including subsidiaries in Japan and overseas.

In light of the rising importance of compliance for Honda as it expands business operations globally, which includes responding to the enactment of laws such as competition laws in each region of the world, the Honda Conduct Guidelines were revised on April 1, 2016, outlining the behaviors to be practiced by people working at Honda around the world. The guidelines were renamed the Honda Code of Conduct* at the same time.

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

*<http://world.honda.com/codeofconduct/>

Compliance Committee

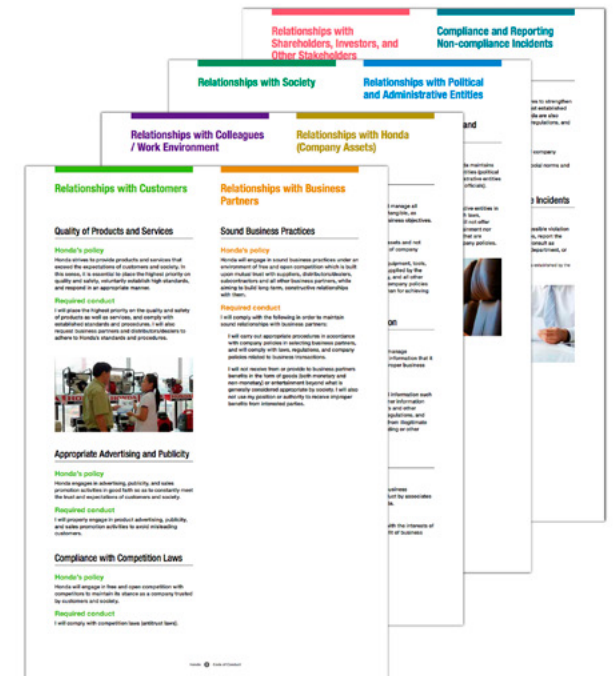
To strengthen compliance within the Honda Group, Honda has established a Compliance Committee, headed by a Compliance Officer designated by the Board of Directors, and composed of officers appointed by the Compliance Officer and the Executive Council. The Committee sets compliance policies and makes decisions on any follow-up policies regarding important

compliance matters, issues guidance on improvement to relevant departments and performs oversight to ensure the appropriate management of the Business Ethics Improvement Proposal Line. For matters of compliance that are of particular importance, the Committee formulates policy, proposes this to the Executive Council and issues reports to the Corporate Auditors.

The Compliance Committee met three times in FY2017 to report on the establishment and operating status of an internal control system and status of activities to raise awareness of the Honda Code of Conduct, among other things. There were no major violations of laws or regulations in FY2017.



Honda Code of Conduct



Compliance

Business Ethics Improvement Proposal Line

In 2003, Honda established the Business Ethics Improvement Proposal Line as a mechanism for addressing issues involving corporate ethics in cases of actions that violate laws or internal rules. This allows the Company to accept suggestions and provide consultation, from a fair and neutral standpoint, for associates who face barriers in improving or resolving issues in the workplace for reasons such as difficulties in consulting with superiors.

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

In October 2013 Honda also added a point of contact within an external law office to facilitate the submission of suggestions. In addition, local points of contact for suggestions have been added in all Regional Operations and some subsidiaries have set up their own points of contact.

In FY2017, 487 suggestions and consultations were handled by the Business Ethics Improvement Proposal Line (including points of contact outside the Company). Among these, 191 concerned the parent company and 272 concerned subsidiaries. Following investigations, disciplinary action was taken in two cases involving subsidiaries, and one of these two cases resulted in punitive dismissal. No suggestions 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 our intranet, distributes information cards the size of business cards to all associates, including fixed term employees and temporary workers, and displays information posters in each workplace. These tools also make it clear that the associates submitting suggestions will be protected at the same time. In addition, Honda observes how well these points of contact are recognized through associate surveys conducted once every

three years for all associates. For departments found in these surveys to have low recognition of the points of contact, The Company makes additional efforts to increase their awareness.

Initiatives to Prevent Bribery

The Honda Code of Conduct requires compliance with laws and regulations and prohibits the bribing of politicians and civil servants. The Honda Code of Conduct, revised in 2016, 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 2014, Honda 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.

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 employee “will comply with competition laws (antitrust laws)” to ensure compliance with competition laws.

As a part of its measures to strengthen compliance, Honda

incorporates programs on the topic of anti-competitive behavior in level-specific training at the time of personnel promotions, and in pre-assignment training for persons stationed overseas. Honda also 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.

As a member of the Automotive Industry Action Group (AIAG), Honda North America Inc., Honda’s U.S. subsidiary, participates in the smelter audit program promoted by the Conflict-Free Sourcing Initiative (CFSI). In FY2017, the company visited smelters in Vietnam to encourage compliance with standards set by the CFSI. Honda will continue to take action globally through collaboration with industry organizations.

With its suppliers, Honda shares the Honda Supplier CSR 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. This fiscal year, Honda received responses from more than 6,000 suppliers. In addition to reporting survey results to the SEC, the Company also makes them publicly available on its website*.

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.

*<http://world.honda.com/investors/library.html>

Risk Management

Establishing an Effective Risk Management Structure

Honda formulated the Honda Global Risk Management Policy in June 2015, with its applicability extended to Group subsidiaries, with the aim of driving the company's sustainable growth and stabilizing management by anticipating risk and responding swiftly. The regulations are based on the Honda Philosophy.

In order to address business-related risk, as well as risks related to disasters that have the potential to impact operations on a global scale, the Honda Global Risk Management Policy details roles for each organizational rank. At the same time, each organization is responsible for setting up an appropriate structure and promoting its own independent risk management activities. In addition, the Company has taken measures to support implementation throughout Honda, including Group companies, centered around a Risk Management Officer appointed by the Board of Directors. As well as evaluating potential risk in terms of impact and frequency, a Global Emergency Headquarters was established to provide a response to incidents proportionate to the anticipated magnitude of impact.

Risk Analysis

After experiencing the Great East Japan Earthquake and major flooding in Thailand, Honda has since October 2013 begun identifying priority risks from the bottom up for each of its Regional and Business Operations. The purpose is to identify potential risks and implement the necessary countermeasures, thereby turning the risks into opportunities for growth.

As for specific procedures, for the 91 risk items identified by the Honda Group, such as economic crisis, economic recession and exchange rate and interest rate fluctuations, Honda performs risk assessment by calculating the potential magnitude of impact and the frequency of occurrence using common evaluation criteria. Based on the results of the assessment, the Executive Officer of each of the

Regional and Business Operations chooses the risks most relevant to its regional or business operations in the next fiscal year. In addition, information regarding risk management measures is shared among members of management every year with monitoring of progress.

In FY2017, along with identifying priority risks from the bottom up, the Company started identifying risks that require company-wide response (company-wide priority risks) by using a materiality matrix and from a long-term perspective based on our visions and strategies. From FY2018 onward, Honda will complete the top-down process of identifying company-wide priority risks and implement required response systems.

Emergency Response

A series of large earthquakes that hit Kumamoto and other parts of Kyushu in April 2016 caused substantial damage to Honda's Kumamoto Factory and dealers.

In response to the emergency, Honda set up a Global Emergency Headquarters and made all out efforts for recovery of not just the Kumamoto Factory but also suppliers and regional communities. Our motorcycle production, which initially sustained significant damage, returned to an almost normal level of operations on August 22, 2016.

After the dissolution of the Global Emergency Headquarters, Honda conducted verification of the operational effectiveness of the headquarters and responded to issues identified during the emergency. The results of this effort have been reflected in the Global Emergency Headquarters Manual, which consequently underwent a major revision.

Also with regard to disaster drills, which had focused on ensuring the safety of human life and procedures to account for its associates, in addition to these Honda started 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.

Information Management

To ensure the protection of the personal information of our customers, associates and others, the proper handling of company

information, and in response to the increase in the handling of high-level, confidential information globally such as 3D data, Honda formulated the Global Confidentiality Policy (GCP) in FY2015 and created a committee to promote regional information management with the Director in charge of information management as its chairman. This enables measures such as regulations to be established and monitoring of the status of confidential information management promoting information management on a global scale. At a meeting of the Global Confidentiality Committee held in FY2017, Honda confirmed that the establishment of an information management system has been completed in each region and approved the confidentiality action policies and initiatives for the next three years starting from FY2018. Activities have been already initiated under these policies and initiatives.

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

In Japan, we promote initiatives to strengthen information management throughout the year, led by the Japan Confidentiality Committee.

Protection of Personal Information

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

Also, personal information is stored with rigorous security, including in access-restricted electronic vaults or cabinets with locks. The Company takes "inventory" of personal information at least once each year and any unnecessary personal information is deleted.

In Japan, Honda formulated a new Specific Personal Information Management Policy in November 2015 in response to the enactment of the Japanese "My Number Act." Honda has also made an appropriate response to the Amended Act on the Protection of Personal Information, which took full effect in May 2017.

In FY2017, no complaints were filed with Honda globally concerning any leak of personal information.

Research and Development

Honing Our Technologies and Promoting R&D with a Free and Open Spirit

Since its establishment, Honda has undertaken research on humans and focused on “being useful to people through technologies.” Outside Japan, Honda is called Honda Motor while in Japan, our birthplace, our corporate name is Honda Giken Kogyo. The word “giken” stands for “technology research” and encapsulates our desire to hone our technologies and contribute to enriching and raising the quality of people’s lives.

In 1960, Honda spun off the research and development division as a separate entity with the founding of Honda R&D Co., Ltd. By doing so, an independent R&D structure that further invigorates creativity through an open environment was established, enabling Honda to create original technologies and products, and contributes to the further development of the Company.

Honda R&D operates highly efficient development structured into the motorcycle, automobile and power products businesses—as separate R&D centers—in accordance with the products and market characteristics of each business. Honda R&D promotes wide-ranging in-house development that encompasses products as well as technologies for raw materials and elements. This has enabled Honda to gain a deep understanding of these technologies and allowed for the creation of proprietary technologies and products using unique concepts. The research centers share and research results with one another for effective usage. Moreover, Honda R&D undertakes R&D globally and works to develop products matched to local markets and gathers information on leading-edge technologies and markets in each region.

Honda established the Fundamental Technology Research Center in 1986. The center has carried out a diversity of forward-looking research in such areas as fuel cells, robotics, and aircraft and aircraft engines. The center is promoting development in these fields toward practical use and some products have already been commercialized.

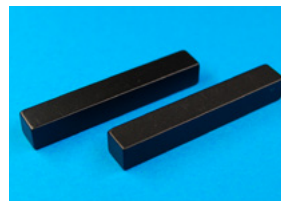
Aircraft research and development made a transition from the Fundamental Technology Research Center to a volume production development organization. These efforts bore fruit at the end of 2015 with the certification of the HondaJet. This aircraft realizes high performance and comfort using the non-conventional concept of mounting the engines above the wings.

Honda’s unrestrained creative powers that are not bound to the status quo are continuously utilized in the research and development of all Honda products.

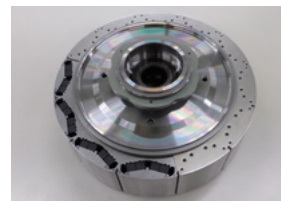
T O P I C S

Reducing Resource and Supply Chain Risk Using a Magnet Completely Free of Heavy Rare Earth Elements

Honda and Daido Steel Co., Ltd. became the world’s first companies to achieve practical application of a neodymium magnet containing no heavy rare earth and that can be used in the driving motor of a hybrid vehicle. This neodymium magnet was applied to the all-new Freed minivan. Neodymium magnets, which have the highest magnetic force among all magnets in the world, are being used for the drive motors of electric vehicles. Heavy rare earth is added to the neodymium magnets as a conventional method for securing high heat resistance. However, major deposits of heavy rare earth elements are unevenly distributed around the world and are also categorized as rare metals. For these reasons, reducing the usage of heavy rare earth elements is a major issue. The use of this technology will make it possible to avoid resource-related risk, reduce costs and diversify procurement channels.



Magnet completely free of heavy rare earth elements



Rotor for i-DCD drive motor

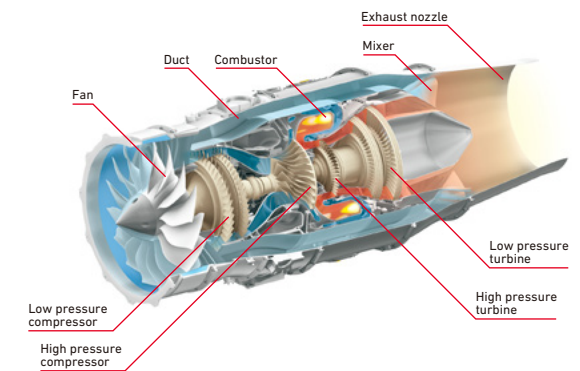
T O P I C S

Leading the Way in Environmental Performance of Small Jet Engines

Honda started research on aircraft engines in 1986. These engines were mounted on the HondaJet, which was under development as a business jet, and full-scale flight testing was performed in 2003.

Jointly developed with GE, the HF120 turbofan engine obtained Type Certification in 2013 and boasts the highest thrust-to-weight ratio in its class as well as high endurance reliability. The fan, which requires a particularly high level of technology, meets the difficult challenge of attaining the highest degree of balance among ruggedness, performance and lightness giving consideration to safety as a top priority. The engine realizes low fuel consumption through the intake of larger amounts of air as well as efficient compression and combustion to obtain large thrust. At the same time, the engine assures sufficient strength for withstanding the intake of foreign objects during flight to raise safety.

In this way, the HF120 achieves top-of-class environmental performance and leads the industry.



Perspective diagram of the HF120 turbofan engine

Innovation Management

Promoting R&D under an Open Structure That Advances “Mobility” and “Living”

The world of mobility, beginning with automobiles, has been evolving dramatically over the past several years. Honda regards this major wave of change as an opportunity to transform itself. To the present, Honda has created original technologies and products based on unique ideas through in-house development of technologies. On the other hand, this approach took time, which also included the development of human resources. In this age of massive and rapid change, Honda will leverage its own strengths while strategically incorporating external technologies and business ideas with the aim of achieving further growth. Specific examples include an alliance with Singapore-based Grab Inc. for motorcycle sharing services and an alliance with General Motors for the development and production of fuel cells. In the future as well, we will strive for alliances that can further expand and complement Honda’s strengths.

In January 2017, Honda exhibited products for the first time in 10 years at the Consumer Electronics Show (CES) 2017, the world’s largest trade fair in the consumer electronics industry held in the United States. At this event, Honda announced its open collaboration with companies that possess a variety of technologies and know-how extending beyond the boundaries of fields such as artificial intelligence (AI), big data and robotics, as well as the fusion of Honda and external technologies and ideas to create new value.

Honda R&D Innovations, Inc. (referred to as “HISV”), based in Silicon Valley in the United States, is the organization that handled the main exhibits at CES 2017. This involved HISV announcing the results of joint research being promoted openly with startups and IT companies at a research hub established by Honda in 2000 in Silicon Valley.

Honda also established a research hub, Honda Innovation Lab Tokyo, with the aim of promoting open interchanges in Japan in addition to those in the United States. Silicon Valley and Tokyo are places where cutting-edge technology and cultural exchanges flourish because they have optimal environments for spurring innovation.

Meanwhile, in February 2017 Honda announced its plans to establish R&D Center X, a new research and development operation for the purpose of creating new value that works cooperatively with people, targeting 2030 and onward. The Company believes that the evolution of digital technology will bring Honda potentials for value creation and it will take on the challenge of spurring innovation in a wide range of fields based on the concept of “AI × Data × Honda’s strengths.”

However, Honda considers that linkages with business are crucial for creating new things and spurring innovation. It has, therefore, significantly strengthened its operation in charge of business development at the corporate headquarters. The Company has established a structure for ensuring more collaboration than ever before with research centers and that can more quickly create products and services that offer new value.



Exhibit at CES 2017

T O P I C S

Collaboration in Motorcycle Sharing in Southeast Asia

In December 2016, Honda began considering business collaboration with Grab Inc., which engages in motorcycle and automobile sharing services in Southeast Asia. Amid the ongoing shift in usage formats from “ownership” to “shared use” of products, both companies will strive to realize a business for motorcycle sharing in Southeast Asia. Additionally, the companies will work on the mitigation of traffic congestion in urban areas, promote environmental and safety initiatives and provide further “security, safety and convenience.”

T O P I C S

Honda Riding Assist Wins Three Awards

The Honda Riding Assist motorcycle, a concept model of Honda’s self-balancing motorcycle, won three awards at CES 2017. These include the Best of CES 2017, “Best Innovation” and “Best Automotive Technology” awards sponsored by Engadget*1, the official partner of the Best of CES Awards. The Honda Riding Assist also won Best of CES “Editors’ Choice Awards” sponsored by the U.S. magazine *Popular Mechanics**2.

*1 Engadget is a multi-language technology blog that exhaustively covers topics related to electrical appliances and gadgets.

*2 *Popular Mechanics* is a technology magazine that has been covering a broad range of topics such as automobiles, houses, outdoor activities, science and technologies since 1902.



Honda Riding Assist

Stakeholder Engagement

Basic Approach

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

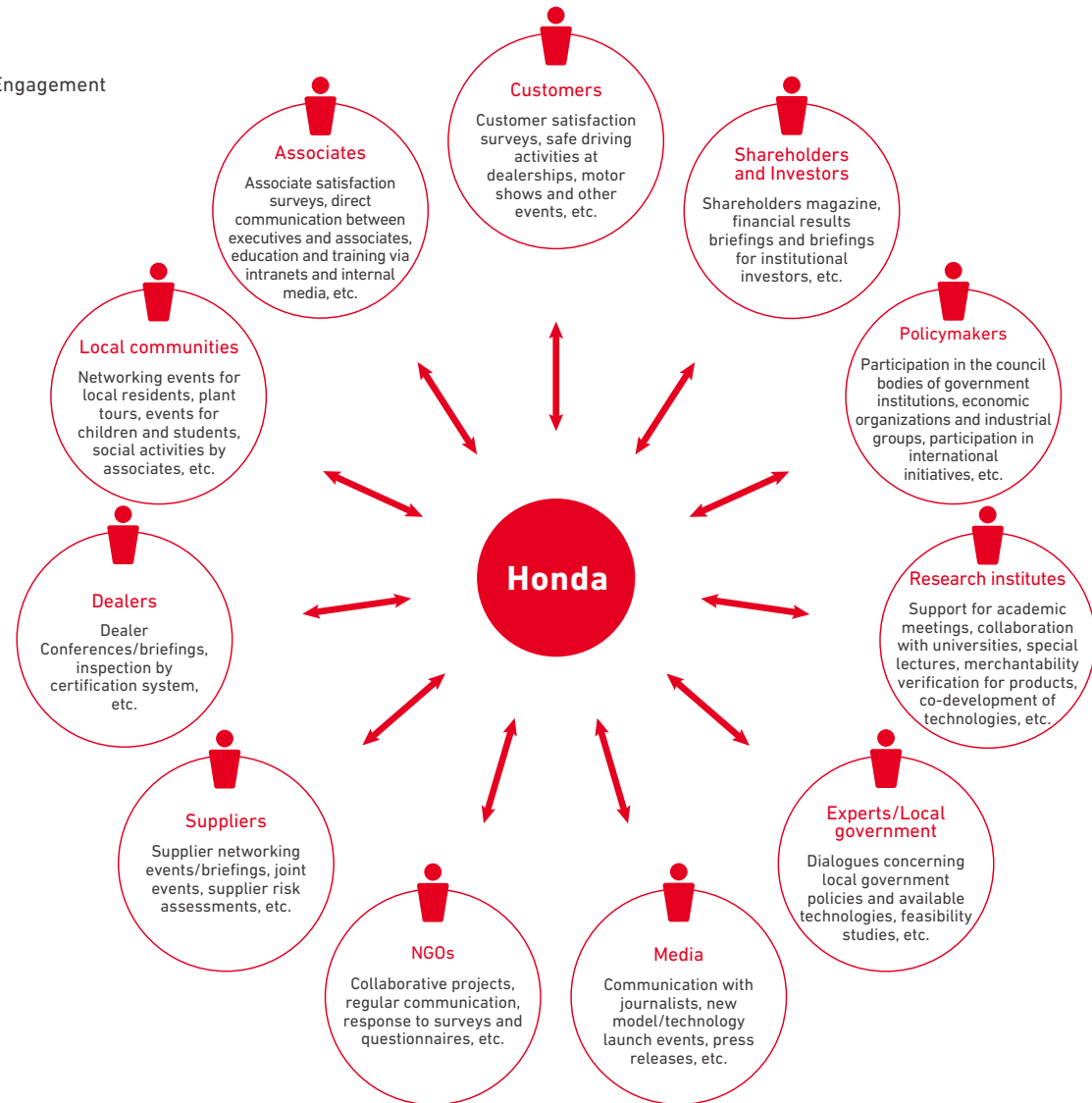
Especially in recent years, the growing scale and globalization of companies, along with the rapid proliferation of IT, have heightened the impact of companies on society, and vice-versa. As this process continues to accelerate, Honda considers that stakeholder dialogue is a beneficial tool that leads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

Based on this understanding, the various divisions at Honda conduct dialogues globally, through a variety of opportunities, with the stakeholders engaged in Honda’s business: those stakeholders shown in the diagram on the right that either are impacted by Honda’s business activities or whose activities that impact Honda’s business activities.

As an example, through dialogue with shareholders, in addition to conventional investor relations (IR) activities, Honda conducts shareholder relations (SR) activities, which mainly introduce ESG initiatives; exchanges opinions with institutional investors as our shareholders; and introduces Honda’s strategies and initiatives by way of shareholder events and shareholder magazines.

In addition, opinions gained from leading ESG rating agencies and NGOs are reflected in the Materiality Matrix (⇒ p.11), which is utilized in identifying issues Honda ought to be addressing.

Stakeholder Engagement



Stakeholder Engagement

Cooperation with External Organizations

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

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

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

External Evaluations

Honda Selected to the Dow Jones Sustainability Asia/Pacific Index

Honda was selected for the second consecutive year as a member of the Dow Jones Sustainability Asia/Pacific Index after being ranked in the top two for the Automobiles sector for the Asia Pacific region in the Dow Jones Sustainability Indices (DJSI), one of the key benchmarks for socially responsible investing.

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



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

Honda was selected for the second year running with a Bronze Class rating in the Automobiles sector of the Sustainability Award 2017 issued by Switzerland-based RobecoSAM. RobecoSAM evaluates sustainability of approximately 2,500 companies worldwide in terms of economic, environmental and social criteria. Companies deemed to be particularly outstanding in each sector are rated in categories of Gold Class, Silver Class and Bronze Class each year.



Securing an A- on the CDP Japan 500 Climate Change Report 2016

In November 2016, CDP released the results of a survey on climate change initiatives and reduction of GHG emissions for 5,000 major companies worldwide.

Honda received an A- rating, a score at the leadership level, in recognition of activities deemed to be best practices in environmental management in the CDP Japan 500 Climate Change Report 2016, 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. Company initiatives in environmental challenges are evaluated in the four stages of information disclosure, awareness, management and leadership.

Stakeholder Engagement

T O P I C S

Honda Established the Honda Marine Science Foundation in California

Honda established the Honda Marine Science Foundation, a new initiative to address marine ecosystem restoration and the impact of humans and climate change on oceans and intertidal areas. The foundation will support science-based programs that improve and preserve coastal areas for future generations. This foundation board is comprised of Honda representatives and experts from the marine sciences field, including the National Oceanic and Atmospheric Administration (NOAA), Santa Monica-based Heal the Bay, UCSB Bren School of Environmental Science & Management and the Aquarium of the Pacific in Long Beach, California. The first initiative is the Southern California Native Oyster Restoration Project and the goals include pioneering research to educate the public about the benefits of restoring native oysters for shoreline stabilization.

Honda determined the foundation would foster meaningful cross-sector collaboration to help restore marine ecosystems.



Honda Marine Science Foundation logo



Ceremony for the establishment of the foundation



Students participating in a project

NSX Auctioned in Support of Charitable Causes

The 2017 NSX, a super sports car resurrected after about 10 years, was the first all-new Acura vehicle to be auctioned for the benefit of charitable organizations – the Pediatric Brain Tumor Foundation and Camp Southern Ground, which supports children who have trouble fitting in and those with neurobehavioral illnesses – at the world-famous Barrett Jackson Auction in Scottsdale, Arizona. Honda/Acura dealer and race team owner Rick Hendrick walked away with the NSX VIN #001 for a record \$1.2M USD. Additionally, a second NSX was also auctioned off for charity in February 2017 for the Grammy Foundation’s MusiCares charity. MusiCares provides healthcare to musicians who do not receive adequate services from the government or healthcare system.



Auction venue



A record bid was achieved in front of the children.

Smart City Challenge and Northwest US33 Corridor Projects in Ohio

In June 2016, the City of Columbus, Ohio won the U.S. Department of Transportation Smart City Challenge from among 78 cities nationwide. The eco-conscious social pilot project aims to promote smarter cities that can enable all residents to move easily and to access opportunity.

These activities are in alignment with Honda’s dream of a collision-free mobile society. With a strong manufacturing and R&D presence in central Ohio, Honda will help the city move into this new era of advanced technology and help chart the course to the future of mobility. Honda also has pledged to make available a number of plug-in hybrid and electric vehicles for the city.

In addition, the Northwest U.S. 33 Smart Mobility Corridor project will provide Honda with an ideal place to test and analyze “vehicle-to-everything” (V2X) communications network technologies that connect cars with people and road communication systems in a real-world setting.

Environment

30%

Honda is aiming to reduce the CO₂ emissions intensity of motorcycles, automobiles and power products by 30% compared with 2000 levels by 2020, and is engaging in three initiatives to achieve this.



environment

Basic Approach

Honda's Environment Statement/Honda Environmental and Safety Vision

Ever since the 1960s, Honda has actively endeavored to solve environmental problems. We developed the low-pollution CVCC engine that successfully reduced carbon monoxide, hydrocarbon and nitrogen oxide (NOx) emissions, while we were the world's first automaker to comply with the U.S. Clean Air Act in the 1970s—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 we had developed until then to reduce environmental impact at every stage in the life cycle of our 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 are engaging in the reduction of all kinds of environmental impacts from the aspects of both production-based and corporate activities, beginning with 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 the Honda Environment Statement with everyone associated with Honda—including suppliers and distributors in addition to Honda Group companies—in order to realize this vision.



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 activity. 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

Honda Environmental and Safety Vision

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



Global Management

Environmental Management Promotion Structure and Management Cycle

Recognizing that environmental issues such as climate change and energy/resource issues, which require global responses, are material issues that impact Honda's business operations, the Environmental Committee was established in 1991, chaired by the President and CEO and comprised 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 has continued to meet every year as the World Environment and Safety Strategy Committee.

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

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

In terms of the progress of Honda's environmental initiatives and the themes applicable worldwide, the Corporate Planning Supervisory Unit collects information from Regional Operations and reports it at the Meeting of the 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 plan-do-check-action (PDCA) cycle by each Regional Operation and environmental division.

Beginning in FY2018, environmental issues will be incorporated as items to be considered at the Sustainability Strategy Committee for integrated discussions under a single committee.

Environmental Management System

As of March 2017, Honda's existing global vehicle assembly and product assembly plants had acquired ISO14001, an international certification for environmental management systems. 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, and, 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 four years, Honda has not committed any serious noncompliance with environmental laws and regulations, paid any fines/sanctions, 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.

Cost of environmental conservation activities and investments in fiscal 2017

Category	Major activities and investments	Investments (million yen)	Expenditures (million yen)	
Business area costs	Pollution prevention costs	● Air, water, and soil pollution prevention	131	235
	Global environmental conservation costs	● Global warming mitigation, ozone depletion prevention, and other conservation activities	1,334	110
	Recycling costs	● Waste processing, treatment, reduction, elimination, and recycling	117	445
Upstream/downstream costs	● Collection, recycling, resale, and proper disposal of products manufactured and sold	255	830	
Management costs	● Industry organization and other membership fees			
	● Installation, operation, and acquisition of certification for environmental management systems	66	1,464	
Research and development costs	● Environmental impact monitoring and measurement			
	● Management and training of associates and organizations responsible for environmental conservation (expenses for environment-related communications activities)			
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)	1,232	281,800	
Local conservation costs	● Environmental improvement measures, including ecosystem protection, cleanups, green space development, and natural landscape conservation	67	346	
	● Local conservation and communication activities (beach cleanups and watershed conservation activities)			
Environmental damage costs	● Remediation of polluted soil	60	430	
Total		3,262	285,660	

* Companies covered: Honda Motor Co., Ltd., Honda R&D Co., Ltd., Honda Engineering Co., Ltd. and Honda Access Corporation * Accounting period: April 1, 2016 to March 31, 2017 * 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)

	FY2017 (million yen)
Income from sale of valuable waste materials	2,365
Cost reductions from saved energy	86
Installed technologies	15
Behavioral changes, etc.	
Total	2,466



Material Issues in the Environmental Dimension

Honda's Material Issues

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

Triple 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." 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

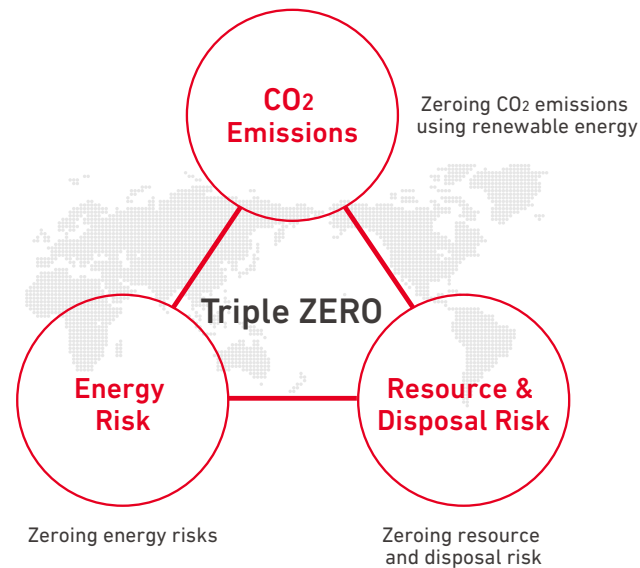
Zeroing energy risks

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.

Triple ZERO Approach



Material Issues in the Environmental Dimension

Climate Change Issues

Honda is moving forward with its response to climate change through initiatives that link Honda's business strategy with its environmental strategy. With the vision of a zero impact society, in 2014 the Company announced its aim to cut total corporate CO₂ emissions in half by 2050 compared with 2000 levels. This expresses Honda's aim as a company made with reference to global CO₂ emissions required to keep equilibrium global average temperature increase above pre-industrial levels to 2 degrees Celsius as per the Fourth Assessment Report issued by the Intergovernmental Panel on Climate Change (IPCC), which provided the latest information concerning climate change at the time. Going forward, Honda will continue with activities to reduce CO₂ using science-based target setting using the latest information.

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

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

In pursuing the reduction of CO₂ emitted from our products, Honda is aware of reputational risk and potential penalties arising from failure to comply with vehicle fuel economy regulations around the world. For example, in the United States, with regard to GHG regulations for model years 2017 to 2025, a new agreement was reached on tougher fuel economy regulations to reduce the average fleet emissions in 2016 from 250 g/mile (35.5 mpg) to 163 g/mile (54.5 mpg), representing an annual reduction of approximately 4%. The EU has decided to require further reduction to 95 g/km or less by 2021. Japan has decided to toughen fuel economy standards to an average fuel economy of 16.8 km/L by 2015 and to introduce tougher CAFE regulations

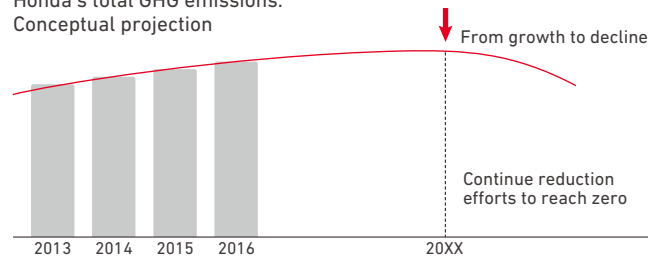
in 2020. Because automobiles account for approximately three quarters of Honda's sales revenue, the Company considers the potential impact on its business to be very significant. Accordingly, as an effort to mitigate risks, Honda has built a management system called "SED" in which products are developed jointly by the Sales (S), Engineering (E) and Development (D) functions.

In addition, operations such as Honda R&D Co., Ltd., Automobile Operations and the Certification & Regulation Compliance Division coordinate research on trends in fuel economy regulations around the world, while the Certification & Regulation Compliance Division publishes the results as regulatory information. Regular meetings are held to provide a forum for sharing the contents and interpretation of new regulations, as well as for discussing the responses to them. Also, Honda has built an organizational structure for developing technologies that always anticipate future fuel economy regulations through engagement with policy makers.

In recent years, stakeholders have become increasingly conscious of fuel efficiency, CO₂ emissions and other environmental performance indices when choosing mobility products. Honda recognizes these changes in consumer values and market demands as critical matters to focus on, and it is actively expanding the lineup of products that it offers powered by Earth Dreams Technology*. Through these initiatives, Honda is meeting customers' needs and generating additional profit.

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

Honda's total GHG emissions:
Conceptual projection



Energy Issues

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

Honda is addressing energy issues by diversifying the energy sources used in its products and business activities, with the aim of completely eliminating energy risk from heavy dependence on fossil fuels, etc. The Company has set an interim target for 2020 and aims to establish technologies that diversify home energy sources and reduce CO₂ emissions from personal mobility and home living to zero. Honda is developing the Honda Smart Home System (SHS) to help it realize this goal.

Honda has set a goal to increase the ratio of vehicles adopting electric-powered technologies in its total automobile sales to two-thirds by 2030. To achieve this goal, the Company is seizing all new business opportunities by pushing forward with the development of electric vehicles (EV) and fuel cell vehicles (FCV) and entering into partnerships with other companies for the preparation of a hydrogen infrastructure involving the likes of hydrogen stations. To give an example of the Company's efforts, American Honda Motor Co., Inc. installed 60 new EV charging stations on its Torrance, California campus.

In addition, Honda plans to introduce solar power generation of 3.5 MW in FY2018 for use of renewable energy. As mentioned above, Honda is promoting energy diversification by actively introducing large-scale solar and wind power generation at Honda's facilities as it works toward ultimately reducing its energy risk to zero.



Material Issues in the Environmental Dimension

T O P I C S

Use of FCVs and hydrogen energy

Over the years, Honda has continued to pursue technologies and products with low environmental impact in order to realize the “joy and freedom of mobility and a sustainable society where people can enjoy life.” In the vision we have drawn up, FCVs are positioned as the ultimate eco-friendly car that uses hydrogen as fuel and does not emit CO₂ when in operation. The latest model, the CLARITY FUEL CELL, features a miniaturized fuel cell powertrain that fits in the front engine compartment, realizing an elegant form and a cabin with plenty of room for five adults. Enhancing the efficiency of the fuel cell stack enables the world’s top-class cruising range among FCVs of 750km on a single hydrogen charge.

Honda is also working on the Smart Hydrogen Station (SHS), which generates hydrogen by electrolyzing water through electricity derived from renewable energy such as solar or wind power. Eliminating CO₂ emissions not only when driving but also when producing hydrogen fuel means the FCV can indeed lay claim to being the ultimate eco-friendly car.

The Power Exporter 9000 external power output device, which extracts electricity from vehicles such as FCVs and converts it to electric power for the home, can supply enough energy to power an average home for approximately seven days when connected to the CLARITY FUEL CELL, or the 9kVA (maximum) of power can be used in relatively large facilities such as evacuation centers.

“Generate,” “Use” and “Get Connected” with Hydrogen

Honda’s SHS can produce carbon-free hydrogen that is used to run FCVs. An external power output device then extracts carbon-free electricity from the FCV and connects it to use in daily living. Honda aims to realize a carbon-free society in the future based on the concept, “generate, use and get connected” with hydrogen. A number of local municipalities nationwide on board with the idea have already introduced FCVs, SHSs and external power output devices, including those in Tokushima, Miyagi, Saitama and Kumamoto prefectures as well as Kobe City. Once SHSs are set up in more public and private facilities and FCVs and external power output devices introduced, a hydrogen-based Virtual Power Plant (VPP) that can store renewable energy in the form of hydrogen at a regional level can be realized, transport the hydrogen in FCVs and supply it via external power output devices to places that require it.

In terms of R&D, Honda has developed an SHS that generates 70MPa hydrogen in addition to the standard 35MPa type in line with a shift to FCVs that fuel up with 70MPa pressure hydrogen. A demonstration test got underway in 2016 together with the Tokyo government, among others. Honda also established a joint venture with General Motors (GM) for the production of fuel cell systems with a view to the future mass production of FCVs that is scheduled to commence around 2020.

In addition, Honda participates in the Hydrogen Council inaugurated in 2017. The council will propose long-term targets for energy conversion as a joint vision.



A representation of Honda’s concept to “generate, use and get connected”



A Smart Hydrogen Station (SHS) producing 70MPa hydrogen



Material Issues in the Environmental Dimension

Efficient Utilization of Resources

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

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

Honda has set a target of a 1% reduction in waste emissions intensity compared with 2013 levels toward a reduction in waste amount by 2017, and the Company is implementing measures to achieve this goal.

Honda has also set a target of a 5% reduction in water consumption intensity compared with 2013 levels with a view to mitigating water supply risk.

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.

Preservation of Clean Air

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

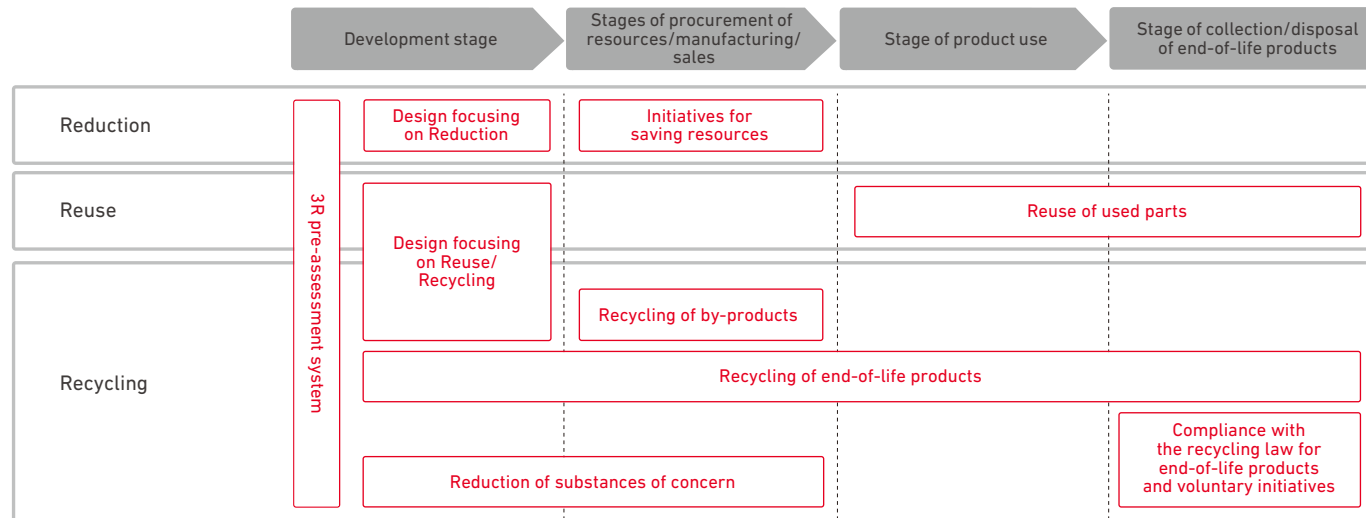
This began with development in 1972 of the CVCC engine, which cleared exhaust gas regulations under the U.S. Muskie Act, deemed the toughest in the world at the time. Since then, Honda has announced a series of developments that include high-efficiency combustion technology and exhaust emissions purification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

Honda has also enhanced the combustion efficiency of engines and cleaned exhaust emissions by promoting conversion from two-stroke to four-stroke engines in motorcycles and power products as well as shifting from a carburetor to an electronically controlled injector.

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.

Initiative for the elimination of risks related to resources and disposal

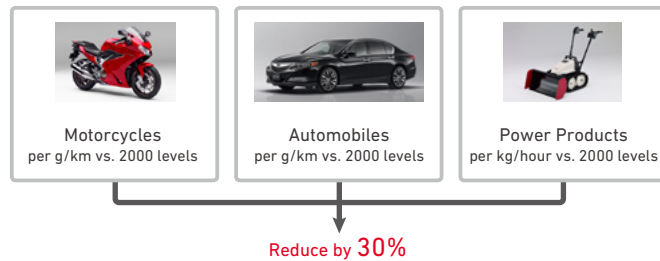


Product Initiatives

Responses to Climate Change and Energy Issues



Goal to reduce CO₂ emissions intensity in products by 2020



*Global average CO₂ emissions from Honda products

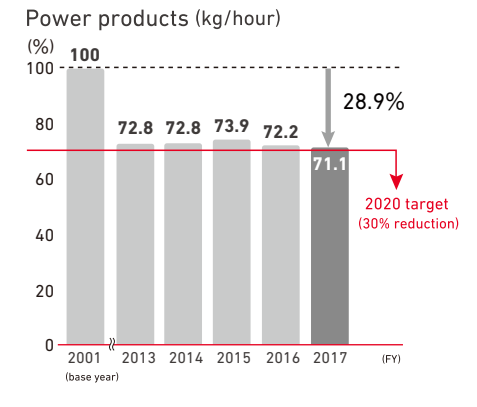
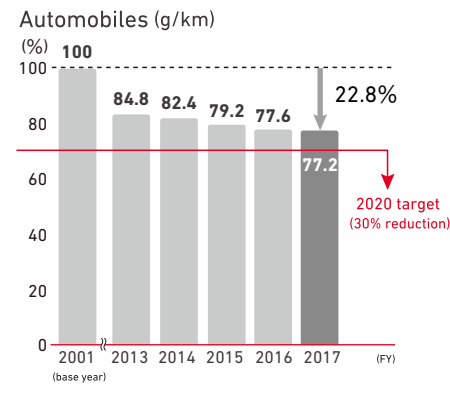
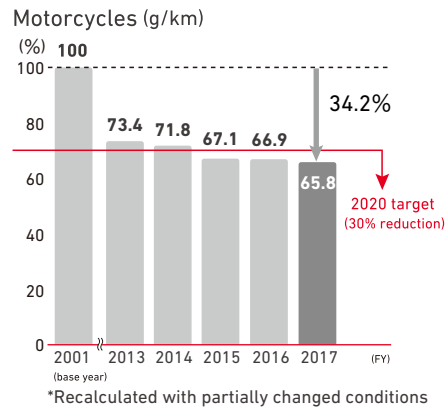
Honda believes in the necessity of reducing CO₂ emitted from products in response to climate change and energy issues, which it views as key environmental challenges.

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

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

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

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



T O P I C S

Honda Agrees to Establish Joint Venture with Hitachi Automotive Systems for Development, Manufacture and Sale of EV Motors

In February 2017, Honda signed a Memorandum of Understanding with Hitachi Automotive Systems, Ltd. aiming to establish a joint venture company for the development, manufacture and sale of motors for electric vehicles (EVs), and specific consultations have begun.

Both companies have been developing and manufacturing motors for EVs since the 1990s, and through establishment of the new company, aim to use the collaboration between a vehicle manufacturer and a supplier to generate technological synergies and economies of scale that will strengthen their competitive advantage and business foundation for EV motors amid globally increasing environmental conservation measures and regulations.

The new company aims to expand the global supply of high-performance motors by creating a robust response to demand from Honda and other vehicle manufacturers and to promote the use of EVs with low environmental impact on a global scale.

Product Initiatives



Three Initiatives to Achieve Environmental Performance Targets

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

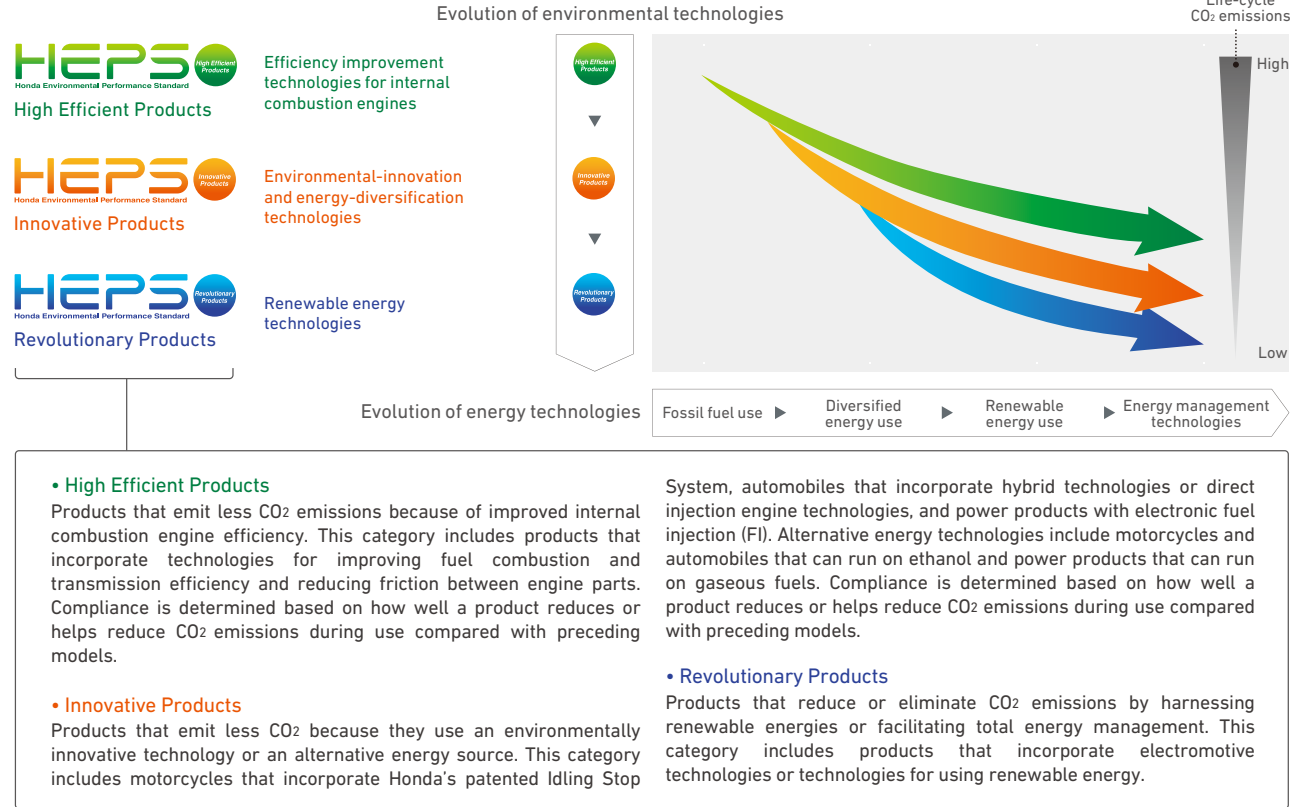
In addition, Honda is pushing ahead with the following three initiatives to realize its 2020 Product CO₂ Emissions Reduction Targets with a view to halving total CO₂ emissions by 2050 compared with 2000 levels while expanding production and sales globally.

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

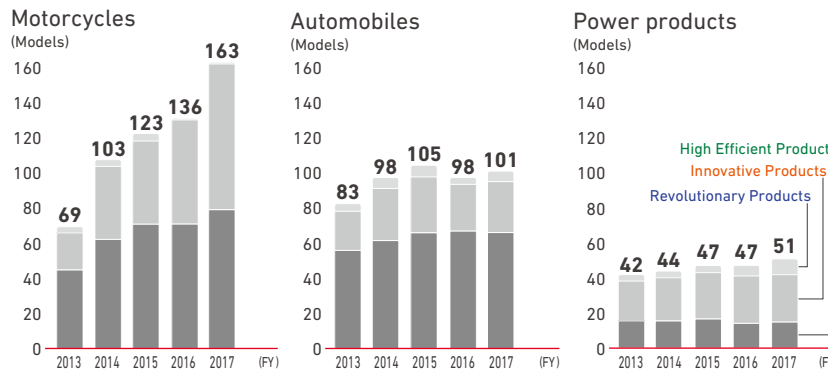
By implementing these in phases, Honda is steadily reducing CO₂ emissions with the aim of ultimately eliminating them.

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

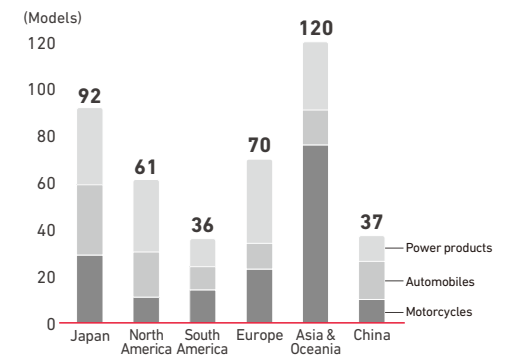
As a result of certification of products that were launched in FY2017, 45 motorcycle models, 6 automobile models and 4 power product models – a total of 55 models – were HEPS-certified. Cumulatively, this brings the number of HEPS-compliant products to 163 motorcycle models, 101 automobile models and 51 power product models, or 315 models in total.



Global number of HEPS-compliant models



Number of HEPS-compliant models by region (FY2017)



Product Initiatives

Efficient Utilization of Resources

With the aim of eliminating risks related to resources and disposal, Honda is promoting the 3Rs by looking at the entire life cycle from the development of products to their disposal.

Initiatives in the Development Stage

3R pre-assessment system

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

Design focusing on Reduction

Honda is making efforts in downsizing and weight reduction by considering alternative structures and materials for all components in each product, such as the body framework, engine and bolts.

For example, the Company used thinner structural bumpers in the N-WGN, which was launched in FY2014, 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 16M 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 have 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 FY2017, Honda is maintaining more than 90% for automobiles and more than 95% for motorcycles, as well as a recoverability rate of more than 95% for components/materials*2 used in power products.

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

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

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 FY2017, 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.



Initiatives in the Disposal Stage

Initiative for automobiles

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

In FY2017, the number of Honda automobiles collected was approximately 440,000 for fluorocarbons (-1% from the previous fiscal year), approximately 420,000 for airbags (+1%) and approximately 490,000 for ASR (-2%). Recycling rates for gas generators and ASR were 93.6% and 97.8%, 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 1,696 Honda products in FY2017, which accounted for 63.2% of all units collected. The recycling rate of Honda products came to 97.4% on a weight basis, enabling us to achieve the target recycling rate of 95% since FY2014.



Product Initiatives

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 programmed 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 LEV3-SULEV30 emissions compliant, beginning with the Accord, thus meeting the California exhaust emissions standard, deemed 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 U.S. EPA Phase 3 regulations, the most stringent in the world, through engine enhancement technology.

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 brought in to ensure the appropriate management of chemical substances and the reduction of harmful substances contained in automotive components in each country based on a goal set by the United Nations in 2002 of minimizing the impact of chemical substances on people and the environment by 2020.

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

Honda is moving ahead with the reduction of four types of heavy metals (lead, mercury, hexavalent chromium and cadmium) that are considered to have negative impacts on the environment while promoting management of chemical substances via MoCS. As an example, for all new and redesigned vehicles sold in Japan in FY2017, 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.



Corporate Activities Initiatives

Responses to Climate Change and Energy Issues

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. Mid-term plans for operations-related environmental initiatives specify the reduction of CO₂ emissions intensity per unit of production*¹ by 17% by FY2017 (baseline: FY2009) as the target. The Company's next target has been set as a reduction of 18% by FY2020 (baseline: FY2009). In the future, Honda will aim at sustaining the 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 energy-saving technologies and know-how that is applied to its newest plants, such as the Saitama Factory's Yorii assembly plant that achieved a 30% reduction in per unit energy use compared with other Honda plants*². 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. By FY2017, Honda generated a total of 106,000 MWh of electricity, including solar power generation and wind power generation.

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

*1 Intensity that is a weighted average calculated on the basis of CO₂ emissions intensity and the units produced for each of motorcycles, automobiles and power products

*2 Comparison with Saitama Factory's Sayama assembly plant

Efficient Utilization of Resources

Honda is also focusing on the elimination of risks related to resources and disposal, and it is making efforts to reduce the volume of water resources used and waste generated. For example, to minimize water use, various business sites are implementing initiatives based on regional circumstances, such as the utilization of recycled water and water conservation. It 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 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).

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.

Regarding the reduction of waste, 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 (ODSs) 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.

Preservation of Clean Air

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. We have cleared this value every year since 2010. Honda will continue with these voluntary efforts going forward.



Corporate Activities Initiatives

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 the products it manufactures and its 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, the Company cooperates 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. For the above project, Honda continues to carry out fixed-point observation and reporting on ecosystems.

T O P I C S

Honda Green Conference 2016 Held for the First Time on a Global Scale to Share Best Practices in Environmental Activities

In order to share and rollout best practices for environmental stewardship related to environmental issues in such areas as climate change and energy, Honda Group companies from North and South America, Europe, Asia & Oceania and China were invited to attend the Honda Green Conference 2016, which was held in January 2017. Up until then, the Honda Green Conference, which began in 1999, had been held as a Japan region event.

Teams selected from around the world gathered at the Hotel Twin Ring in Tochigi Prefecture to present nine best practices. Participants shared the content of their activities and held discussions to exchange information aimed at drawing out hints for future actions, which has led to group-wide environmental promotion activities.

At the same time, the Company started operation of Honda Green Window, a cloud system for sharing environmental information including policy details to Honda associates and suppliers who do not participate in the conference, by sharing best practices in the cloud. The system has begun to maximize the effects of reducing environmental impact on a global scale.

Honda Green Conference 2016 best practices

Region	Theme	Site
Japan	From Japan to the world! Evolution of energy management through use of global shared EnMS	F-Tech inc.
Japan	Casting process evolution and environment improvement through introduction of IH	Honda Suzuka Factory
South America	Reduction of waste and iron material through reuse of iron scrap	Moto Honda da Amazonia Ltda.
China	Enhancement of operating procedure for electro-coating and drying kiln	Dongfeng Honda Automobile Co., Ltd.
China	Automation of oscillating foundry sand dropping apparatus in low-pressure casting machine	Dongfeng Honda Engine Co., Ltd.
Asia & Oceania	CO2 reduction project "Minimizing loss in air compressor system"	Honda Automobile (Thailand) Co., Ltd.
Asia & Oceania	Optimization of power consumption in factory air conditioning systems	Honda Vietnam Co., Ltd.
Europe	Quick Wins for CO2 Reduction at Sales Office	Honda Motor Europe Ltd.
North America	Material yield improvement through part-in-part system "Grip & Flip"	Honda Canada Inc.



Honda Green Conference 2016



Mid-Term Environmental Initiatives



Direction of Initiatives toward 2020		Mid-Term Plans for Environmental Initiatives (FY2015–FY2017)		Results of FY2017 Initiatives	
Climate change and energy	Product life-cycle standpoint Achieve global targets for reducing global CO ₂ emissions intensity with a focus on early stabilization of total CO ₂ emissions and future reduction from the standpoint of the product life cycle	Products	Achieve best-in-industry fuel efficiency and accelerate popularization and expansion Motorcycles <ul style="list-style-type: none"> Expand use of programmed fuel-injection system (PGM-FI) and low-friction engines, especially in commuter vehicles 	Achieve best-in-industry fuel efficiency and accelerate popularization and expansion Motorcycles <ul style="list-style-type: none"> Expanded use of global engine eSP^{*1} boasting exceptional fuel economy and environmental performance and equipped all small scooter models with the engine Launched CB125Shine SP employing low-fuel-consumption tires in India and realized outstanding fuel economy and environmental performance 	
			Automobiles <ul style="list-style-type: none"> Continue deployment of Earth Dreams Technology started in the previous three-year mid-term period Phase in the global application of 2.0L, 1.5L and 1.0L downsized/turbocharged direct-injection engines that realized class-leading power output and environmental performance 	Automobiles <ul style="list-style-type: none"> Continuously developed Earth Dreams Technology Newly developed 1.5L VTEC TURBO direct-injection engine was equipped on five models including the Civic, Step Wagon and CR-V. Also 2.0L in-line 4-cylinder DOHC i-VTEC engine was equipped on the Civic and realized class-leading environmental performance 	
			Power products <ul style="list-style-type: none"> Expand application of small engines and make engines compatible with diverse types of fuels 	Power products <ul style="list-style-type: none"> Expanded application of small engines and made engines compatible with diverse types of fuel Launched WX10T and WX15T engine-driven water pumps designed for applications such as sprinkler systems, irrigation and discharging water in July, which contribute to improvement^{*2} in pump head and discharge capacity and better fuel efficiency compared with conventional models by approximately 10%^{*2} by employing a high-efficiency impeller and a new pump shape Launched 4-stroke outboard engine BF100 (100 horsepower) and the BF80 (80 horsepower) in December, with both models realizing exceptional environmental performance and class-leading^{*3} fuel efficiency by employing lean burn control and programmed fuel injection (PGM-FI)^{*4} Newly employed load following power generation control mechanism in the gas engine co-generation unit for the home MCHP1.0K3 and the MCHP1.0R1 unit with self-sustaining functionality, thereby reducing surplus power and increasing in-house power generation time through the variable control of power generated between 0.7-1.0kW in line with the power consumed in the home 	
			Establish and deploy next-generation electric powered technologies Motorcycles <ul style="list-style-type: none"> Market electric motorcycles that meet local needs in developed (Japan: leased) and emerging countries (China) 	Establish and deploy for next-generation electric powered technologies Motorcycles <ul style="list-style-type: none"> Developed EV Commuter based on the concept model EV-Cub and conducted demonstration experiments in cooperation with local government; also examined the possibility of promoting the widespread use of electric motorcycles in society 	
			Automobiles <ul style="list-style-type: none"> Expand lineup of models equipped with i-MMD, i-DCD hybrid systems Introduce in Acura models the Sport Hybrid SH-AWD, a three-motor hybrid system with seven-speed DCT with a built-in motor for the front wheels and independent motors for the left and right rear wheels Release a production FCV model in Japan in 2015, and the U.S. and Europe thereafter, to advance the popularization of FCVs 	Automobiles <ul style="list-style-type: none"> Expanded models equipped with i-MMD and i-DCD hybrid systems: i-DCD^{*5} was equipped on eight hybrid models including the Fit and Freed and i-MMD^{*6} was equipped on two models, the Accord and Odyssey Introduced a model with SPORT HYBRID SH-AWD: Launched RLX equipped with SPORT HYBRID SH-AWD Popularization of FCVs: In the Japanese market, launched FCV CLARITY FUEL CELL, which is the world's first^{*7} 5-seater among sedan type FCVs and boasts an industry-leading^{*7} cruising range of approximately 750km^{*8} 	
			Power products <ul style="list-style-type: none"> Advance an electric robotic lawnmower for household use (Miimo) and expand lineup of electric products 	Power products <ul style="list-style-type: none"> Developed initiatives to reduce CO₂ Started sales of a portable external power output device, the Power Exporter 9000. In combination with the Power Exporter 9000, the new FCV CLARITY FUEL CELL can function as a "power source on wheels" that is capable of supplying approximately seven-days' worth^{*9} of electricity for an average household. In addition to FCVs (Clarity), the Power Exporter 9000 can be used for EVs and PHEVs that comply with the V2L standard Launched electric gardening tools (hedge trimmers, leaf-blowers, trimmers) and the E500 battery, with plans to actively introduce more electric products going forward 	
Strengthen initiatives from a product life-cycle perspective	Corporate activities	Corporate activities <ul style="list-style-type: none"> (Global): Reduce CO₂ emissions per unit of production^{*10} by 10% by FY2017 (baseline: FY2009) 	Corporate activities <ul style="list-style-type: none"> (Global): Reduced CO₂ emissions per unit of production by 17% by FY2017 (baseline: FY2009) 		
		Purchasing area <ul style="list-style-type: none"> Promote measurement and reduction of supply chain GHG emissions in each region based on the Green Purchasing Guidelines 	Purchasing area <ul style="list-style-type: none"> Worked with suppliers to visualize energy consumption and reduce CO₂ emissions Presented awards for environmental initiatives in each region and enhanced interest in reducing environmental load among many more suppliers worldwide 		
		Production area <ul style="list-style-type: none"> Disseminate advanced environmental technologies developed at the Yorii assembly plant in Japan, which began operations in 2013, to other production sites worldwide Set benchmarks for energy use and achieve the benchmark level for energy efficiency Introduce and expand the scope of renewable energy systems <ul style="list-style-type: none"> South America: Wind power generation system China: Megawatt-scale solar photovoltaic system Japan: Megawatt-scale solar photovoltaic system at new test course in Sakura, Tochigi Prefecture 	Production area <ul style="list-style-type: none"> Disseminated advanced environmental technologies on a global basis, ensured efficient management of energy during non-operating times, upgraded equipment such as by shifting to motors controlled by inverters, reused exhaust energy and installed renewable energy equipment in line with location requirements in each region, etc. Introduced and expanded the scope of renewable energy systems <ul style="list-style-type: none"> South America: Wind power generation system: 27MW (since 2014) China: Megawatt-scale solar photovoltaic system: 35MW (2014-2016) Japan: Megawatt-scale solar photovoltaic system at new test course in Sakura, Tochigi Prefecture: 10MW (since 2016) 		
		Transportation area <ul style="list-style-type: none"> Increase transportation efficiency in each region by implementing modal shifts, improving truck fuel efficiency, etc. Spread packaging specifications without exterior containers worldwide 	Transportation area <ul style="list-style-type: none"> Reduced CO₂ emissions by making a modal shift, changing from gasoline to natural gas trucks and ensuring efficient container transport, and reduced waste in packaging materials by innovating packaging and packing 		
		Sales and service, administration, product development areas <ul style="list-style-type: none"> Promote energy conservation by encouraging eco-etiquette and using facilities more efficiently 	Sales and service, administration, product development areas <ul style="list-style-type: none"> Shifted to LED lighting, used natural sunlight, saved energy by improving operations, for example, for air conditioning equipment and improved data center cooling efficiency 		

^{*1} Generic name for an engine for scooters that employs advanced technology such as low fuel consumption technology and an ACG starter and boasts enhanced environmental performance and engine performance
^{*2} Compared with previous Honda models
^{*3} For 100 horsepower and 80 horsepower engines; Survey by Honda (As of November 30, 2015)
^{*4} PGM-FI is a registered trademark of Honda.
^{*5} Abbreviation of Intelligent Dual Clutch Drive

^{*6} Abbreviation of Intelligent Multi-Mode Drive
^{*7} Survey by Honda: As of February 2016
^{*8} Measured internally by Honda while driving in JC08 mode.
^{*9} Calculated using the average power consumption for a day in an average household in Japan (based on a survey by The Federation of Electric Power Companies in Japan)
^{*10} CO₂ emissions per unit of production: Intensity was calculated by weighting the average reduction percentages for motorcycles, automobiles and power products with the CO₂ emissions associated with their respective life cycles.

Mid-Term Environmental Initiatives

Direction of Initiatives toward 2020			Mid-Term Plans for Environmental Initiatives (FY2015–FY2017)		Results of FY2017 Initiatives	
Climate change and energy	Market new products to eliminate CO ₂ emissions from mobility and daily living	Products		<ul style="list-style-type: none"> Using demonstration test houses in Japan, verify the daily operation and practicality of technologies developed to realize zero-carbon mobility and daily living by 2020 in collaboration with entities in other business sectors (Japan) Work with local governments in Japan to carry out demonstration testing of the MC-9 micro EV with the aim of developing next-generation vehicles that minimize environmental impact while spreading the joy and freedom of mobility, and to offer each community development solutions that are suitable for each location (Japan) 		<ul style="list-style-type: none"> Honda started installing the package-type Smart Hydrogen Station (SHS) that generates and stores hydrogen and is capable of producing and supplying high-pressure hydrogen gas with no CO₂ emissions from power such as renewable energy without the use of a compressor by employing Honda's original high-pressure water electrolysis system Power Creator. Launched the FCV CLARITY FUEL CELL in which hydrogen is combined with oxygen in the fuel cell to induce a chemical reaction and generate electricity to turn the motor. No CO₂ is emitted during this process with only water discharged, making it an extremely clean energy source. This product is being sold together with the V2L compatible portable external power output device Power Exporter 9000, which converts electricity from vehicles equipped with an external power supply function to electric power for the home for use as an emergency power source in a disaster and in various places at ordinary times such as outdoor events
Efficient Utilization of Resources	Increase 3R efforts	Products		<ul style="list-style-type: none"> 3R pre-assessment system Design for 3R (Reduce, Reuse, Recycle) Reduction of chemical substances Recycling of end-of-life components Steadfast compliance with laws/regulations for the recycling of end-of-life products in various countries Japan: Maintain an automobile shredder residue (ASR) recycling rate of more than 70% and improve the motorcycle recycling rate to more than 95% by 2015 		<ul style="list-style-type: none"> Continued to utilize the 3R pre-assessment system Continued to design for 3R and reduction of chemical substances Collected and recycled end-of-life products including bumpers Steadily complied with laws/regulations for the recycling of end-of-life products in various countries <ul style="list-style-type: none"> Japan: ASR recycling rate of 97.8% and motorcycle recycling rate of 97.4%
	Minimize water use	Corporate activities	Production area	<ul style="list-style-type: none"> Enhance initiatives to reduce resource use, including the reduction of by-products by increasing throughput yields Collaborate with suppliers to increase use of metal scrap Maintain zero landfill waste performance (Japan and Europe) 	Production area	<ul style="list-style-type: none"> Implemented measures to improve yield such as the tailored blank production method and laser blanking Collaborated with suppliers to increase use of metal scrap Maintained zero landfill waste performance (Japan and Europe)
Reduce exhaust emissions	Reduce exhaust emissions	Products		<ul style="list-style-type: none"> Make steady progress in reducing exhaust emissions to comply with tighter emission regulations in various countries 		<ul style="list-style-type: none"> Made progress in reducing exhaust emissions to comply with tighter emission regulations in various countries
	Enhance the management of chemical substances used in products	Products		<ul style="list-style-type: none"> Continue to promote management of chemical substances used in products and employ alternatives to substances of very high concern Continue to operate global management systems for chemical substances used in products to comply with applicable regulations on chemical substances in various countries 		<ul style="list-style-type: none"> Continued to manage chemical substances used in products and employ alternatives to substances of very high concern Continued to operate global management systems for chemical substances used in products to comply with applicable regulations on chemical substances in various countries and reduce risks
	Reduce VOC ^{*11} emissions from production processes	Corporate activities	Production area	<ul style="list-style-type: none"> Advance VOC emissions reduction technologies for paint processes and expand application to overseas production sites and motorcycle paint processes Spread "Honda Smart Ecological Paint" introduced at the Yorii assembly plant in Japan to other new production sites worldwide 	Production area	<ul style="list-style-type: none"> Spread "Honda Smart Ecological Paint" introduced at the Yorii assembly plant in Japan to other new production sites worldwide <ul style="list-style-type: none"> China: GAC Honda Automobile Co., Ltd. Asia & Oceania: Honda Cars Philippines Inc., Honda Automobile (Thailand) Co., Ltd. Purachinburi Plant, Honda Cars India Ltd. Tapukara Plant
Biodiversity	Engage in conservation initiatives rooted in local communities in accordance with the Honda Biodiversity Guidelines	Corporate activities	Corporate initiatives	<ul style="list-style-type: none"> Address the issues of hazardous substances and water use that lead to the destruction of ecosystems Raise the awareness of parties involved, including the supply chain Promote HondaWoods^{*12} activities 	Corporate initiatives	<ul style="list-style-type: none"> Complied with regulations in each region concerning harmful substances and water use that impact the ecosystem Raised the awareness of parties involved, including the supply chain
			Collaboration with local communities	<ul style="list-style-type: none"> HondaWoods: Expanded to 14 business locations in Japan Introduced the slogan "Vibrant forests for our children, for our communities" and implemented activities based on this aimed at ensuring harmonious coexistence between local people and nature 	Collaboration with local communities	<ul style="list-style-type: none"> Connected the environmental promotion system with each region through the World Environment and Safety Strategy Committee
Environmental management	Improve global/regional structures for promotion of environmental management and enhance environmental information disclosure	Corporate activities		<ul style="list-style-type: none"> Strengthen autonomy and self-reliance of structures for promotion of environmental management in each region, and strengthen global collaboration 		<ul style="list-style-type: none"> Disseminated environmental information concerning each region on the Internet and issued environmental report, etc Japan: Updated the page disclosing environmental information on our website
				<ul style="list-style-type: none"> Advance sustainability reporting that compiles information in each dimension of the environment, society and legal compliance 		

*11 VOC (Volatile Organic Compounds): Chemical substances that derive from organic solvents mostly contained in paints and thinners and which generate photochemical oxidants

*12 HondaWoods: A new initiative that started in 2014 for the forests on Honda's business sites in Japan in order for these forests to coexist and co-prosper with local communities and become sustainable and resilient to changes



Environmental Data

Honda GHG Emissions in FY2017

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 became the world's first mobility company to disclose estimates of all 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 released estimates of emissions for FY2012 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 emissions and is making improvements to get a more accurate reading of emissions from its entire value chain. 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 FY2017 show that GHG emissions from Honda business activities were 5.20 million t-CO₂e, and total emissions from the value chain, including other indirect emissions, were 307.55 million t-CO₂e. Honda will continue to monitor and manage data and utilize them in the actual implementation of emissions reduction measures.

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

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% from 2000 levels by 2020, 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, and 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, and so the Company will utilize the above information further to develop low-carbon solutions at the development stage, for instance.



Environmental Data

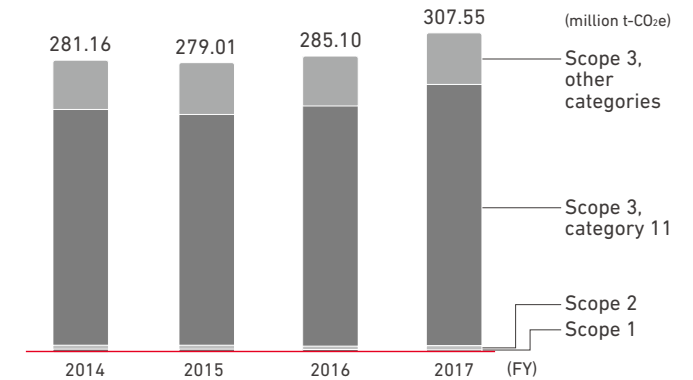
Honda's total GHG emissions

		FY2014	FY2015	FY2016	FY2017
		(million t-CO ₂ e)			
GHG emissions from the entire Honda value chain (Scopes 1, 2, and 3)		281.16	279.01	285.10	307.55
Breakdown	Direct emissions from business activities (Scope 1)	1.41	1.38	1.33	1.28 <input checked="" type="checkbox"/>
	Indirect emissions from energy use (Scope 2)	3.80	3.86	3.81	3.92 <input checked="" type="checkbox"/>
	Emissions from Honda business activities (total of Scopes 1 and 2)	5.21	5.24	5.14	5.20
	Emissions from customer use of sold products (Scope 3, category 11)	228.14	223.54	231.77	252.59 <input checked="" type="checkbox"/>
	Other emissions (Scope 3, other categories)	47.81	50.23	48.19	49.76
	Other indirect emissions (total of Scope 3)	275.95	273.77	279.96	302.35

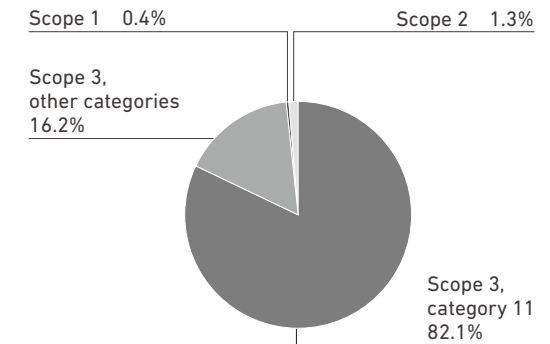
- Scope 1: Direct GHG emissions from business activities, as defined by the GHG Protocol (examples: combustion of fuel oil at a manufacturing plant, emissions from work vehicles and company cars). The Scope 1 figures presented in this report include all GHGs emitted directly by Honda Motor Co., Ltd. and its consolidated subsidiaries and affiliated companies worldwide. Honda uses the latest emission factors in each region, using the emission factor for GHG Emissions Accounting, Reporting and Disclosure System based on the Act on Promotion of Climate Change Countermeasures (after H22.3 revision) in Japan and using emission factors from the 2006 IPCC Guidelines for National GHG Inventories in each region except Japan. 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 (examples: 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. Honda uses the latest emission factors in each region, emission factors from respective electrical power suppliers in Japan and emission factors from the IEA's Emissions from Fuel Combustion in each region except Japan. This corresponds to the GHG Protocol's standard market-based method.
- 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 (examples: 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) 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 and power products 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 (for power products: annual usage in hours) x Product lifetime in years x Annual unit sales.
 - CO₂ emission factor: Referring to the GHG calculation guidelines that public authorities issued. If there are no appropriate guidelines, reference from the ones of Japanese.
 - Annual mileage / Lifetime years of use: Referring to IEA estimation model, "SMP Model" etc.
- 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.

Total GHG emissions, FY ended March 2014 to FY ended March 2017



Breakdown of total FY2017 GHG emissions



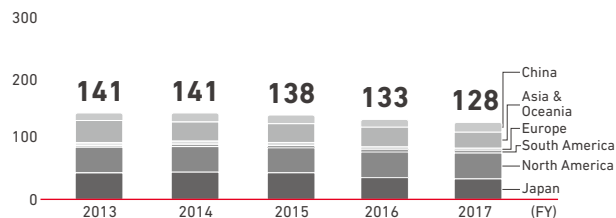
Environmental Data



GHG emissions

Direct emissions

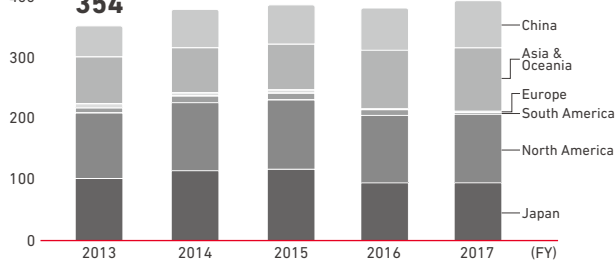
(10,000 t-CO₂e)
400



Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
 Calculation method: Emissions amount = ∑ [Volume of fuel usage x CO₂ emission factor] + CO₂ emissions from non-energy sources + ∑ [Volume of non-CO₂ GHG emissions x Global warming factors]
 Emission factor
 Japan: Emission factors from Reporting and Disclosure System based on the Act on Promotion of Global Warming Countermeasures (after H22.3 revision)
 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 sources.
 *Expressed in three significant digits

Indirect emissions

(10,000 t-CO₂e)
400

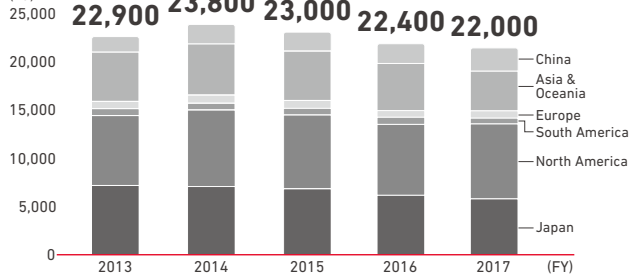


Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
 Calculation method: Emissions amount = ∑ (Purchased electricity consumption etc.*1 x emission factor)
 Emission factor: The latest emission factors in each region
 Japan: Emission factors from respective electrical power suppliers
 Regions outside of Japan: Emission factors from the IEA's Emissions from Fuel Combustion
 *1 Other includes steam and hot water; the emission factors is quoted from Reporting and Disclosure System based on the Act on Promotion of Global Warming Countermeasures.
 This corresponds to the GHG Protocol's standard market-based method.
 *Expressed in three significant digits

Energy consumption

Direct energy consumption

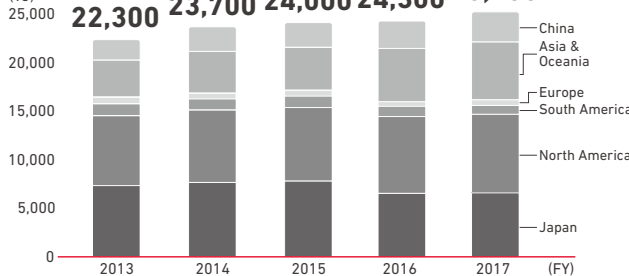
(TJ)
25,000



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

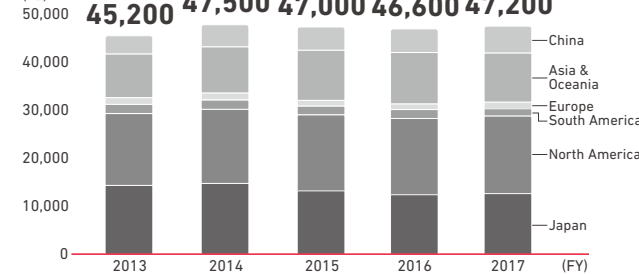
(TJ)
25,000



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

Total energy consumption

(TJ)
50,000



Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
 Calculation method: Energy consumption = Direct energy consumption + Indirect energy consumption
 *Expressed in three significant digits

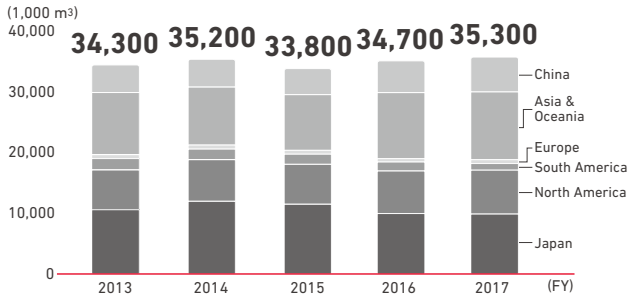
Data indicated with received the independent practitioner's assurance.

Environmental Data



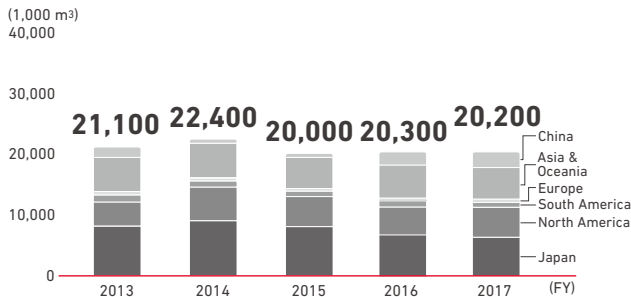
Water use/wastewater volume

Water use volume (Amount of water intake)



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

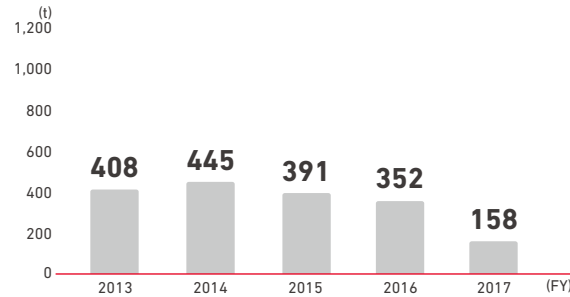
Wastewater volume



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

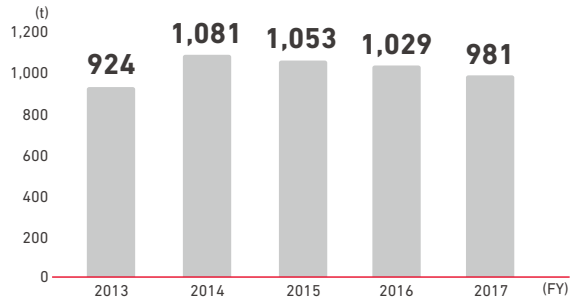
Atmospheric pollutants

SOx emissions



Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
 Calculation method: Emissions amount = Σ (Fuel consumption x Density x Sulfur content x 64/32)
 *Calculations are based on fuel consumption.
 Density: Derived from the translation coefficient list in Statistics Information by Petroleum Association of Japan
 Sulfur content: Derived from Act on the Quality Control of Gasoline and Other Fuels or the standard of LP gas (JIS K 2240)
 Figures prior to 2016 have been re-stated to correct for errors.

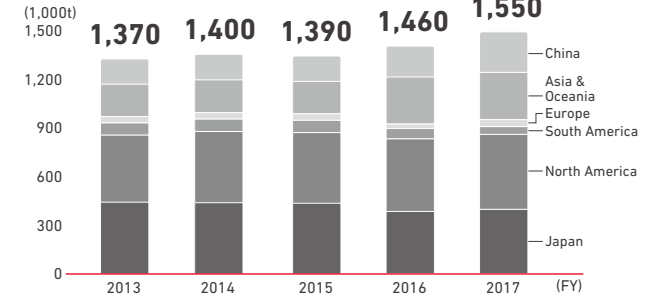
NOx emissions



Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
 Calculation method: Emissions amount = Σ (Fuel consumption x Emission factor for each fuel)
 *Calculations are based on fuel consumption.
 Emission factor for each fuel: Derived from NOx emissions calculation table (combustion facilities that do not measure the amount of exhaust gas, etc.) on Environmental Activity Evaluation Program (Ministry of the Environment).
 Figures prior to 2016 have been re-stated to correct for errors.

Waste generated

Waste generated



Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
 Calculation method: Emissions amount = Σ (Industrial waste + general administrative waste + valuable resources emission)
 *However, regions outside of Japan are beyond the scope of data for industrial waste (excluding harmful waste defined in accordance with regulations in respective countries) and general administrative waste.
 *Expressed in three significant digits

Data indicated with received the independent practitioner's assurance.

Safety

6.26 million people

Honda has provided road safety and driving education activities for over six million people in Japan. These activities are now being actively expanded worldwide.



Basic Approach

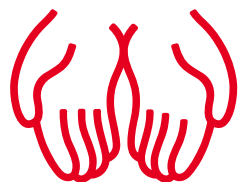
Toward a Collision-Free Mobile Society

As exemplified by the remark 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 safe coexistence, 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 and the Advanced Compatibility Engineering Body Structure that helps to protect occupants of both vehicles in a collision. In 2000, Honda built the world's first indoor crash test facility, making it possible to conduct tests that better reflect real-world crash configurations.

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

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



safety

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.

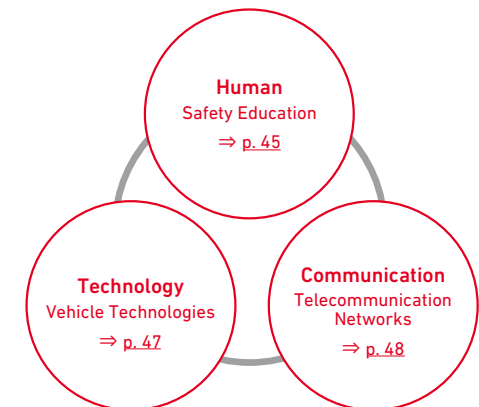
In Thailand, for example, safety measures are an urgent challenge due to the large number of traffic fatalities in particular compared with other parts of Asia. In response, from 2016 through 2020 Honda has committed to conducting a detailed investigation involving collection and analysis of information on around 1,000 traffic accidents in Thailand. The investigation 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.

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.

Three areas of safety promotion activities



Safety Initiatives

Human (Safety Education)

Honda's Approach

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

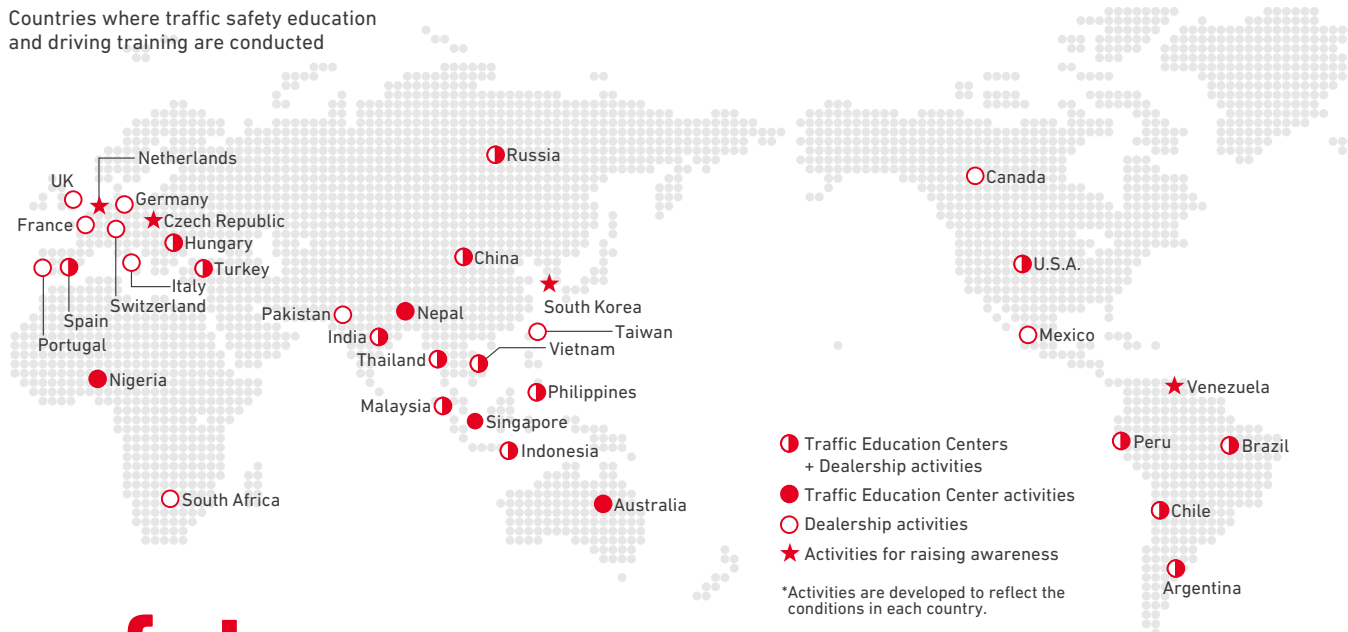
The basic ideas behind Honda's activities are based on "To pass on safety education from person to person," which focuses on people, and "To provide participatory hands-on education," in which people can experience hazards in a safe environment. These activities are based on three pillars. The first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

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

With regard to overseas activities, since Honda started driving safety promotion activities in Brazil in 1972, it has carried out activities in 36 countries throughout the world including Japan, establishing Traffic Education Centers in various countries and cooperating with local dealers. Of those countries, emerging countries in particular contain areas where regulations, traffic rules and road infrastructure are not yet ideal despite the fact that motorization is rapidly progressing. An increase in the number of fatal traffic accidents has become a social issue. Therefore, Honda is strengthening its activities in coordination with the applicable countries and the relevant people in local governments.

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

Countries where traffic safety education and driving training are conducted

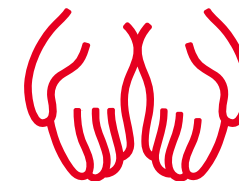
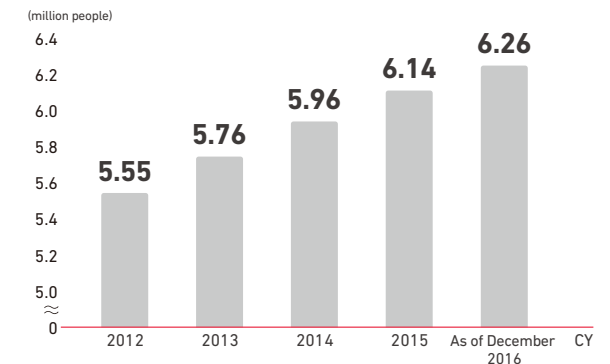


FY2017 Activities

In FY2017, Honda worked on three core issues, namely to "develop and introduce educational software," "reform and innovate activities to spread safe driving practices" and "reduce motorcycle accidents overseas," based on its policy to "shift to strategic initiatives to increase safe driving practices through advanced and unique software development."

In the Company's efforts to "develop and introduce educational software," it is pushing ahead with an initiative to reduce as many accidents as possible through suggestions for improvement in the road environment based on information from a Safety Map. An agreement relating to the promotion of traffic accident prevention measures was concluded with Osaka Police Headquarters in March 2016 and Nagano Police Headquarters in December 2016. Application of the measures is gradually taking hold in an increasing number of regions.

Participation in traffic safety promotion activities in Japan (total)



Safety Initiatives

In addition to having children learn about traffic safety, Honda has developed a new traffic safety education program for preschoolers that is fun and interesting, and has started to broaden its use.

With regard to initiatives to “reform and innovate activities to spread safe driving practices,” Honda has developed and is promoting the adoption of software and a program to help determine whether people with higher cerebral dysfunction caused by a stroke or similar disease are able to resume driving.

Honda is also ramping up traffic safety activities at automobile dealers named Honda Cars in Japan, the main point of contact with customers. As part of these activities, Honda works closely with local communities, including “Ayatorii Hiyoko” visits to local nursery schools and kindergartens to conduct safety education programs for preschoolers.

To “reduce motorcycle accidents overseas,” Honda has revamped the content of its training program to develop motorcycle instructors at overseas business locations that aim to realize a safe traffic society. This new training has been rolled out for instructors at motorcycle dealers in India, Indonesia, Taiwan, China and Thailand with expectations that the activities will be further developed locally going forward.



“Ayatorii Hiyoko” traffic safety classes are being conducted at showrooms as well as nearby nurseries and kindergartens through local Honda Cars dealerships nationwide

T O P I C S

Start of New Riding and Driving Safety Promotion Activities in Thailand and Turkey

With the continued advancement of motorization, Honda has taken on a new commitment to communicate the importance of traffic safety. A.P. Honda Co., Ltd., a motorcycle distributor in Thailand, established two new sites in 2016 in Chiang Mai and Phuket to complement two other traffic education sites in the country that promote safe riding. In addition to standard courses for commuters, the facilities conduct courses on safe riding for large motorcycles, which are expected to become increasingly popular in Thailand. The training program is also being strengthened so that customers can learn about safety in a fun way, which includes the use of an off-road course.

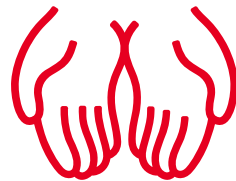
Honda Turkiye A.S. (HTR) started safe driving promotion activities in 2005. This includes various kinds of training and events at HTR Traffic Education Centers as well as universities. The “Ayatorii Hiyoko” traffic safety education program for children was introduced in November 2015, and as of the end of 2016, HTR had provided education to 2,291 students from 18 nearby elementary schools as well as children of HTR employees. Moving forward, coverage of the program will be expanded throughout Turkey and activities will be increased to convey the importance of “stopping” and “looking” to children.



Traffic education facilities in Thailand (Chiang Mai (left) and Phuket (right))



“Ayatorii Hiyoko” traffic safety program for children being conducted in Turkey



Safety Initiatives

Technology (Vehicle Technologies)

Honda's Approach

Honda has engaged in the development of safety technology placing an emphasis on real-life traffic environments – where multiple forms of mobility, such as motorcycles and automobiles, mix – and the realities of crashes in the real world, with high-minded objectives that go beyond meeting regulatory requirements and the attitude that “if something doesn't exist, we will make it.”

The Company has been developing and commercializing safety technologies one after the other. In 1998, Honda developed the world's first pedestrian dummies, while it built the world's first

indoor, all-weather omni-directional crash test facility in 2000. In 2003, Honda developed the crash-compatibility body and the world's first Collision Mitigation Brake System (CMBS).

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

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

FY2017 Activities

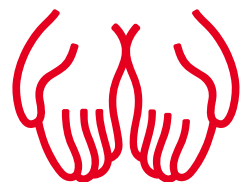
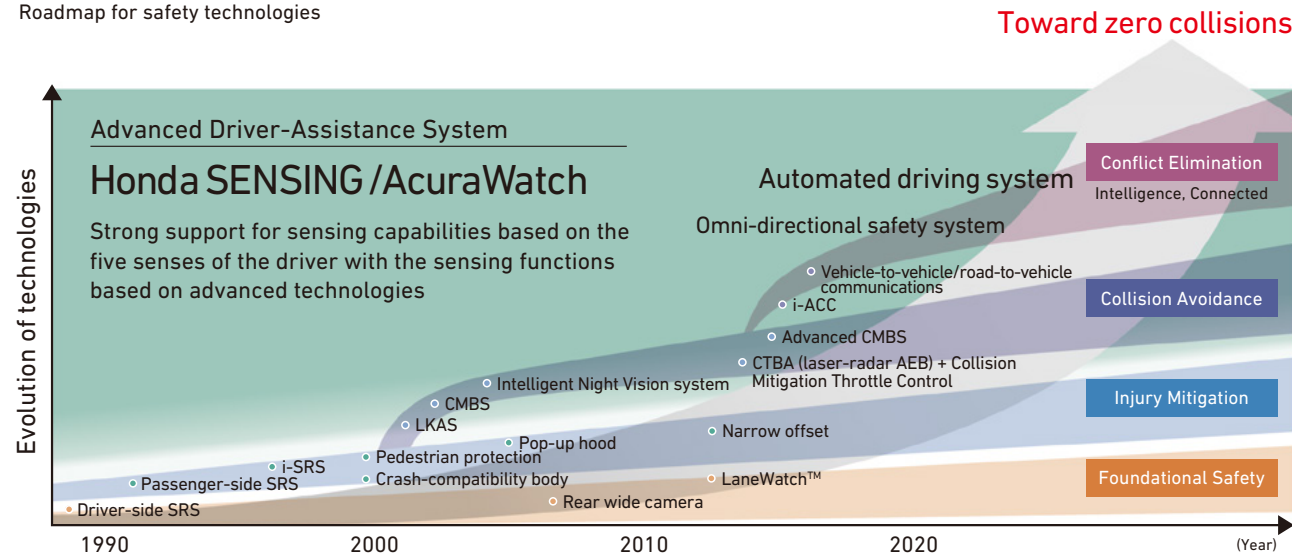
The “Honda SENSING/AcuraWatch” advanced safe-driving support system continues to be used in an increasing number of models since its launch in the three regions of Japan, the United States and Europe in 2015.

The system has been newly equipped on the Freed and FIT in Japan, CR-V and ODYSSEY in the United States, Civic in Europe, ELYSION and Avancier in China and Civic in Thailand.* Technologies that make up Honda SENSING/AcuraWatch include the world's first Pedestrian Collision Mitigation Steering System that detects pedestrians and adjusts the steering and the Road Departure Mitigation (RDM) System that adjusts the steering if the vehicle is likely to stray from a detected lane.

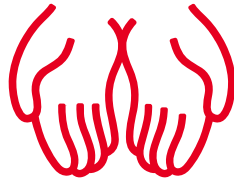
The G7 Transport Ministers' Meeting was held in Karuizawa, Nagano, in September 2016. This is one of the meetings associated with the G7 Ise-Shima Summit chaired by Japan. On this occasion, discussions were held regarding “Development and widespread utilization of advanced technology for vehicles and roads” and “Basic strategy for developing new transport infrastructure and renovating aging and deteriorated transport infrastructure,” and the Ministers' Declaration was made for each of them. The automated driving Honda Accord was used by the German Transport Minister to move between venues at the meeting and the CLARITY FUEL CELL was used by the French Director General for Infrastructure, Transport and the Sea. Honda continues to conduct research and development into automated driving technology that includes demonstrations of automated driving functions and aims for the actual application of these technologies on the highway by around 2020.

*The technologies available in “Honda SENSING/AcuraWatch” models may vary depending on the vehicle.

Roadmap for safety technologies



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 integrated communication and information, the Company has started to provide drivers with information that will help them drive more safely and more comfortably.

One form of progress from these initiatives is the "Safety Map" in Japan. 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 maps, which tell people including residents and drivers in advance about places on the road that require special caution. Honda is pleased to note that many people are utilizing the maps.

In addition, Honda is currently focusing on building a system that will provide information on traffic conditions in surrounding areas and traffic accident risks on a real-time basis by integrating the "Honda SENSING/AcuraWatch" technologies with the telematics service, and, using wireless communication such as Wi-Fi, connecting with both other vehicles equipped with sensors or GPS, as well as people in surrounding areas who are carrying smartphones. Honda is striving to realize "a collision-free mobile society" where everyone sharing the road can drive or walk with peace of mind.

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 Freed achieved "ASV++"*2, the highest rank, in the J-NCAP's preventive safety assessment. In the United States, multiple models achieved "TSP" and "TSP+" in the safety performance assessment by IIHS*3 as the cars that excel in safety.

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

*3 IIHS: This refers to the Insurance Institute for Highway Safety, which 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.

Results of key third-party evaluations (tests conducted in 2016)

Country / Region	Third-party evaluation	Model
Japan	JNCAP	5★ SHUTTLE / FREED
		ASV+ ODYSSEY*5 / SHUTTLE*5 / VEZEL*5 / N-Box*5 / N-WGN*5
		ASV++ FREED
Europe*4	Euro NCAP	5★
China	C-NCAP	5★ SPIRIOR / CIVIC
U.S.A.	NCAP	5★ CIVIC 2Dr / CIVIC 4Dr / CIVIC 5Dr
		TSP+ Acura MDX / Acura RDX / Accord 4Dr / Pilot / Ridgeline
	IIHS	TSP Acura RLX / Acura ILX / CIVIC 2Dr / CIVIC 4Dr / Accord 2Dr
Australia*4	ANCAP	5★
Southeast Asia	ASEAN NCAP	5★*6 BR-V / CIVIC

*4 Performance not evaluated in 2016.

*5 Retested in response to change to evaluation standards.

*6 Protection performance for passengers (adults)

T O P I C S

Honda Wins 10 Distinguished Safety Awards at ASEAN NCAP Grand Prix Awards 2016

Honda received 10 distinguished safety performance-related awards at the New Car Assessment Program for Southeast Asia Countries (ASEAN NCAP) Grand Prix Awards held in November 2016.

The Honda Civic received the highest safety rating in the medium family car category in both Adult Occupant Protection and Child Occupant Protection.

Honda SENSING, an advanced safe-driving support system, won the Safety Technology Award in the car maker category for having the best safety technology for the year.

Honda also received Most Affordable 5-star Car awards for seven ASEAN countries.

With a remarkable 10 awards, Honda was the most awarded manufacturer at the event. Honda will continue striving to achieve greater safety and comfort on the road with the aim of realizing a collision-free society for everyone.

Quality

120%

Aiming for 120% product quality



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.

To strengthen customer trust by offering products founded on safety and offering a new level of outstanding quality, Honda has created a quality cycle that continuously enhances quality at every stage encompassing design, development, production, sales and after-sales service.

In order to realize the basic principles of “Respect for the Individual” and “The Three Joys” (the joy of buying, the joy of selling, the joy of creating), Honda has stated that being the overwhelming number one in customer satisfaction is a primary objective of activities. Honda works in partnership with dealers to increase customer satisfaction to allow them to continue handling products with confidence at every stage, from purchase to after-sales service, ensuring that a high level of satisfaction is provided to customers at all times.

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 motorization of the powertrain, accelerating introduction of driver assistance technology to eliminate traffic accidents and teaming up with other companies, including from other industries, to challenge new forms of mobility that incorporate the Internet of Things (IoT).

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



quality

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. The Global Honda Quality Standard (G-HQS) established in April 2005 serves as the foundation of this.

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

Honda separates functions such as design/development, manufacturing, sales/service and quality into global and regional, and clearly defines roles and responsibilities when conducting activities to enhance and improve quality in accordance with Honda's Quality Cycle. With G-HQS, goals and regulations concerning quality assurance activities for each function are stipulated globally. The means for realizing these goals and requirements are codified for each region in line with local characteristics. These means are conceived of and codified by each region independently, which enhances awareness of quality improvement and leads to the personal growth of local quality managers.

Based on ISO9001* criteria to which Honda production facilities in Japan and around the world have been or are to be certified, G-HQS represents the accumulation of knowledge Honda has gathered independently in producing quality products and preventing previous issues from recurring. It will continue to conform to ISO certification standards.

As of the end of March 2017, 62 of the 68 Honda facilities had acquired ISO9001 certification.

*An international quality control and quality assurance standard

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, which include the Global Automobile Quality Meeting, chaired by the Chief Quality Officer (CQO) and attended by persons responsible for departments involved in quality from the headquarters and regions. Each of the Honda businesses, i.e., Automobile, Motorcycle and Power Products, holds its own Global Quality-related Meetings.

In the area of customer service, we have devised an action policy focused on each customer so that we 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	World Production Representatives Conference	1
	Automobile	Global Automobile Quality Meeting	3
		Global Chief Inspecting Engineer (CIE) Meeting	2
Aftersales business	Power Products	Power Product CIE Meeting	1
	Motorcycle	Global Aftersales Business Meeting	2
	Automobile		
	Power Products		



Global Automobile Quality Meeting



Power Product CIE Meeting

Global Management

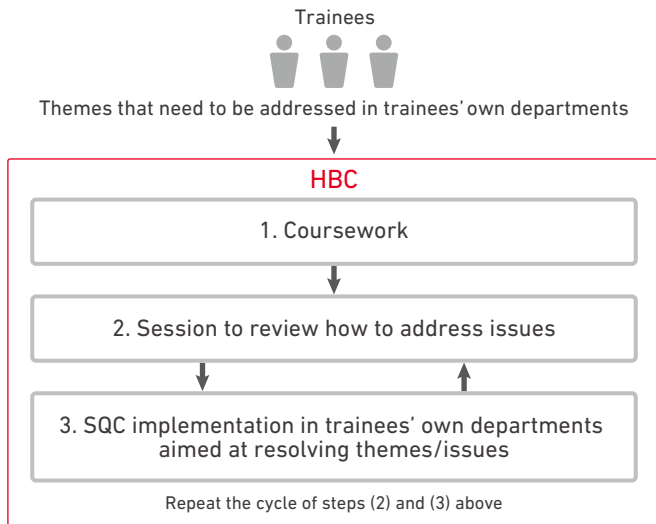
Quality Management Education

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.

Honda Basic Course (HBC) Flow



Cultivates quality control experts with practical skills by teaching trainees to resolve issues in their own departments

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.



Providing education on quality control in Japan

Best Quality Award

The CQO gave out 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 five-year period from FY2013 to FY2017, a total of 39 sites were visited around the world enabling direct communication with associates.



The CQO visits sites around the world to give awards face-to-face



Quality Initiatives

Honda's Quality Cycle

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

This initiative aims to achieve the highest quality through the creation of drawings designed to facilitate manufacturing, as well as develop manufacturing control techniques that limit process variability, by applying and reflecting design and development expertise at the production preparation and production (mass-production) stages.



Honda's Quality Cycle



Quality Initiatives

Design/Development and Production (Mass Production)

To ensure high quality, Honda conducts comprehensive quality assurance activities from the dual perspectives of design and manufacturing. For example, drawings for objects that will be machine processed include finished dimensions. Even 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.

I. Design/Development

Assuring Quality through Drawings

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

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

quality

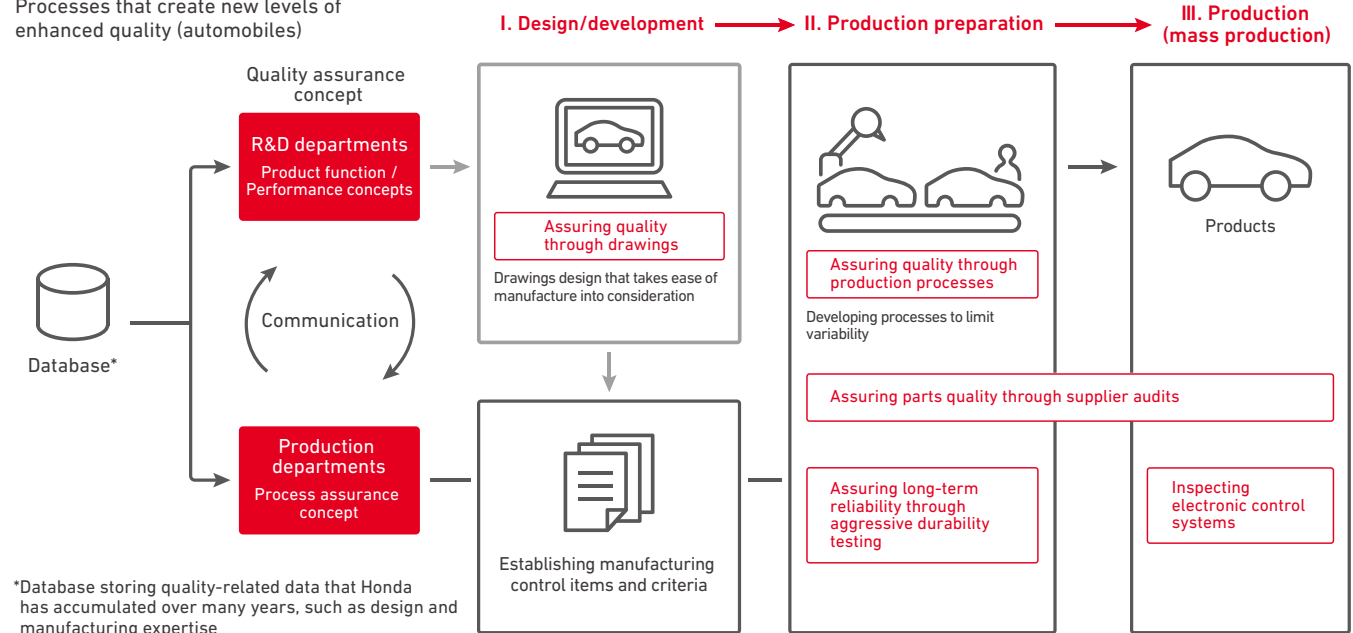
II. Production Preparation

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.



Processes that create new levels of enhanced quality (automobiles)



*Database storing quality-related data that Honda has accumulated over many years, such as design and manufacturing expertise

Quality Initiatives

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 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.

Assuring Long-Term Reliability through Rigorous Durability Testing

Honda subjects new and redesigned models to a rigorous regimen of 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.

01



01 Verification of parts following durability testing

III. Production (Mass Production)

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

Use of 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.

Although the LET system was initially deployed to perform diagnostics of emissions cleaning systems and parts in order to comply with U.S. emissions regulations, Honda extended the capabilities of the device to accommodate the recent evolution of electronic control systems, allowing its use in shipping quality inspections 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.

02



Quality Initiatives



IV. Sales and Service

Honda has established Customer First Operations to realize optimal service operations in markets worldwide. The division aims to “create and expand customer joy worldwide through service,” and the priority goal of its activities is to be “No. 1 in customer satisfaction by an overwhelming margin.”

“No. 1 in customer satisfaction by an overwhelming margin” refers to the creation of customer joy and excitement by not only providing services that meet expectations while they own a Honda product but also by providing value that exceeds those expectations. Through creating an exciting experience by means of these services, Honda aims to become a mobility manufacturer that customers continue to choose.

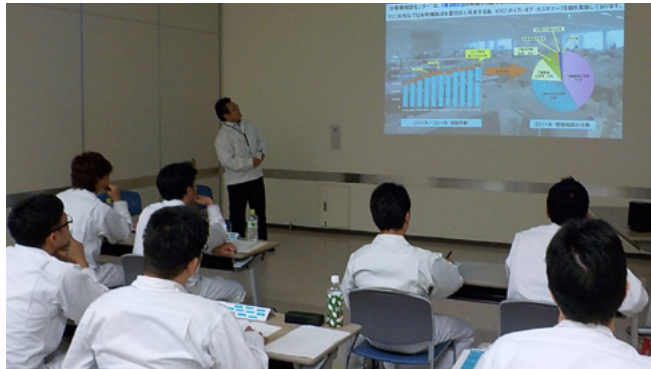
To attain this goal, Customer First Operations has adopted three policies, which are offering service in a friendly, timely, reliable, affordable and convenient manner; developing an advanced service environment; and maximizing business efficiency and expanding business operations. They are also working on the creation of an environment allowing regional dealers – Honda’s point of contact with customers – to address customer satisfaction enhancement more effectively and efficiently.

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 FY2017 it processed 271,235 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 Saitama Factory

Customer Satisfaction Survey

In FY2017, Honda conducted a customer satisfaction survey in 27 countries for customers who had received after-sales service from a dealer in order to ascertain levels of customer satisfaction in the service domain. The survey method involved a design enabling 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 we conduct a survey comparing Honda with other manufacturers and brands that are the benchmarks in other countries, with the results used as a reference as we work to maintain and improve customer satisfaction at an industry-leading level.

T O P I C S

Honda Total Care Membership Service Initiated to Provide Comprehensive Support and Peace of Mind to People’s Automobile Lifestyle

Honda started providing Honda Total Care in Japan in December 2016 as a comprehensive membership service supporting the most appropriate automobile lifestyle for car users.

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 newly established Honda Total Care Emergency Support Center can be contacted at the touch of a button in an emergency as part of a system that enhances customer convenience.

The center functions as a one-stop point of contact for Total Care members in times of trouble such as a road collision or vehicle breakdown, thereby relieving members from the burden and confusion of making various contacts to insurance companies and car dealers. In service 24 hours a day, seven days a week, the center also makes arrangements for roadside assistance for members in need and provides support for car operating instructions, among other things.

Honda has also entered into a business alliance with the Japan Automobile Federation (JAF), a first for 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 further deepening ties through these services.

*Survey by Honda; as of November 2016.

Quality Initiatives



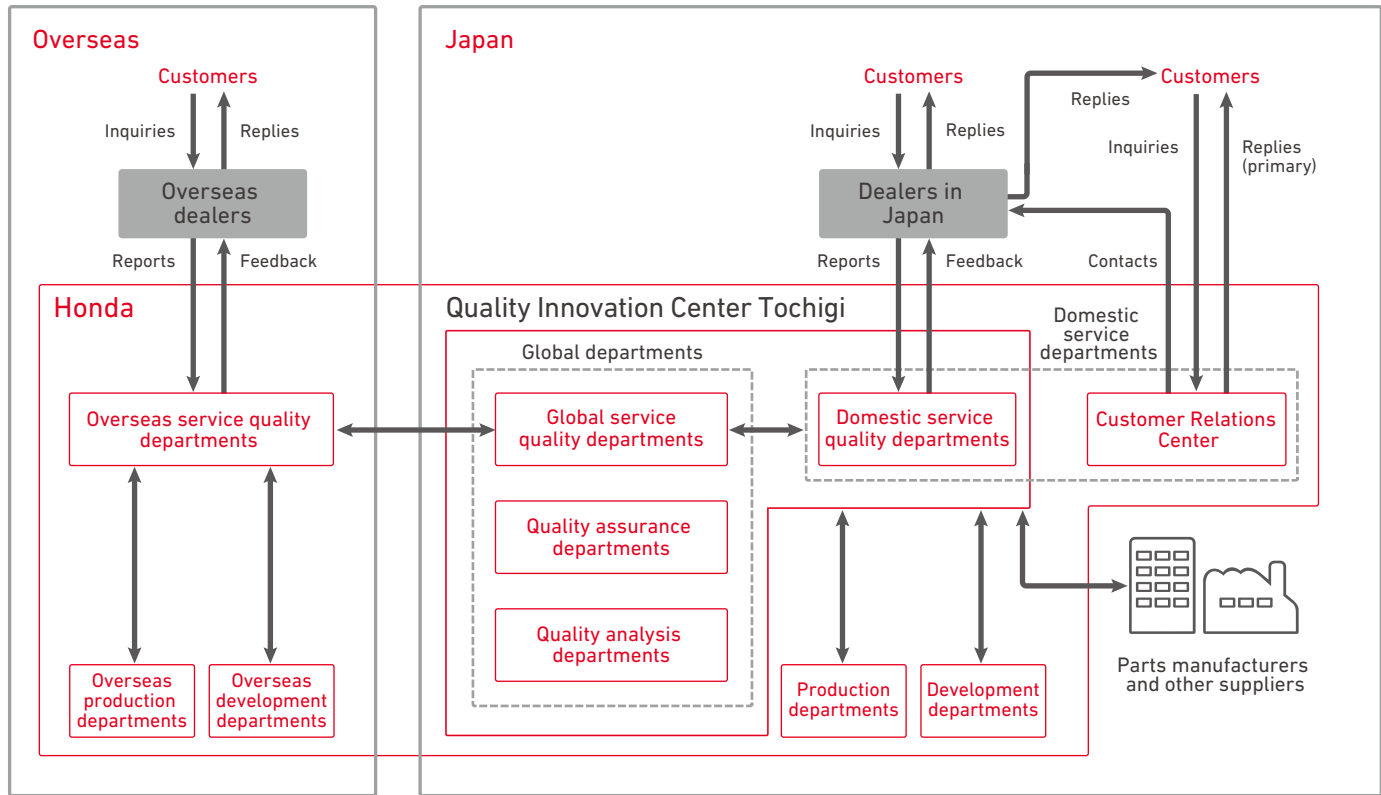
V. Quality Information Collection/Analysis and Quality Improvement

Honda has established a Quality Center to bring together the various components of our 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 data from dealers in Japan and overseas through service departments and customer consultation 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 design/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, thereby establishing a structure that enhances the link between service and quality assurance and further strengthens the flow of customer feedback.

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

Market quality enhancement system (automobiles)



Quality Initiatives

Quality Innovation Center Tochigi


The Center brings all the organizational components necessary to collate product quality data, analyze issues, consider countermeasures and provide quick and precise feedback to development and production departments together into a single facility.

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





Parts collection
Parts collected from the market are classified by category and managed to facilitate quick analysis.



Sharing market quality information
Service, R&D and analysis departments gather and share information from the market.




Analyzing materials
Issues caused by materials are analyzed using the latest scientific equipment, including composition analysis and X-ray diffraction analysis systems.




Measuring part precision
Parts' dimensional precision is verified using 3D measurement and the latest roundness measurement equipment.



Testing engine functionality and performance
The functionality and performance of assembled engines are verified on a bench.



Bench environment test
Analyses are conducted in road environments found around the world, from low temperatures to under the scorching sun, to humid conditions, traffic jams and high speeds.



Exhaust gas and mode driving verification
The compliance of exhaust gas components with emissions regulations and proper system operation during mode driving are verified.



Bench vibration test
Actual vehicle vibrations are reproduced on a testing bench together with analyzing issues.

Quality improvement operation process

Quality enhancement operations at Quality Innovation Center Tochigi, Japan, consist of pulling together market quality data and sharing information about collected parts and market quality issues. Personnel analyze collected parts, investigate causes and develop countermeasures and improvements in a timely manner.

Specialized teams with extensive product knowledge are able to obtain detailed data using a range of analytical equipment. The operational process is configured to facilitate objective and appropriate decision-making based on gathered data.

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 as not to forget past experience with market quality issues 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 and targets Honda associates, suppliers, overseas distributors and service-related personnel. Around 1,500 people visit the hall annually for training or as part of a tour.



Rust on the body of a Honda Civic made in 1981



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



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 Initiatives

Handling of Quality Issues When They Occur

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

A Global Quality Committee is quickly convened in accordance with Honda global rules 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.

<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.

Number of market actions

Segment	Number of market actions
Automobiles	46
Motorcycles	23
Power Products	4
Total	73

*Number of recalls worldwide in FY2017

Third-Party Evaluation

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

Results of the 2016 Initial Quality Study (IQS) for automobiles:
J.D. Power Asia Pacific

Country	Brand	Ranking
U.S.A.	Honda	No.24
	Acura	No.25
Japan	Honda	No.3

Country	Segment	Model	Ranking
U.S.A.	Midsize	Accord	No.3
Japan	Mini-vehicle	N-BOX	No.1
	Minivan	Freed	No.2
China	Midsize SUV	CR-V	No.1
	Midsize Upper	Accord	No.2
	Large MPV	Odyssey	No.2
India	Premium Compact	Jazz	No.2
	Entry Midsize	Amaze	No.1
Thailand	Midsize	City	No.1
		City	No.2
	Entry Midsize	Jazz	No.3
	Compact SUV	Civic	No.2
		HR-V	No.1
	BR-V	No.2	

*Includes top three vehicles in major markets from January to December 2016



Sources:

J.D. Power and Associates 2016 U.S. Initial Quality Study SM (based on responses from more than 80,157 owners who purchased or leased a new vehicle as surveyed from February to May 2016)
J.D. Power Asia Pacific 2016 Japan Initial Quality Study SM (based on responses from more than 19,573 owners who purchased a new vehicle as surveyed from May to June 2016)
J.D. Power Asia Pacific 2016 China Initial Quality Study SM (based on responses from more than 21,706 owners who purchased a new vehicle as surveyed from March to July 2016)
J.D. Power Asia Pacific 2016 India Initial Quality Study SM (based on responses from more than 8,330 owners who purchased a new vehicle as surveyed from May to September 2016)
J.D. Power Asia Pacific 2016 Thailand Initial Quality Study SM (based on responses from more than 4,813 owners who purchased a new vehicle as surveyed from May to September 2016)

Human Resources

3 times (2020) 9 times (2025)

Target number of women in management (compared with year 2014, Japan)



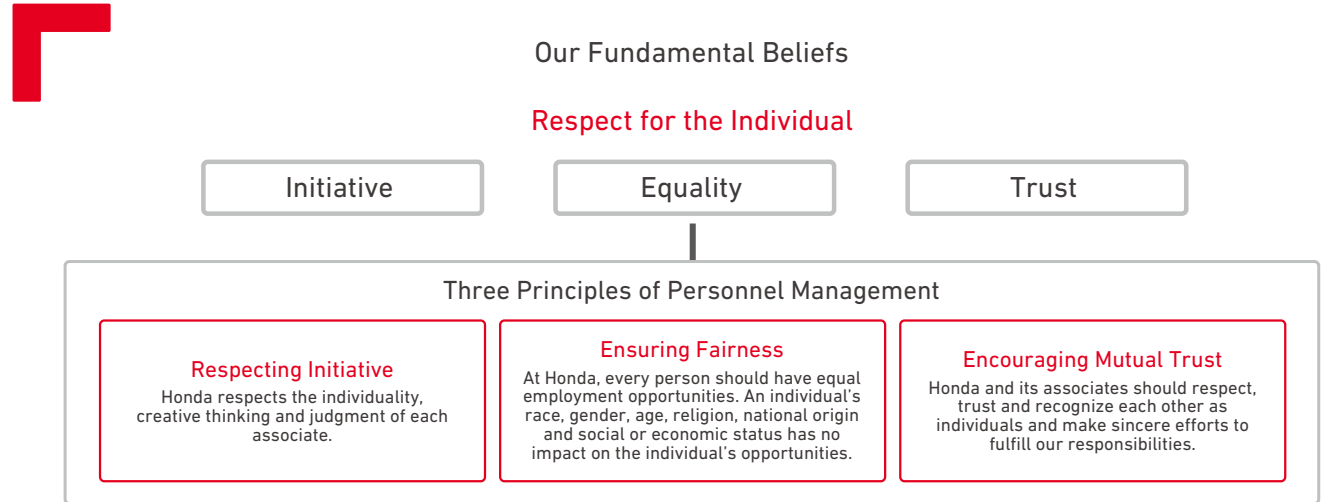
Basic Approach

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, based on the Universal Declaration of Human Rights and other international standards, 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. Honda works to understand current conditions by conducting an assessment as to whether management operates in line with the Associate Relations Policies at each Group company and to respond appropriately in case any concerns are raised. Starting from FY2017, the assessment now covers joint ventures. In FY2017, there were no incidents identified.



Our Fundamental Beliefs

Respect for the Individual

Initiative

Equality

Trust

Three Principles of Personnel Management

Respecting Initiative

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

Ensuring Fairness

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

Encouraging Mutual Trust

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

Associate Relations Policies

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

1. Respecting individual human rights
 - We accept the individual characteristics and differences of our associates and respect their willingness and initiative.
 - We will always respect each individual's basic human rights and will not allow forced labor or child labor.
2. No discrimination
 - Based on the principle that all human beings should have equal employment opportunities, we will strive to create opportunities for free and fair competition.
 - We will not tolerate discrimination or harassment of any form in the workplace on the basis of an individual's race, ethnicity, national origin, religion, gender or age, among other characteristics.
3. Complying with laws and ordinances
 - We will respect the social norms, customs and culture of each country.
 - We will comply with the laws, regulations and ordinances enacted in each country and region.
4. Creating an environment of free, open-minded dialogue
 - The associates and the Company will respect each other's views and endeavor to promote mutual understanding. Maintaining a relationship of mutual trust, the associates and the Company will make every effort to engage in sincere discussions about any issues that might arise or exist.
 - Respecting freedom of association, or not to associate, and collective bargaining, the Company will attempt to resolve any and all issues in line with the laws, conventions and usages of each respective country and region.
5. Maintaining a working environment where each associate can work with a sense of security
 - The Company will provide a safe and healthy workplace where all associates can concentrate on work with a sense of security.



Global Management

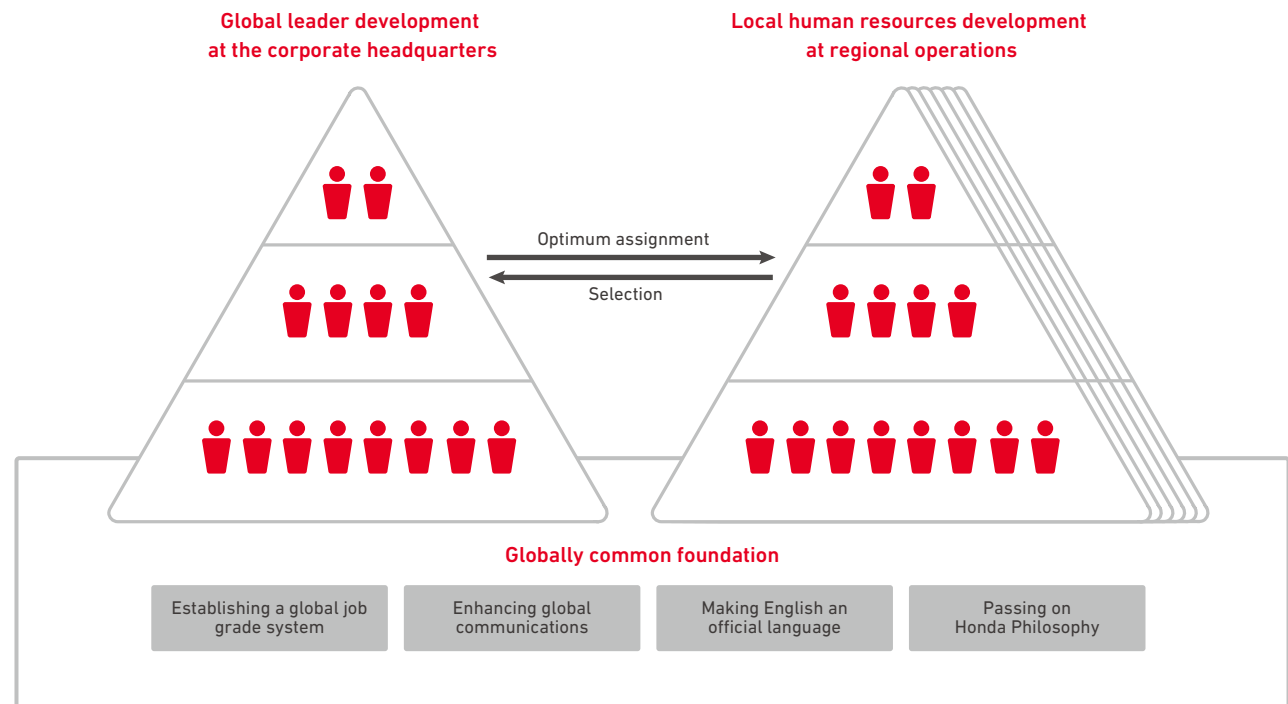
Human Resources Vision and Strategies

In accordance with its 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,” Honda has been proactively developing business with a view to entering the global markets since its foundation. In regard to its expansion overseas, Honda’s business model has evolved from exporting to local production and then to local development. In recent years, the Company’s production and development functions are being strengthened not only in developed countries but also in emerging countries, where demand for motorization is growing. Honda is striving for autonomy of its Regional Operations in six regions around the world.

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

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

Global Human Resources Management Approaches



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.

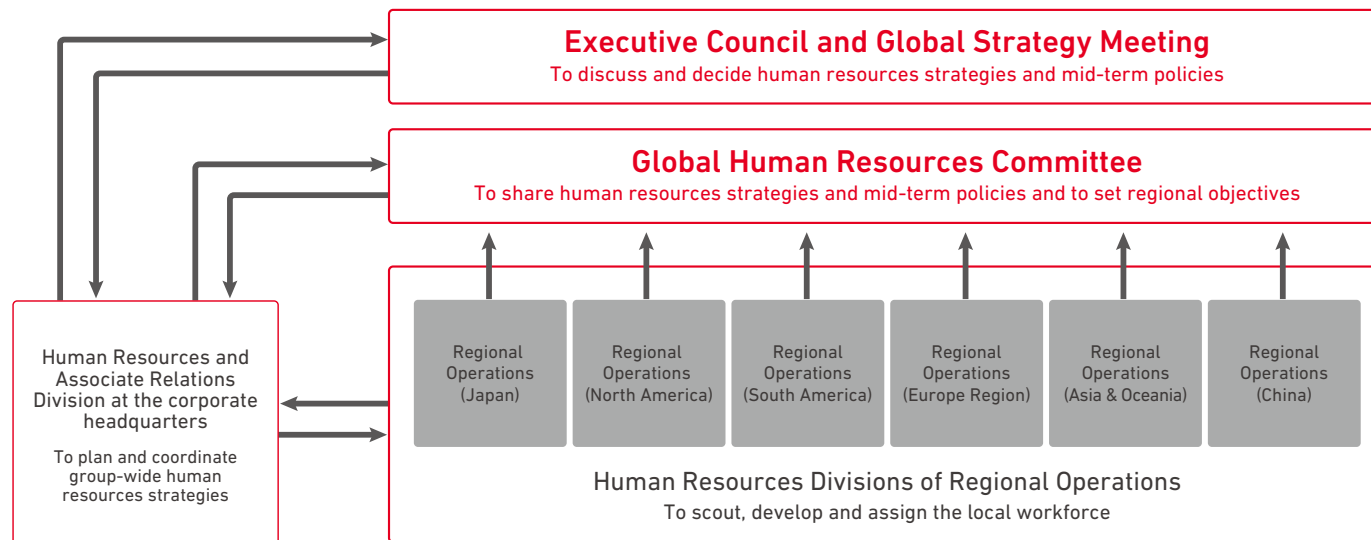
Furthermore, in order for these global human resources to be able to play active roles worldwide, Honda has adopted a Global Job Grade System (⇒ p. 65) in which managerial positions varying from one operation base to another are defined by common grades across the group. The Company aims to realize ideal 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 and Associate Relations Division at the corporate headquarters in Tokyo draws up global human resources strategies from the mid- to long-term perspective in coordination with operations in each region. Strategies proposed by the division are discussed annually by the management members in the Global Strategy Committee.

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

Global human resources management



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. 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)

Training hours and cost per associate

	Annual training time (hours)	Annual training cost (yen)
Japan	25.0	52,800
North America	11.9	22,300
South America	16.0	19,400
Asia & Oceania	7.1	4,700
China	24.1	21,300

*Information on Europe is to be confirmed.

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) program, 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.

In this system, individual positions existing in each operation base of Honda such as development, production and sales facilities are evaluated and weighed based on roles and responsibilities and defined by common grades to be used group-wide in order to facilitate the transfer of associates to posts and locations in which they can demonstrate their abilities better beyond the limits of regions and operations. Honda has adopted this system for the positions of department and division managers of the corporate headquarters and higher in order to proactively promote local associates. 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 through the Global Talent Board and Regional Talent Board that manages key posts and key talent around the world.

Human Resources Initiatives

Passing on the Honda Philosophy

It is important for progress of management localization to share business judgment and codes of practice, that is to say, to globally share a set of values such as 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 Use of English as an Official Language between Regions

In order for the Honda Group to exercise its total strength while operation bases in regions operate autonomously, it is essential to create an environment where its associates in the six regions can communicate closely.

In an effort to achieve this, Honda is working to make English an official language by 2020. With the adoption of this initiative, whenever interregional communication takes place, any information to be sent out will be sent in English. Documents to be used in meetings that involve regional operation bases along with any communication for information sharing will also be in English.

As a part of this initiative, Honda strives to reinforce training programs to improve the level of English among associates in Japan. English proficiency will be required for associates to be promoted to managerial positions in the future.

T O P I C S

Strengthening the Sharing and Passing on of the Honda Philosophy to Management

Honda promotes the localization of production and development in each region in line with its corporate philosophy of “building products close to the customer,” which has been in place since the Company’s earliest days.

In each region Honda is accelerating the shift from a management system centered on Japanese associates to one run by local associates who know the area best in order to meet changing customer needs on a local basis while also encouraging diversification and internationalization of associates. By doing so, the Company is aiming to establish a framework that enables it to further exploit the collective capabilities of Honda.

A specific initiative for passing on the Honda Philosophy to help achieve this concerned the opening of the website “Leadership Resources” on the in-house intranet worldwide in 2015. This site relays the stories of local associates regarding decision-making and management judgment based on the Honda Philosophy.

In 2016, Honda issued the booklet “Global Leader Talks,” which includes discussions with executive officers and top management from each region on their personal thoughts and beliefs based on the Honda Philosophy and Honda’s values. The booklet was distributed to management in all regions.

Through these activities, Honda aims to reinforce the sharing and permeation of the Honda Philosophy to accelerate the localization of management.



Human Resources Initiatives

Human Rights

Human Rights Training for Associates

The Three Principles of Personnel Management, Honda Code of Conduct and their basis, the Honda Philosophy, mention Honda's policy concerning human rights. Honda provides training on the Honda Philosophy all around the world to new associates, with the aim of promoting awareness of the Honda Philosophy concept. All 762 associates newly hired in FY2016 in Japan have gone through this training (22.9 hours of training in total).

Promoting Diversity

Fundamental Approach to Diversified Workforce

For Honda, diversification of the workforce means to enhance its total strength by providing equal opportunities to people regardless of their personal attributes and encouraging them to respect each other's individual differences and talents while exerting their own abilities to the fullest, based on Honda's fundamental belief of Respect for the Individual.

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

Honda promotes diversity in accordance with the conditions of each of its six core regions as part of respective business operations. Efforts are being made to increase the proportion of women and minority groups (in terms of race and nationality, etc.) in management in each region and to create a framework to foster local personnel and diversity.

Initiatives at Honda in Japan

Meaning of Expanding Women's Participation at Honda in Japan

In Japan, Honda has been working to expand women's roles since 2008 and offering greater opportunities by building awareness, introducing systems to help women achieve a work-life balance and providing career support programs. As a result, the proportion of female associates in the workforce has increased from 5.0% to 7.2% within the past 10 years.

Honda carries out business operations globally, but the percentage of women in management positions in Japan still remains low at 0.7%. As part of the Company's efforts to expand women's roles, it has selected the number of women holding management positions as one management indicator and plans

to triple the number by 2020 and realize at least nine times the number by 2025, both compared with FY2015.

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

Honda's Action Plan

1. Period of plan

April 1, 2016 to March 31, 2018

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> Foster awareness of the need to embrace diversity
 - Continuously disseminate information from top management regarding initiatives aimed at expanding participation of women (January 2015~)
 - Conduct rank-based training concerning expansion of participation of women in management positions (September 2015~)
- <Initiative 2> Nurture female associates and accelerate their utilization
 - Formulate a career (development) plan (April 2015~)
 - Conduct interviews regarding career path through career advisors (October 2015~)
 - Conduct training on career/leader development for female associates (October 2016~)
 - Implement program supporting career reinstatement following maternity leave (July 2016~)
- <Initiative 3> Create an environment enabling women to build a career
 - Introduce a system of working at home for people engaged in child care and nursing care (October 2016~)
 - Extend the period of short working hours until the fourth year at elementary school (October 2015~)
 - Establish company nurseries (April 2017~)
- <Initiative 4> Strengthen the employment of women
 - Conduct focused publicity for female science and engineering students (March 2015~)
 - Participate in events promoting selection in science and engineering for high school students (March 2015~)
 - Increase the number of points of contact with female associates and hold tours of business sites (March 2016~)



Human Resources Initiatives

Initiatives for Expanding Women's Participation

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

Honda's first effort to "Build awareness and foster an appropriate work climate" was to hold an annual lecture for members of company management. This was followed by a lecture for general, office and factory managers (held eight times with about 230 participants), a seminar for associates in management positions (34 times with about 3,200 participants) and a seminar for female associates (31 times with about 2,200 participants). Through these opportunities, the Company successfully cultivated a better understanding both among management-level associates and female associates. Honda is making steady progress in building awareness to foster an appropriate work climate.

To "Support career building" and accelerate the nurturing of female associates with a focus on the individual, the Company initiated a program in which supervisors create long-term, specific career development plans for aspiring female associates. Career advisors then hold individual interviews with these applicants to support their career building. In the past two years, such interviews were held with a total of 1,200 female associates.

Honda is also working to "Create an appropriate environment and systems" to respond to diversifying needs of associates and enable them to balance work and their desired lifestyles, not just helping associates continue working while balancing work, parenting and nursing care. In October 2016, the Company introduced a half-day paid leave system, system of working at home and system to provide financial support for child care in order to enhance our systems of short working hours and temporary nursery services. As another effort, we opened a company nursery in the Tochigi district in April 2017. We also support the provisions of the

Women's Empowerment Principles (WEPs), a set of principles for companies voluntarily promoting women's empowerment, and have signed the CEO Statement of Support for the WEPs.

Continuous Initiatives and Reforming Corporate Culture and Work Style

Honda seeks to reform its corporate culture and work style to allow people to work with enthusiasm and find their jobs rewarding. The aim is to shift to a more "time-conscious" work style, use the resulting time allowance to increase communication, encourage self-development and ultimately improve the quality of work and productivity.

Honda will continue to expand participation of women and step up its efforts to reform the Company's work style.

At the same time, Honda will promote the diversification of its workforce from various viewpoints, such as age, nationality and presence or non-presence of disabilities.

Percentage of women in the Honda workplace: FY2017

	Ratio of women in the entire workforce	Ratio of women in management positions
Japan	7.2	0.7
North America	23.0	18.5
South America	11.9	8.0
Europe	23.0	18.3
Asia & Oceania	10.6	15.8
China	13.1	16.2
Total	14.4	10.4

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

	Base salary (Female : Male)	Total compensation (Female : Male)
Management positions	1:1.08	1:1.08
General associates	1:1.20	1:1.35

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



Global Employment

As a part of efforts to diversify our human resources, Honda has started a Global Employment Program where some of the new graduates who join the Company are hired directly from overseas labor markets. The Company especially puts emphasis on hiring from labor markets in emerging countries where Honda plans to further develop business.

Honda strives to raise the total strength of its global workforce by developing these associates to be a core of Honda's human resources who will drive its global business in the future.

Number of global hires	FY2016	FY2017	FY2018 (Forecast)
Number of people hired	18	15	20

Employment of People with Disabilities

Honda actively provides jobs to people with disabilities at its facilities in compliance with laws in each country where it does business. The Company strives 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 offers employment at its affiliates in Japan, specifically Honda Sun Co., Ltd., Honda R&D Sun Co., Ltd. and Kibounosato Honda Co., Ltd. Employment of individuals with disabilities at Honda Group companies in Japan in FY2017 stands at 2.32%, or 1,073 individuals, which is above the legally mandated level of 2.0%.

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

	FY2013	FY2014	FY2015	FY2016	FY2017
Number of associates*	1,066	1,084	1,089	1,094	1,073
Percentage of employment*	2.31	2.27	2.28	2.30	2.32

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

Human Resources Initiatives

Employment of Retirees Aged 60 Years and Over

With its rapidly declining birthrate, Japan is becoming a super aging society in which people aged 65 years or older will account for about one-third of its population in 2030. Against this background, Honda faces challenges of ensuring the stable employment of senior citizens and how to pass on their skills and expertise.

Prior to the 2004 amendments of the Act on Stabilization of Employment of Elderly Persons, Honda introduced a system in April 2003 to create opportunities for those associates who reach the retirement age of 60. In FY2017, the Company re-employed 74.3% of all associates retired at the mandatory age of 60.

In April 2017, Honda extended the retirement age from 60 to 65 and introduced a flexible retirement system to allow associates to choose when to retire according to their plan in order to provide a more suitable working environment for people aged 60 and over.

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

Number of re-employed retirees in Japan

	FY2013	FY2014	FY2015	FY2016	FY2017
Number of re-employed retirees	434	567	622	711	729

Building Healthy Working Environments

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

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

In April 2014, we introduced a Selection-based Welfare Program

(Cafeteria Plan) giving associates the options of support for nursing care, as well as life events such as childbirth and child care, including babysitter agent services and child-care items rental.

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

Honda will continue to establish systems and an environment to accelerate promoting diversity (⇒ p. 67) and enable both varied lifestyles and careers desired by individual associates.

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

	FY2013	FY2014	FY2015	FY2016	FY2017
Short working hours to facilitate child care	171	153	172	182	219
	Male	2	2	0	5
Female	169	151	172	177	213
Administrative leave to facilitate child care	314	305	392	397	452
	Male	7	11	17	21
Female	307	294	375	376	420
Nursing care leave for children	959	894	971	1,116	1,356
	Male	624	554	593	718
Female	335	340	378	398	464
Work at home during child raising	-	-	-	-	145
	Male	-	-	-	-
Female	-	-	-	-	107
Childcare cost subsidy	-	-	-	-	74
	Male	-	-	-	-
Female	-	-	-	-	73
Short working hours to facilitate nursing care	0	1	3	3	8
	Male	0	0	2	1
Female	0	1	1	2	3
Administrative leave to facilitate nursing care	11	15	9	11	22
	Male	4	13	9	8
Female	7	2	0	3	8
Nursing care leave	19	22	13	22	11
	Male	16	19	11	17
Female	3	3	2	5	1
Work at home during nursing care	-	-	-	-	22
	Male	-	-	-	-
Female	-	-	-	-	10

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

	FY2013	FY2014	FY2015	FY2016	FY2017
Reinstatement rate	99.7	99.7	99.2	98.3	96.1
Male	-	-	-	-	100.0
Female	-	-	-	-	95.5

Optimizing Work Hours

While cases of workers working long hours and taking few paid days off are raised as social issues in Japan, Honda has always been an industry leader in introducing shorter workweeks. The Company instituted a five-day workweek on alternating weeks in 1970, followed by a true five-day workweek in 1972. Other initiatives enjoyed by associates for more than 40 years include the banning of overtime on Wednesdays and Fridays and the introduction of a policy encouraging all associates – both labor and management – to use their allotted vacation time in full.*

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

As a result, total working hours averaged 1,954 per associate in FY2017, and associates averaged 19.0 paid vacation days, putting Honda at the top level of the automobile industry in terms of reducing actual working hours.

Going forward, Honda will work to further reform work styles primarily through awareness-raising and a review of operating processes.

*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.

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

	FY2013	FY2014	FY2015	FY2016	FY2017
Total working hours per associate	1,950	1,900	1,890	1,964	1,954
Average vacation days taken	18.7	19.2	19.4	18.4	19.0



Human Resources Initiatives

Counseling Hotlines for Associates

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

Examples of counseling hotlines in Japan

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

Evaluation and Treatment

Personnel Evaluation System

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

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

Percentage of associates going through the evaluation programs

Region	Percentage of associates to be targeted for the evaluation programs
North America	99.1
South America	100.0
Europe	100.0
Asia & Oceania	99.6
China	99.9

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 recognizes and respects their abilities and accomplishments equally at worksites regardless of personal factors. Honda's compensation and evaluation system is built in line with this basic approach in consideration of the needs and conditions of each region.

Performance of general associates at Honda in Japan is evaluated in two stages under this system: 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.

Percentage of performance-based remuneration in Japan

Level	Proportion of performance-based remuneration in entire compensation
Director, Operating Officer positions	28.0*
Management positions	37.3

*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	172,100	114
Technical college and junior college	192,700	127
Undergraduate	215,900	143
Graduate school (Master's degree)	242,100	160

*Minimum wage is calculated using 20.3 eight hour days as one month based on the minimum wage for the Tokyo metropolitan area (932 yen/hour). This is a graded salary system and there is no difference in salary for males and females with the same qualification level. Figures are as of June 1, 2017.



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.

Associate Survey

Honda conducts an associate survey in all regions to solicit worker feedback for building a healthier work environment.

Taking place once every three years in Japan to coincide with the Company's mid-term plan, the surveys include a variety of questions designed to gauge associate views on organizational culture, the Company's personnel system and management. Survey results are fed back to associates through in-house publications and are also incorporated into HR-related initiatives, such as management training and changes to the personnel system.

Results of associate surveys in Japan
(Level of satisfaction working at Honda) (%)

	FY2014	FY2017
All associates	80.0	74.5
Male	80.2	74.1
Female	77.9	72.5
Percentage of respondents for all associates	94.3	94.8

Initiatives for Occupational Health and Safety Management

Occupational Health and Safety

Honda strives to create a safe and healthy workplace in order to maintain a working environment in which people can work with a sense of security. As a company that holds "Respect for the Individual" as one of its Fundamental Beliefs, "no safety no production" has been Honda's fundamental safety principle shared throughout the Honda Group since its founding. Based on this principle, Honda Group companies in all parts of the world have established basic policies for occupational health and safety based on respective regional needs and conditions and promote activities aimed at preventing industrial accidents and any recurrence thereof.

With the Company'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, Honda is pursuing the following key measures.

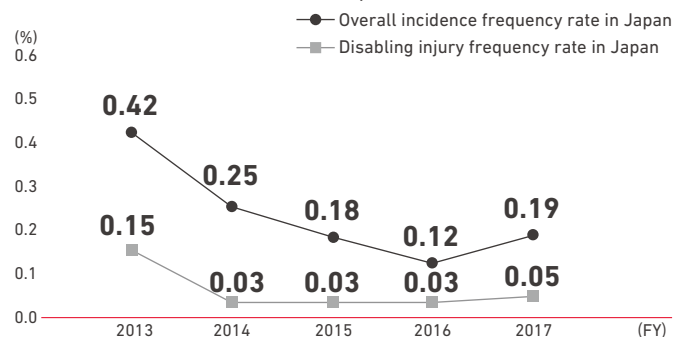
1. Conducting initiatives to totally eliminate industrial accidents specifically designed to meet the characteristics of individual operational areas, including development, purchasing, production, sales and management
2. Building up safety support systems for global operations
3. Standardizing explosion and fire prevention management systems
4. Totally eliminating traffic accidents by strengthening safe driving management and implementing awareness-raising activities (Japan)

In FY2017, Honda conducted self-assessment activities globally focused on explosion and fire prevention as part of the Company's efforts to create a global safety support system and reinforce its framework to reduce serious accident risks. Honda will continue to set specific action themes to prevent industrial accidents, explosions and fires and implement relevant activities worldwide.

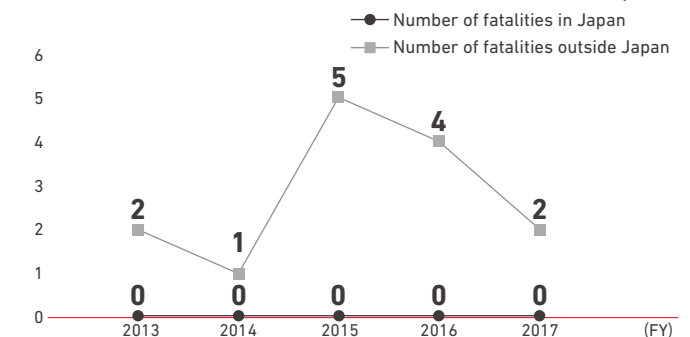
In Japan, Honda will continue to implement health and safety related activities to reduce the risk of serious accidents in cooperation with companies and labor unions based on a unified understanding.



Incidence of industrial accidents in Japan



Number of fatalities due to industrial accidents (in and outside Japan)



Human Resources Initiatives

Global Administration for Safety

Head offices in each region are taking the lead in implementing global controls for safety. For production activities, in particular, local offices are leading activities strongly focusing on implementation of an occupational health and safety management system, diffusion and execution of risk assessment and the establishment of explosion and fire prevention measures. Honda conducts occupational health and safety audits and reviews as needed to share recognition of health and safety management, while striving to improve the management system, as well as develop human resources for safety control in each country and region.



Further Supporting Associates' Good Health from the Perspective of Health Management

The Honda Group hopes that all of its associates around the world remain healthy in the same way we strive for safety on a global basis. The Company believes in continuously seeking to maintain and improve the health of its associates.

In addition to complying with laws and regulations, Honda examines and promotes ideas for activities aimed at enabling the joy of being healthy into the future.

Health management efforts in Japan

Medical checkups	Beginning with new hire medical checkups, regular health checkups and specific examinations necessary for certain lines of work, and including checkups for business trips abroad or long-term assignments overseas, Honda has implemented a program of as-needed medical examinations for associates. Targeted checkups are offered to associates aged 35 or older instead of the statutory age of 40 or older with the aim of early detection and early response to illness.
Health guidance	In light of results of checkups, provides health guidance, nutrition guidance and exercise instruction to improve lifestyle habits in order to prevent adult-onset diseases and severe illness.
Activities to maintain and promote health	Honda carries out activities for associates to get and stay healthy through initiatives including health-promoting events such as a walking event or measuring physical fitness to spur associates to develop good exercise habits. Honda has also introduced a selection-based welfare program so that associates can voluntarily seek to promote their own health.
Preventing danger from secondhand smoke	Honda is working to ensure that its workplaces are free from the danger of second-hand smoke inhalation. While setting clear environment criteria for smoking areas and ensuring these areas observe these criteria by performing environment measurements, the Company conducts activities tailored to the needs and conditions of its business sites in order to minimize the effects of secondhand smoke. Honda's activities include prohibiting smoking inside buildings, setting non-smoking hours, holding events to coincide with World No Tobacco Day and allocating a given day each month as a no-smoking challenge day. Honda also carries out educational activities for smokers and extends support to associates who smoke but wish to quit.
Mental health care	Honda is working to promote its associates' mental well-being. To this end, the Company has put together mental health promotion teams in each of its facilities. Honda's mental health initiatives are underpinned by the key policies as follows: "preventative education," "improving working environments," "checking stress levels," "enhancing counseling programs" and "support for those returning to the workplace after taking time off." The Company also distributes leaflets and pamphlets to associates aimed at facilitating an understanding of mental health care.

Statistics on Human Resources



Employment Situation

Consolidated number of associates

	FY2015	FY2016	FY2017
Japan	65,788	64,975	64,696
North America	48,024	50,624	53,243
South America	16,635	16,297	14,716
Europe	8,597	8,111	8,211
Asia & Oceania	50,649	52,364	54,380
China	15,037	16,028	16,669
Total	204,730	208,399	211,915

Number of associates by gender

		FY2015	FY2016	FY2017
Japan	Male	47,689	46,715	46,929
	Female	3,326	3,041	3,420

*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

		FY2015	FY2016	FY2017
Japan	Male	636	660	875
	Female	83	102	134
		4,778	4,051	4,789
North America	Male	-	3,008	3,410
	Female	-	1,043	1,379
		814	767	412
South America	Male	649	679	335
	Female	165	88	77
		-	340	357
Europe	Male	-	258	268
	Female	-	82	89
		4,720	3,174	5,415
Asia & Oceania	Male	4,252	2,795	4,867
	Female	468	379	548
		2,190	1,721	3,485
China	Male	1,962	1,541	3,199
	Female	228	180	286

Attrition rate (%) (including compulsory retirees)

		FY2015	FY2016	FY2017
Japan	Male	1.8	1.9	2.0
	Female	2.5	2.1	3.0
		6.0	7.8	9.6
North America		6.0	7.8	9.6
South America		10.9	12.0	15.8
Europe		-	8.2	7.2
Asia & Oceania		6.6	4.0	3.9
China		2.4	4.4	5.1

Percentage of associates from local communities taking upper management positions

Percentage of associates from local communities in entire upper management positions	
North America	60%
South America	39%
Europe	48%
Asia & Oceania	39%

Number of associates by employment contract and type

		FY2015	FY2016	FY2017
By contract	Permanent	42,342	41,622	41,001
	Non-permanent	5,347	5,093	5,928
By type	Full-time	47,549	46,608	46,834
	Part-time	140	107	95

Social Activity

2.56 million

Number of children who applied for the Children's Idea Contest in Japan, Thailand and Vietnam since 2002



social activity

Basic Approach

Honda Social Activity

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 activities in the six 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 activities while communicating with customers and local residents.

Basic Approach

Honda establishes foundational principles and global directions that represent its basic approach toward social activities. These clearly stated principles and directions demonstrate the Company's determination to passionately take part in activities related to educational, environmental, community and traffic safety initiatives that will help create a future society in which everyone can pursue their dreams.

Honda pursues a variety of activities in six regions, taking advantage of its unique management resources in line with these principles and directions.

Basic principles and directions of Honda philanthropy

Honda Philanthropy: Vision

Honda enriches joy for people around the world through socially responsible activities in accordance with the Honda Philosophy of Respect for the Individual and the Three Joys. Ultimately, it is our desire that society will want Honda to exist in every community.

Honda Philanthropy: Basic principles

- As a company with a global viewpoint, we are dedicated to contributing to the well-being of local communities around the world through our products and technologies.
- As a good corporate citizen, Honda will deepen its commitment to all local communities where it does business.
- Honda will contribute to the nurturing of a society where caring and energetic individuals actively participate in socially responsible activities.

Global directions

Striving to create a future society in which everyone can pursue their dreams, Honda shall:

- Support educating our youth for the future
- Work to preserve global environments
- Promote traffic safety through education and training



Japan



Regional Activities

Disaster support activities (Great East Japan Earthquake/ Kumamoto earthquakes/relief efforts)

With the aim of providing support for reconstruction of areas affected by the Great East Japan Earthquake, Honda has been implementing the ASIMO Special Class and TOMODACHI Honda Cultural Exchange Program.

The ASIMO Special Class, launched in 2011, introduces the performance and functions of the ASIMO humanoid robot mainly to children in elementary schools in the disaster-affected areas of Iwate, Miyagi and Fukushima prefectures in order to highlight the importance of having a dream and taking on new challenges. Activities were undertaken at 19 schools in 2016, the final year of the program. Since the launch, classes have been held at a total of 130 schools, with around 21,000 children participating.

The TOMODACHI Honda Cultural Exchange Program trains young people to take leadership for their own development. Bringing together high school students from the affected areas for cultural exchanges with students from the United States provides students with a global perspective of the future so they can use their hopes and dreams to boldly take on challenges and make the world their stage. In keeping with the spirit of the TOMODACHI Initiative sponsored by the U.S. Embassy and U.S.-Japan Council, in conjunction with American Honda Motor Co., Inc.,



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Honda has provided students with the opportunity to experience U.S. traditions and culture, including participating in the Rose Parade, for three years beginning in 2015.

The first program focused on students from Miyagi Prefecture, the second from Iwate Prefecture, and in 2016 some 20 high school students from Fukushima Prefecture took part in the program.

Honda donated 50 million yen to Kumamoto Prefecture as relief aid following the earthquakes in 2016 plus 110 motorcycles, 127 Enepo generators powered by butane gas canisters and daily necessities. Some 40 vehicles were also loaned free of charge to areas affected by the earthquakes. Honda also opened up part of the Kumamoto Factory premises to be used as an evacuation center as part of efforts to contribute to the earliest possible relief and recovery of affected areas.

In addition, Honda donated four high pressure washers to Hokkaido and five to Iwate Prefecture, where it also loaned four mini-vehicles, as relief support after these areas were hit by Typhoon No. 10.

Contributing to society with the Honda C-card

Honda issues the Honda C-card to provide optimal service for its domestic customers. In addition to its credit card function, the Honda C-card provides a cash-back points system, members-only preferential service and a charity (social contribution) function for donations to the Red Cross and UNICEF, all services that began in October 1995. As of March 31, 2017, some 690,000 cards have been issued.

The Honda C-card charity award ceremony was held at the Japanese Red Cross Society and Japan Committee for UNICEF in June 2017. With this charity, Honda donates* a fixed percentage of total Honda C-card use for the year to the Red Cross and UNICEF.

This was the 22nd time the donation was made, with a cumulative total of approximately 902 million yen being donated so far.

*Customers bear no burden for these donations.

Developing the Next Generation

Environmental education programs Nature Wagon and Dream Hands

Honda conducts the delivery-style environmental education programs Nature Wagon and Dream Hands, which are mainly offered to local elementary schools and municipalities near Honda worksites around Japan. Nature Wagon uses wood from tree thinning, stone and other natural materials, providing students with an opportunity to think about the importance of environmental conservation and to experience the fun of making things. Dream Hands refers to activities to spread the joy of making things using original Honda cardboard crafts. In FY2017, these programs were held a total of 465 times, with around 20,000 students and 4,500 volunteers taking part.

- 01 The ASIMO Special Class has been conducted at a total of 130 elementary schools since 2011
- 02 As part of the TOMODACHI Honda Cultural Exchange Program, participants took part in the Rose Parade in the United States at the start of the year
- 03 Scooters were donated to local municipalities in Kumamoto Prefecture to support rehabilitation following the Kumamoto earthquakes
- 04 A total of 40 Honda-owned Acty Trucks were lent free of charge to help with reconstruction efforts after the Kumamoto earthquakes
- 05 Japan Committee for UNICEF Executive Director Hayami (right) presents a letter of appreciation to Honda Motor Co., Ltd. Sales Department General Manager Iwasaki (left)
- 06 Nature Wagon, a delivery-style environment education program
- 07 Dream Hands aims to spread the joy of making things

Japan



08

09

Children's Idea Contest

The concept behind the Children's Idea Contest is to enable children to experience the importance and joy of creation, and help them grow socially, giving shape to their ideas through the act of drawing their dreams and taking on new challenges. In 2016, the contest was held for the 14th time, with a cumulative total of 34,750 groups of children providing 4,096 works over the past seven years. In addition, since 2005 Thai children who had taken part in a similar contest in Thailand were invited to join an international exchange event held at the Twin Ring Motegi racetrack in Tochigi Prefecture. Together with Japanese children, they talked about their future dreams and country's culture, introduced each other's work and engaged in a variety of other exchanges.

The Children's Idea Contest also has been held in Vietnam since 2008. More children have entered the contest in subsequent years, and it recorded a cumulative total of more than 2.56 million children who applied in the three countries including Japan.

Global Environment

Honda Beach Cleanup Project

Honda is carrying out the Honda Beach Cleanup Project based on the desire to ensure that the next generation will be able to experience the enjoyment of walking barefoot on sandy beaches.

During the cleanup activities large garbage is picked up by hand, with smaller items then efficiently recovered by Honda's

proprietary towed Beach Cleaner*. Environmental learning classes are also held for children, stressing the importance of environmental conservation.

In addition to a beach-cleaner-towing 90cc towed beach cleaner, since 2016 Honda introduced a Beach Monpal electric cart for use exclusively on the beach in an effort to show how fun cleanups can be to as many people as possible. The machines were a hit with everyone from children to the elderly for their ability to make beach cleaning so enjoyable.

Cleanup activities were held 26 times in FY2017, with 2,002 associates from 362 Group companies taking part, together with local people. These activities, which began in 2006, were conducted for the 10th year in 2016. They have now been carried out 300 times in total, with volunteers from 1,842 companies and around 25,000 local residents participating.

*Honda's exclusive system for the efficient collection of garbage uses an all-terrain vehicle (ATV) that is ideal for driving on sand, towing a cleaner unit.

Conservation activities for forest watersheds

Forests, also known as "green dams," are places that store water over long periods of time and not only support good water flow in rivers but also create clean air. They also play a role in preventing disasters by stabilizing the ground and providing other benefits in the surrounding area. To help ensure this important water source continues into the future, Honda associates and their families from business sites around the country, along with retirees, volunteer for ongoing forest conservation activities. In FY2017, 15 conservation activities were conducted in nine locations around Japan. A total of 400 participants took part in the planting, weeding and thinning of seedlings, splitting the jobs between them.

Honda has also started activities in a forest conservation area in Chichibu, making it easy for associates to participate.

Traffic Safety

Development of new educational program for children

Honda is working for the safety of all people through a variety of initiatives. In 2016, as part of efforts to spread traffic safety education befitting people of all ages, from children to the elderly, and with the needs of the times, Honda focused on developing traffic safety materials for young children.

A new educational program for young children completed in September 2016 aimed at teaching about traffic safety combines original animation with physical exercise choreographed to make it easy for children to learn the key gestures for stop, look and wait in order to avoid traffic accidents. The program includes conversation with instructors directed toward encouraging safe behavior. Honda sought the advice of various local traffic safety instructors in developing the program and aimed to make it as easy to use on-site and effective as possible for children.

- 08 Winner of the top award in the upper-grade elementary school category of the Children's Idea Contest with "the world's most eco-friendly production machine using waste fruit and vegetable peels to make clothing"
- 09 Winner of the kids' grand prize in the upper-grade elementary school category of the Children's Idea Contest with an "insect resource recycler"
- 10 Honda's original "towed beach cleaner" makes cleanups more fun
- 11 Signing ceremony prior to the start of activities at a forest conservation area in Chichibu, Saitama Prefecture (Governor Ueda of Saitama Prefecture (center), Mayor Kuki of Chichibu City (right) and Administrative Manager (then) Yasuda (left))
- 12 Group photo during a conservation activity for a forest watershed
- 13 New program in which children learn about safe behavior in a fun way based on bodily movement

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North America

Regional Activities

United States: Positive youth development using minibikes

The U.S. National Youth Project Using Minibikes (NYPUM) began in 1969 as an innovative way to engage youth and promote positive youth development using minibikes. The program provides at-risk youth with the incentive of riding motorcycles to motivate them to make positive changes in their lives and behavior. Youth also discover the fun of riding, explore the great outdoors and receive valuable instruction in safe riding uses. In 2016, the program served approximately 1,400 youth through 35 programs in the United States. The program has resulted in remarkable improvements in the behavior of about 90% of the youth involved. Since its inception, NYPUM has helped approximately 300,000 young people aged 10 to 17. American Honda has supported the program by donating more than 20,000 minibikes and providing consistent funding support for the program.

United States, Canada and Mexico : A week of coordinated social activities

For the first time in its history, Honda conducted a large-scale coordinated week of volunteer projects, the Team Honda Week of Service. From June 10 to June 19, 2016, nearly 15,000 volunteers were called to action from Honda companies in North America along with additional volunteers from more than 325 dealerships and 76 suppliers. Timed to coincide with the company's Founder's

Day, which marks the first Honda business operation in North America on June 11, 1959, the week included coordinated community service activities and volunteer events in 41 states in the United States, Mexico and Canada. The program proved to be an unprecedented opportunity to reinforce the Team Honda spirit of working together to make a difference in local communities.

Developing the Next Generation

United States: Supporting the expansion of educational opportunities and research into new education methods

Founded and funded solely by Honda, Eagle Rock School opened its doors in 1993 with a mission to help the most disengaged students find their way back to an appreciation of education. Today, Eagle Rock provides a unique learning environment and supports the lives of young people by promoting community, integrity and citizenship. In addition, Eagle Rock's Professional Development Center (PDC) works with educators from around the country to improve other high schools and make them more engaging for students.

Global Environment

Canada: "One Honda. One Tree." campaign

In an effort to contribute to the re-greening of the Province of Ontario's forests, the Honda Canada Foundation, through its

"One Honda. One Tree." campaign, plants one tree for every power equipment item and particular ATV model sold in Canada between April 1 and July 31 annually. The program has been in existence for the past 11 years, and the Honda Canada Foundation has partnered with Forests Ontario since 2013. Cooperation also extends to providing volunteers and products, including tillers, for national tree-planting activities. In FY2017, more than 21,000 trees were planted. Within the last 11 years, 140,000 trees have been seeded.

Traffic Safety

United States: Honda Rider Education Center

The Honda Rider Education Center in Colton, California, is a facility for people to learn how to ride and develop safe and smart riding skills. It is the first motorcycle manufacturer to have created unique sites specifically designed for motorcycle, ATV and Side by Side training and instruction. Instructors teach over 11,000 people a year from six-year-olds to adults. The facility is also Honda's first Environmental Learning Center and is set on a two-acre plot of land with trails and over 2,500 different species of plants. Riders can get a feel for grassland, chaparral, woodland, riparian and desert terrains.



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- 01 Youth uses a minibike as part of NYPUM (United States)
- 02 Honda's first large-scale community service week held simultaneously in three countries in North America (United States, Canada and Mexico)
- 03 Students graduating from Eagle Rock School (United States)
- 04 Over 21,000 trees were planted in FY2017 (Canada)
- 05 The Honda Rider Education Center is available for riders six years and older (United States)

South America

Regional Activities

Argentina: Workshop for a sustainable future

For the fourth consecutive year, Honda Motor de Argentina S.A. (HAR) has promoted workshops in elementary schools in the cities where HAR has business, fostering a spirit among children to build a more sustainable future. Some 8,430 students and teachers from Campana and Pacheco participated in events based on Honda's four pillars of social activities, namely environmental, educational, community and traffic safety initiatives. The event was attended by 94 volunteer associates from Honda.

Developing the Next Generation

Brazil: Honda Professional Training Course

In 2016, 29 students graduated from the Honda Professional Training Course, which was marking its 10th anniversary. The initiative is run by the Honda After-Sales Training Center in Recife in the state of Pernambuco, with support from Honda Financial Services (HFS) and Sales Division of Moto Honda da Amazonia Ltda. (HDA). The course provides job training for youth aged between 18 and 20.

Since its inception in 2007, a total of 194 people have participated in the course. Over 71% of young people who have completed the training go on to secure employment, including some who join Honda dealers in the region.

With more than 800 hours of training, the course provides technical training on automobiles and motorcycles, sales skills, product knowledge and traffic safety, as well as teaches about the importance of volunteer work.

As part of the course, students carry out social activities such as support of a blood donation campaign held in June, which saw 83 volunteers and benefited 330 people in need of blood.



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Global Environment

Brazil: Science Circuit

Moto Honda da Amazonia Ltda. (HDA) provides support for the Science Circuit, a large-scale environmental and social project involving a number of research institutes and public schools in Manaus. The project is being run by the National Institute of Amazonian Research (INPA) in collaboration with the Amazonas State Government.

The purpose of the initiative is to enable the young children to learn about the importance of environmental conservation through workshops, games and exhibitions on aquatic insects, the cause of malaria, dengue fever and leishmaniosis. The diverse range of activities, which seek to promote understanding of the Amazon's natural environment, were offered to children from April to December 2016. Over the past 17 years, the circuit has received roughly 61,800 students, with around 3,500 students from 40 local schools taking part every year.

Traffic Safety

Brazil: Training at Traffic Educational Center

Honda is providing safe driving education activities at the Traffic Educational Center in the three Brazilian cities of Indaiatuba, Manaus and Recife. Participants include people from governmental agencies, motorcycle owners and riders who learn about correct behavior as a rider, riding posture and riding skills in an actual traffic environment. Between April 2016 and March 2017, 12,756 people took part in the riding courses while 16,041 people received educational instruction. In addition to discussions on harmony between traffic and society, a total of

1,286 children participated in Clubinho Honda, a program that teaches about traffic rules in a fun way.

In addition, the Harmony Traffic website has been set up, as well as traffic safety education programs via YouTube and Facebook. Between April 2016 and March 2017, these portals attracted 5,109,080 visitors.



- 01 Learning about environmental conservation and traffic safety through games and theater performances (Argentina)
- 02 To date, some 194 students have taken the Honda Professional Training Course (Brazil)
- 03 The Science Circuit is a large-scale environmental socialization project involving research institutes and public schools in Manaus (Brazil)
- 04 Educational activities concerning safe driving are conducted at Honda's Traffic Educational Centers in the three cities of Indaiatuba, Manaus and Recife (Brazil)

04



Europe, Middle East and Africa



- 01** Associates in costume taking telephone calls at office transformed into a charity call center (United Kingdom)
02 Conservation activity sponsor cars with UNESCO biosphere reserve livery (Germany)

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Regional Activities

United Kingdom: Charity call center for children in need of support

Honda Group companies in England joined forces to open a charity call center in the Honda Blacknell office with the aim of helping children in need. The effort gathered 50,000 pounds in donations on the night. Over 70 Honda associates volunteered their time for the initiative, which served to transcend barriers between the different offices and deepen unity, cooperation and friendship.

United Kingdom: Fundraising through internal events

Honda of the U.K. Manufacturing Ltd. (HUM) holds Dress Down Days eight times a year, in which associates participate in fundraising activities in casual attire. HUM also holds the Great Honda Bake Off charity event where sweets baked by associates are sold. The funds raised through these events are donated to cancer research centers, hospices, hospitals and other worthwhile causes.

Developing the Next Generation

United Kingdom: Workplace tours for local children

HUM holds workplace tours for children from local schools that are run by associates who volunteer their time. Learning about the work associates do helps to increase understanding of the automobile industry. Over 95% of participants have given positive feedback, including comments that the tours were interesting and they would recommend them to others.

Global Environment

Germany: Participation in conservation activities in UNESCO biosphere reserves

Since May 2004, Honda Motor Europe Ltd. (Germany) has been committed to conservation activities in UNESCO biosphere reserves, undertaking a number of projects in conjunction with EUROPARC, which is an umbrella organization for Germany's national parks, and the Schaalsee Biosphere Reserve and German Commission for UNESCO. In 2006, 2007, 2008 and 2010, Honda supported climate change conferences run by EUROPARC in Potsdam and Berlin. From 2011 to 2014, Honda sponsored the Blue Skies Award, which solicits new ideas for climate control from schools and residents in close proximity to Germany's biosphere reserves. Support was also given to a peatland project in the Schaalsee Biosphere Reserve aimed at reducing CO₂ emissions into the atmosphere.

These initiatives match Honda's philosophy to reduce environmental burden while realizing both the creation of opportunities for growth and a sustainable society. This series of activities in Germany achieved with the cooperation of public institutions and local residents has become the ideal model case for UNESCO biosphere reserve conservation worldwide.

Asia & Oceania

Regional Activities

Thailand: Donations for flood victims

Honda Kiang Khang Thai Fund (HKKT), under the Honda Thailand Foundation (HTF), donated 10 million baht and 700 high pressure washers worth 20 million baht in support of flood victims in the southern part of Thailand. The charity event was held at the Office of the Prime Minister of Thailand in January 2017. This reflects Honda's mission in providing immediate help to people whose lives are affected by natural disasters. The high pressure washers are beneficial in removing dirt and cleaning homes and offices in the affected areas. In addition, HKKT also provided 4,500 sets of survival bags and essential supplies including tents in cooperation with the Department of Disaster Prevention and Mitigation for flood victims in Nakhon Si Thammarat, Surat Thani and Phatthalung provinces.

India: Provision of equipment free of charge for persons with disabilities

Honda Motorcycle and Scooter India Pvt. Ltd. (HMSI) initiated a program to support persons with disabilities in order to realize an inclusive society in which everyone has equal opportunity and can live independently. HMSI donated 10 million rupees for the program in providing assistive devices such as artificial limbs, wheelchairs, hearing aids and crutches to 758 persons with disabilities living in Haryana, Rajasthan, Karnataka and Gujarat states through collaboration with the Department of Empowerment of Persons with Disabilities and Artificial Limbs Manufacturing Corporation of India (ALIMCO).



social activity



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Developing the Next Generation

Indonesia: Support program for young entrepreneurs

P.T. Astra Honda Motor (AHJ)'s "Astra Honda Motor Best Student (AMHBS) 2016" is a program that aims to provide opportunity for young entrepreneurs who can contribute to the future development of the country. The participants give presentations to judges, take a variety of training sessions and attend workshops to learn what is required for starting a business. In the competition, participants are also given the opportunity to meet with Bacharuddin Jusuf Habibie, a highly respected engineer who was former President of Indonesia. Through this program, AHJ will provide support to many young people with a spirit of entrepreneurship who are able to make a strong contribution to the advancement of Indonesia going forward.

Global Environment

Thailand: Support of conservation activities for wildlife and plants

The Honda Thailand Foundation implemented the "Elephant Salt Lick Promotion, Check Dam Building and Tree Planting Project" in the Borphloi district of Kanchanaburi Province. The project started in 2012 to tackle the current deterioration of forest resources in Thailand. Based on close ties with the government with its aim of protecting Thailand's wild animals and plants, the project extends beyond the restoration of forest resources to include food supply for wildlife, tree-planting, improvement of

salt lick areas and the provision of minerals. So far, associates from the Honda Group have improved 22 salt lick areas, built nine check dams, planted around 8,000 trees over an area of 20.8 sq km and built one bamboo bridge.

The project was held for the 5th time by the foundation in 2016 with cooperation from the Asian Elephant Foundation of Thailand, the National Park, Wildlife and Plant Conservation Department and the Royal Thai Army. Over 300 Honda associates from 10 Honda Group companies in Thailand and approximately 100 local villagers volunteered and participated in activities aimed at protecting wildlife living in Kanchanaburi Province.

Certain wild animals such as elephants require salt for their mineral intake. Minerals were therefore provided in three salt lick areas for the elephants to replenish. One check dam was also built and 3,000 trees were planted over a 16 sq km area. The Honda Thailand Foundation donated the equivalent of 300,000 baht for the project.

Plans are in place to continue the project to build a sustainable society and protect Thailand's wild animals and plants.

- 01 HKKT committee member representatives with the Prime Minister of Thailand Prayut Chan-o-cha (right) and Noriaki Abe, Chief Operating Officer, Regional Operations (Asia & Oceania) (second from right) (Thailand)
- 02 Assistive devices were donated to 758 people in need (India)
- 03 Participants in the Astra Honda Motor Best Student (AMHBS) 2016 program share a laugh with former President of Indonesia Bacharuddin Jusuf Habibie (left from photo) (Indonesia)
- 04 Engaging local communities in conservation activities for wildlife and plants since 2012 (Thailand)

Asia & Oceania



- 05 Tree-planting day held in May 2016 (Vietnam)
- 06 Women learn about safe motorcycle driving (India)
- 07 Drivers and management from public transport institutions attend a seminar (The Philippines)

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Vietnam: Afforestation project in Bac Kan Province

Honda Vietnam Co., Ltd (HVN) started a “Forest Day” project in 2013 in collaboration with the Department of Agriculture and Rural Development in Bac Kan Province in northeast Vietnam with the aim of eliminating poverty through forest regeneration and timber production. As the only sponsor of the project, HVN has pledged VND 4.9 billion for the project over an eight-year period from 2013. Some 520 ha of forest have been cultivated during the first four years of the project. The timber is scheduled to be harvested in 2020 following ongoing grooming and protection of the trees by local residents. HVN receives technical guidance on tree-planting and cultivation from experts from the Japan International Cooperation Agency (JICA) and Vietnam Forestry University. HVN associates visit the site once a year and help to plant trees with local residents. The project is expected to yield 73,500 m³ of wood and bring in a profit of around VND 50 billion through the sale of timber. Around 350 households in the region participate in the project by planting and cultivating trees and using the timber.

In May 2016, more than 200 participants from HVN and its partner companies took part in a tree-planting event that also include local residents and trees were planted over a 2 ha area.

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Traffic Safety

India: Motorcycle rider training for women

Honda Motorcycle and Scooter India (HMSI) initiated the “Dream Riding” motorcycle rider education program for women in Delhi. This year marked its fourth year. The program is a unique initiative aimed at helping women become independent by learning safe riding and gaining the freedom of mobility. The course is open to all women over the age of 18 and is free of charge. Over 4,200 women took the course in 2016. More than 21,000 women have received training since the program was initiated in 2013. There has been a strong response from women in India seeking independence. The training was conducted by 28 certified female Honda instructors at Honda’s traffic training parks.

The Philippines: Eco-friendly safe driving campaign

Honda Cars Philippines Inc. (HCPI) implemented the “1M Blue Eco-Safe Driving Campaign” in collaboration with 12 organizational partners, including private organizations and governmental institutions in the Philippines to generate one million eco-safe drivers in the Philippines aimed at curbing climate change, reducing traffic accidents, preventing pollution and improving fuel efficiency. The campaign, which seeks to educate people on eco-friendly safe driving, included training by group and individual instructors, displays at outdoor concerts and practical learning tips using social media and video sites. The various activities of the program aimed to influence driver behavior with consciousness on fuel efficiency and safety and popularize suitable methods of car maintenance to curb CO₂ emissions.

China



Regional Activities

Honda racing wheelchairs donated to young athletes in Dalian, China

Honda Motor (China) Investment Co., Ltd. (HMCI), together with Honda Sun Co., Ltd., the Honda Technical Research Institute and Yachiyo Industry Co., Ltd., donated their jointly developed racing wheelchairs to three Paralympians in Dalian through the China Administration of Sports for Persons with Disabilities (CASPD). The three athletes were fitted and measured for the racing wheelchairs at the Oita International Wheelchair Marathon in October 2016 and the new models arrived in Dalian in March 2017. The athletes then plan to use the Honda-made racing wheelchairs for races on the track as well as marathons once they master them. One of the recipients took third place in the T34/53/54 class in the Oita International Wheelchair Marathon and is expected to achieve great success in the Honda racer.

Developing the Next Generation

Honda China Eco Mileage Challenge

The Honda China Eco Mileage Challenge is held with the aim of increasing environmental awareness and providing insight into the joy of manufacturing. The 10th challenge was staged in Guangzhou on October 18, 2016 based on the key theme of seeing how far a vehicle can travel using the least amount of energy.

Honda in China has held the event since 2007 in support of technology challenges by young people to contribute to the development of a mobile society while addressing China's environmental issues. Competing teams are formed by university

students, high school students and Honda affiliates. Starting in 2011, the competition has included an electric vehicle division, a world first, in which teams contend to see which can travel the greatest distance during a fixed amount of time using batteries as the only power source. A total of 1,280 teams and 6,500 people have taken part in the competition over the past 10 years. The constant challenging of new technology by each team has led to a succession of records. Honda in China will continue to support young people as they strive to improve technology in the future based on environmental awareness with an eye on promoting advancement in China at the same time.

Global Environment

Inner Mongolia afforestation project

An afforestation project in Xinghe County of Ulanqab in the Inner Mongolia Autonomous Region entered its ninth year in 2016. The first phase of the project that ran from 2008 to 2012 involved planting 700,000 trees on approximately 467 ha of land near the Youyi Dam. The second phase of the project from 2013 to 2017, a new five-year plan for planting trees, is currently underway on an additional 467 ha along a national highway around 2-3 km from the where the first phase was undertaken. The second phase of the plan is 83% complete, with trees planted on approximately 387 ha of land by 2016. A joint tree-planting event involving 16 affiliate companies took place in July 2016. Around 200 associates and managerial staff participated in the event and while planting seedlings with their own hands learned about the importance of protecting the natural environment. Participants also visited the area where trees were planted in 2008 and confirmed that the 30-40 cm seedlings at the time had grown to between 2-3 m, which gave all of those involved a sense of pride and joy. The project is progressing well with the strong support of specialists from the forestry department of Xinghe County, the administrative branch of the State Forestry Administration of the People's Republic of China and Beijing Forestry University.

Traffic Safety

Passing on safety education to customers and the community

Guangqi Honda Automobile Co., Ltd., which engages in the manufacture and sale of motor vehicles in China, has been training driving instructors inside the company since 2005 who help spread safe driving practices. A Traffic Education Center has been established on the plant premises and takes a lead role in activities to increase safe driving among customers and the general public. A certification system has been introduced for dealerships and 352 dealerships have been certified to date. Some 610 dealership staff members provide advice on safe driving to the more than 70,000 customers. A caravan travels around major cities in China, including Beijing, Shanghai and Guangzhou, and offers schools for Honda users that cover sudden braking, driving experience on slippery surfaces and insight into the importance of seatbelts. Eight sessions were held in 2016, mobilizing 180 Honda users. In addition, practical and experiential lessons on safe driving are given to university students and booklets on building awareness of safety are distributed to elementary school students in conjunction with regional administration and educational facilities as part of wider efforts.

Another automobile sales and manufacturing company, Dongfeng Honda Automobile Co., Ltd., has set up a corner area inside its plant explaining product safety technologies to increase visitors' understanding. Classes on traffic safety are also conducted for local elementary schools.

- 01 Racing wheelchairs were donated to three Paralympians from Dalian
- 02 Honda China Eco Mileage Challenge in 2016
- 03 Commemorative photo of joint tree-planting event held in 2016
- 04 Associates were elated to confirm the growth of trees planted in 2008
- 05 Comprehensive safety-related courses were implemented, covering such issues as driving on slippery surfaces and the importance of wearing seatbelts



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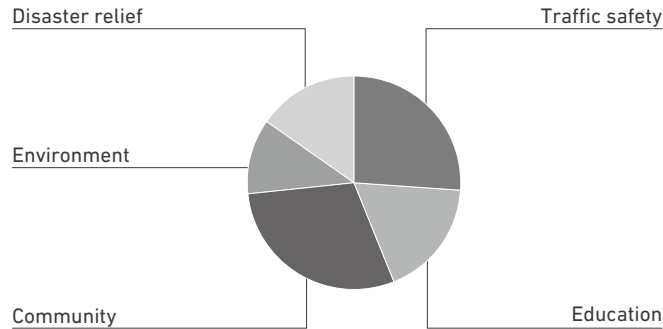
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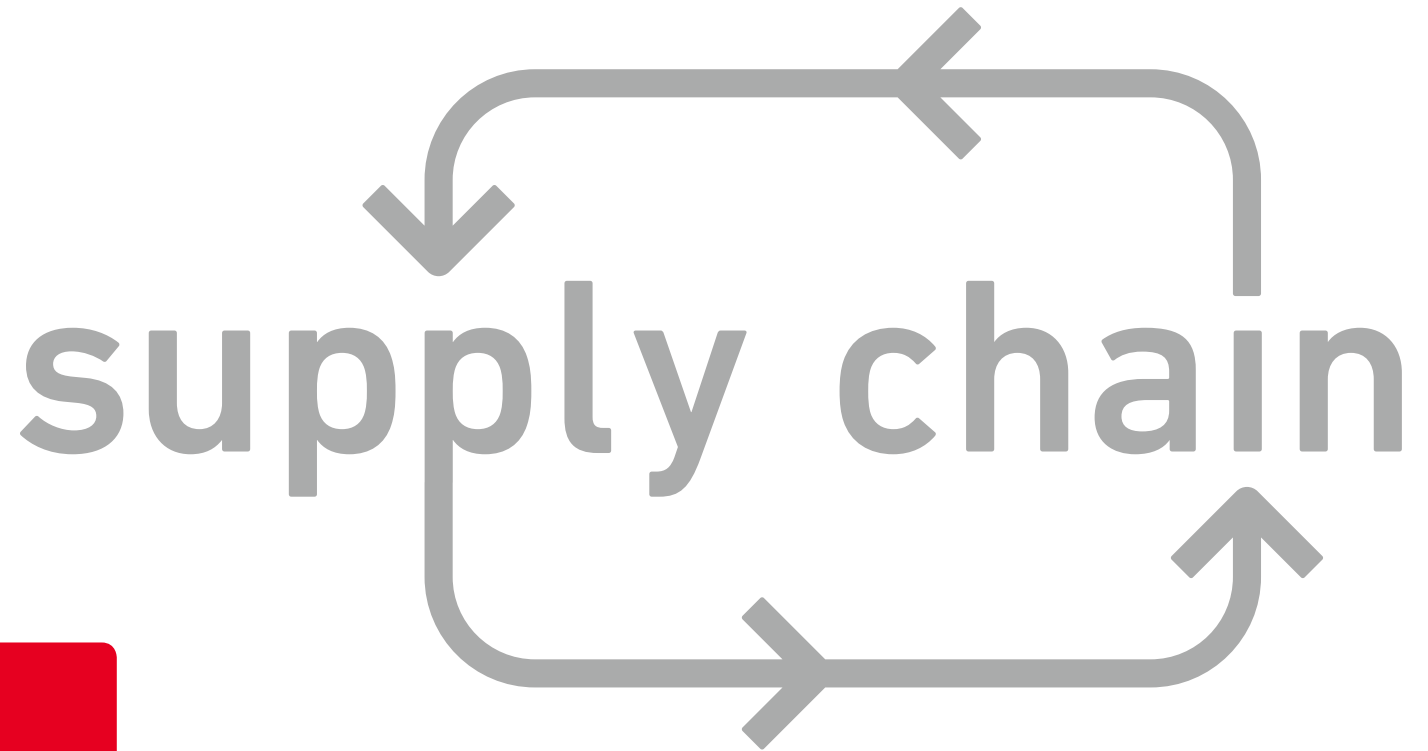
Social Activity Data



Expenditure related to social activities

	Expenditure (million yen)
Traffic safety	2,086
Education	1,405
Community	2,346
Environment	899
Disaster relief	1,204
(Total)	7,940





Supply Chain

28

Units index of packaging materials used in the assembly of vehicles and equipment at our plants around the world (compared with year 2000)

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.

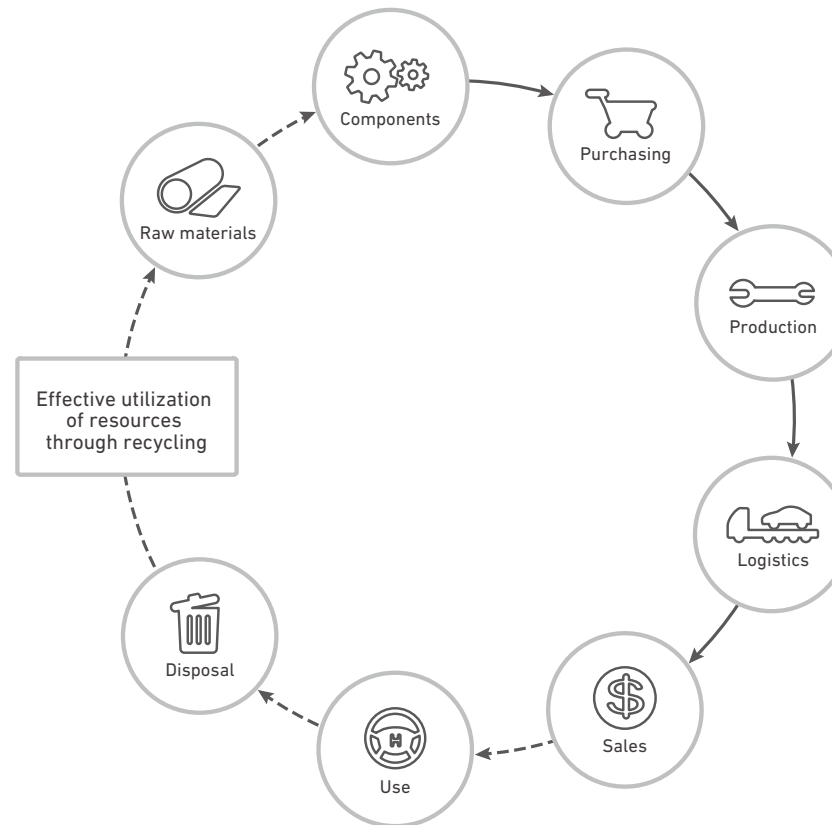
In addition, as awareness of compliance and human rights issues grows worldwide, companies are being asked to verify working conditions and legal compliance not only for themselves but also for their suppliers, as well as to make efforts to take corrective action if required.

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

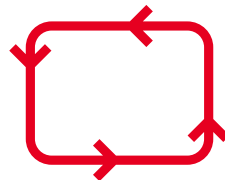
In this way, through the Company's efforts to actively promote sustainable initiatives at its development and manufacturing facilities in cooperation with all its suppliers around the world, Honda is seeking to be a company that society wants to exist, that is liked by and has strong roots in local communities, and to realize a supply chain where Honda can co-exist with and provide mutual benefit for the Company and local communities.

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

Overview of supply chain



supply chain

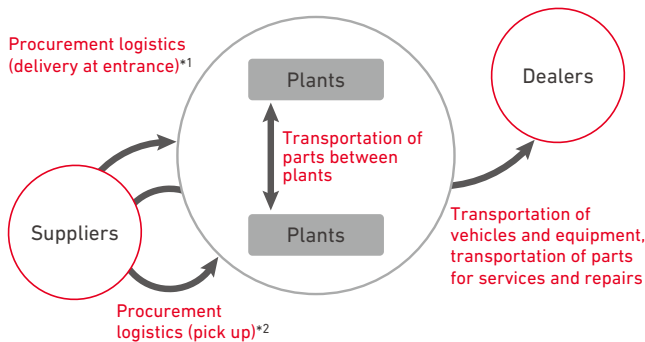


Basic Approach to Logistics

ESG Management from a Functional Perspective in Logistics

At Honda, many parts that are used in its products are sourced from suppliers and transported to its plants. Then, they are incorporated into the Company's products, and the completed models are sent directly from the plants to dealers. In addition to this, parts are also transported between plants, and parts for services and repairs are sent to dealers. As such, due to the extremely large volume of transportation that takes place throughout the manufacturing process at Honda, increasing efficiency, reducing environmental burden, compliance and risk management in logistics are becoming critical issues. Honda transcends conventional divisional and regional boundaries to ensure the integrated control of logistics and is conducting management from an environmental, social and governance (ESG) perspective.

Overview of Honda logistics



*1 A transportation operator retained by the supplier delivers sourced parts to the entrance of Honda's plants.
 *2 A transportation operator retained by Honda makes the rounds of parts suppliers and picks up the sourced parts.

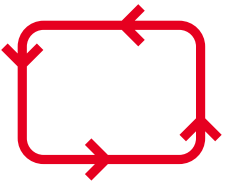
supply chain

Global Management of Logistics

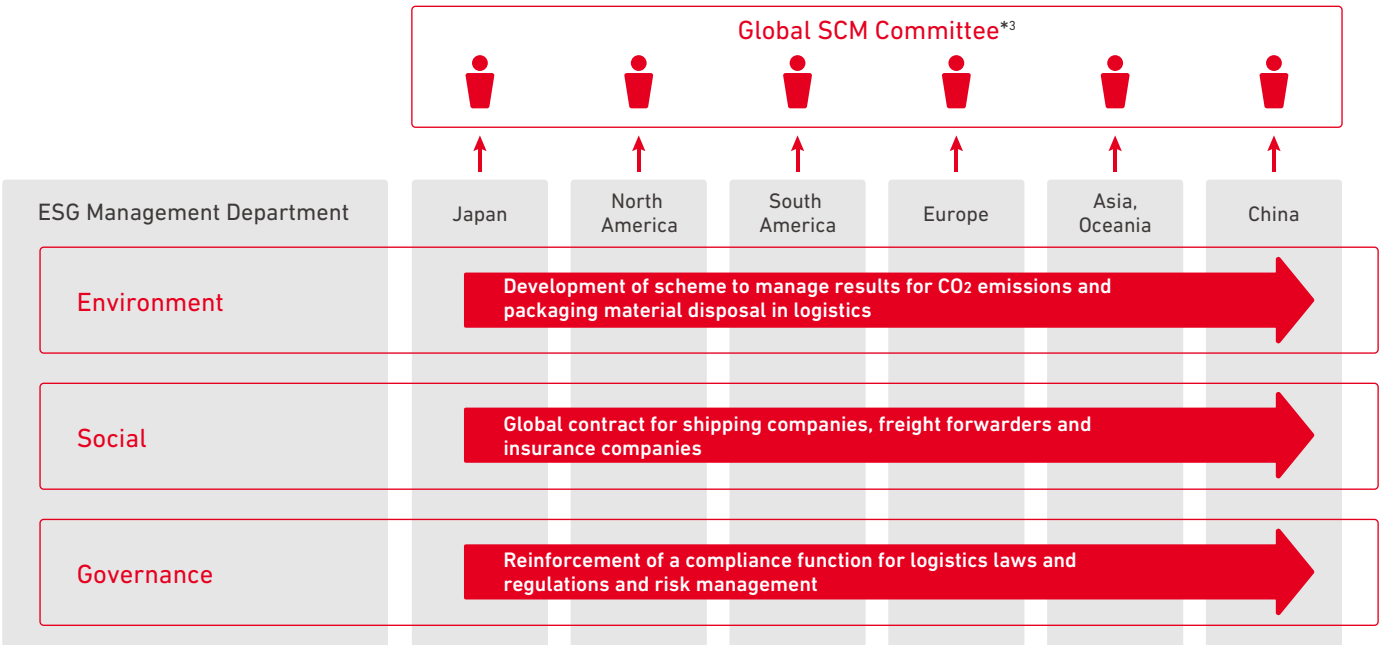
Integrated Management Framework Transcending Divisions and Regions

Honda established the ESG Management Department in April 2016 to advance ESG management in logistics on a global scale. This body has teamed up with logistics-related divisions and the six regional headquarters worldwide to formulate policies and develop strategies for combating the various logistics-related

challenges and pending problems so they can be managed in an integrated fashion, including environmental response for CO2 reduction, management of transportation companies, response to laws and regulations, insurance policy and risk management.



Logistics global management framework



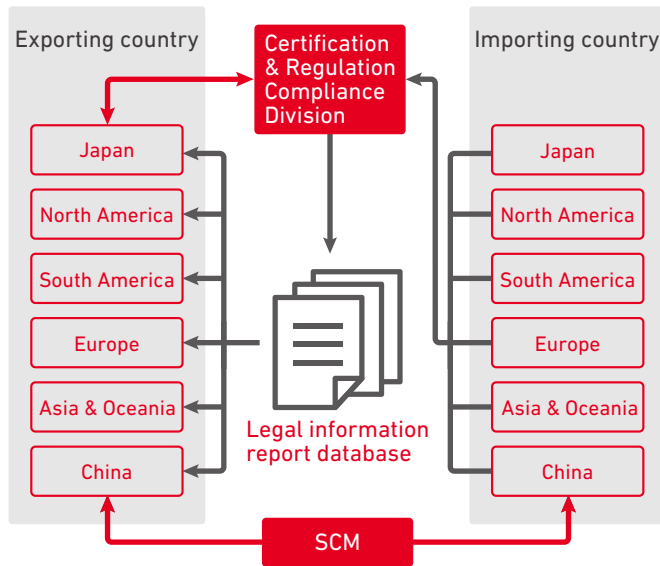
*3 A committee to debate Supply Chain Management (SCM) issues at the global headquarters and in respective regions in order to achieve medium-term goals

Logistics Initiatives

Integrated Management of Legal Information Concerning Logistics

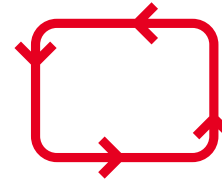
In order to supply products and parts across countries and regions, it is necessary to identify and analyze a variety of factors that include differing transport infrastructure, laws and risk of natural disasters. Laws and regulations, in particular, have the potential to significantly impact safety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

Integrated management framework for legal information



supply chain

Reducing CO2 Emissions



Identifying Global CO2 Emissions

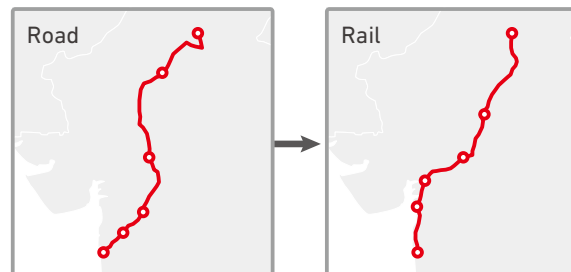
Honda is working to improve transportation efficiency in the shipping of vehicles and equipment, parts shipped between plants, parts for services and repairs, and parts collected from suppliers. In addition to this, in FY2017 the Company commenced management of CO2 emissions in the transportation of automobile production parts, which make up the majority of international marine transport. In FY2018, Honda will expand the scope to other product domains in order to grasp CO2 emissions for all products around the world.

Expanding Modal Shifts

Honda is working to expand its implementation of modal shifts replacing trucks with ship and/or rail transport, particularly for long-distance shipments.

In India, to transport Honda automobiles, which show significant sales growth in recent years, and to avoid issues arising from harsh road conditions, Honda is moving forward with a modal shift from trucks to rail. The initiative is being pushed forward as a joint public/private project together with Japan's Ministry of Land, Infrastructure, Transport and Tourism.* In 2016, Honda

Transportation between Delhi and Mumbai, India
 Reduction from 1,476 km by road to 1,300 km by rail



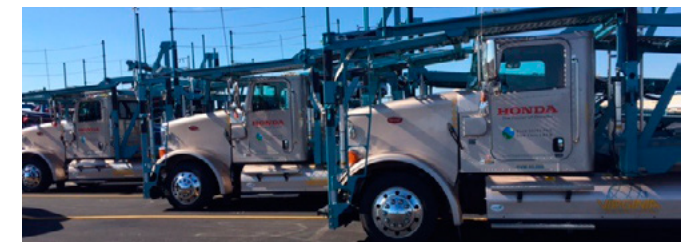
began trials for the transport of automobiles using domestic vessels. The Company plans to push full steam ahead with this initiative by utilizing the return trip of other automobile companies for marine transport from the south to the north. This is expected to reduce CO2 emissions by 56% compared with conventional methods.

*Press release by the Ministry of Land, Infrastructure, Transport and Tourism: Trials Promoting the Use of Freight Rail in India (Japanese only) http://www.mlit.go.jp/report/press/tokatsu01_hh_000294.html

Transportation Using Natural Gas Trucks

At American Honda Motor Co., Inc., a gradual shift is being made to natural gas trucks for transport. A total of 19 such trucks were introduced in FY2017 to transport parts for services and repairs in the United States. This resulted in a reduction of 100 tons in CO2 emissions for the year.

Honda also started to use natural gas trucks to transport automobiles produced at a plant in Lincoln, Alabama, to a nearby freight train station. This is expected to lead to a further reduction in CO2 emissions.



Natural gas trucks used for transportation of vehicles

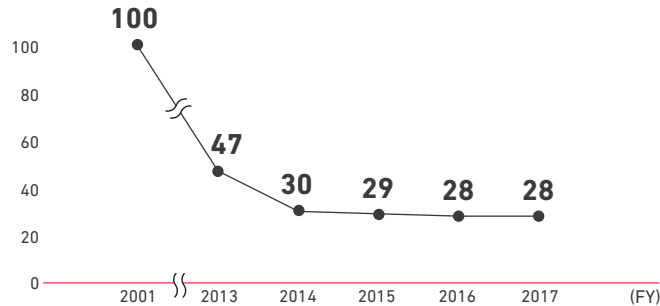
Logistics Initiatives

Reducing Waste from Packaging Materials

Updating of Packaging Specifications

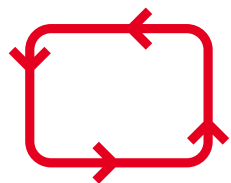
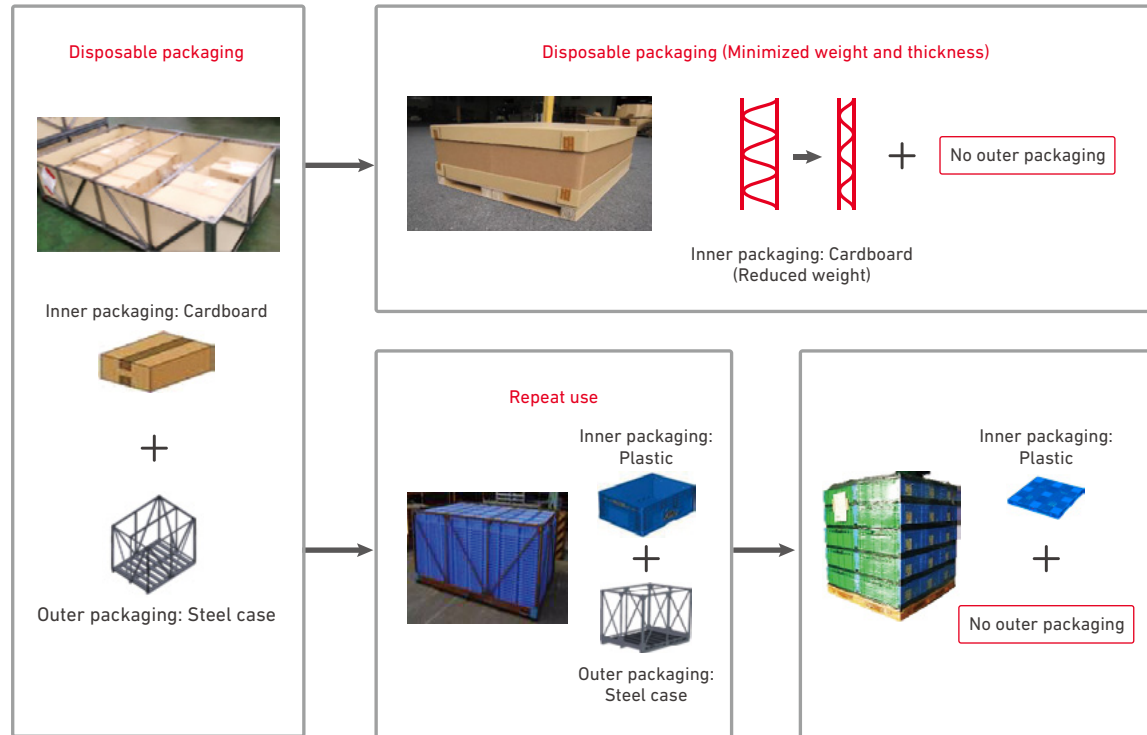
Like CO₂ emissions reduction, reducing waste from packaging materials is another environmental challenge in the logistics area. Honda is working to reduce waste from packaging materials by simplifying packaging, rethinking the materials used and changing specifications. For example, disposable transport packaging that uses cardboard boxes and steel cases is being switched over to reusable plastic containers to eliminate the use of steel cases. These initiatives began with products bound for Europe and are expanding to those bound for North America.

Index of packaging materials for knock-down parts*



*Parts to be used in the assembly of completed vehicles or equipment at our plants around the world

Image of updating of packaging specifications

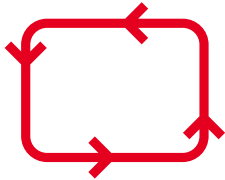


Basic Approach to Purchasing

Purchasing Belief, Three Purchasing Principles and Purchasing Code of Conduct

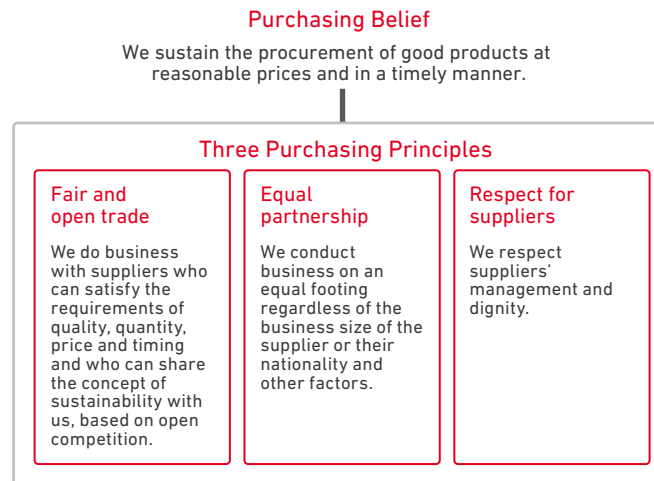
Honda's goal is to achieve a sustainable society across the supply chain. The Company implements initiatives with consideration for the environment, safety, human rights, compliance and social responsibility, among others, in partnership with its suppliers worldwide. Based on the Honda Philosophy, the 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.

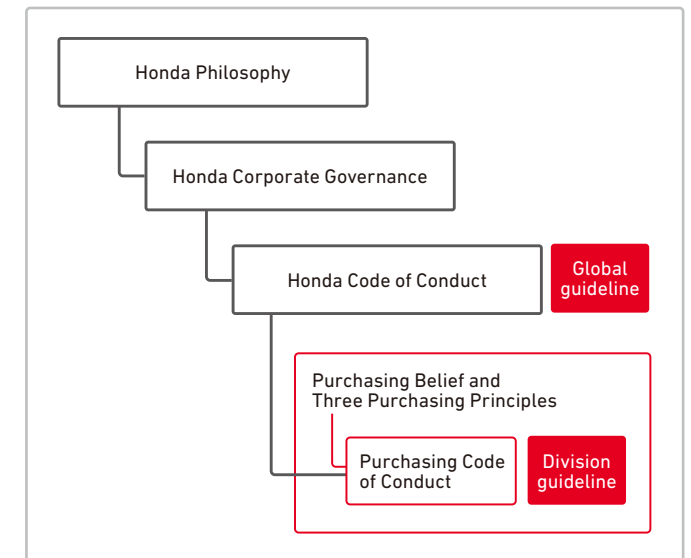


Purchasing Belief and Three Purchasing Principles

We do fair and equitable business with transparency based on the "Purchasing Belief" and the "Three Purchasing Principles."



Positioning of Purchasing Code of Conduct



Global Management

Establishment of Guidelines

The Company published the Honda Supplier CSR Guidelines*1 to share its approach to sustainability with suppliers worldwide and to promote Honda initiatives.

Through the Guidelines, Honda seeks to prevent compliance violations and other issues in advance.

If a supplier fails to follow the Guidelines, Honda immediately receives a report from the supplier and works to prevent a recurrence by requesting them to analyze the cause and draw up the corrective action plan.

If the corrective action plan received from the supplier is determined to be inappropriate, Honda considers its future business relations with them, taking into account the social impact of the problem.

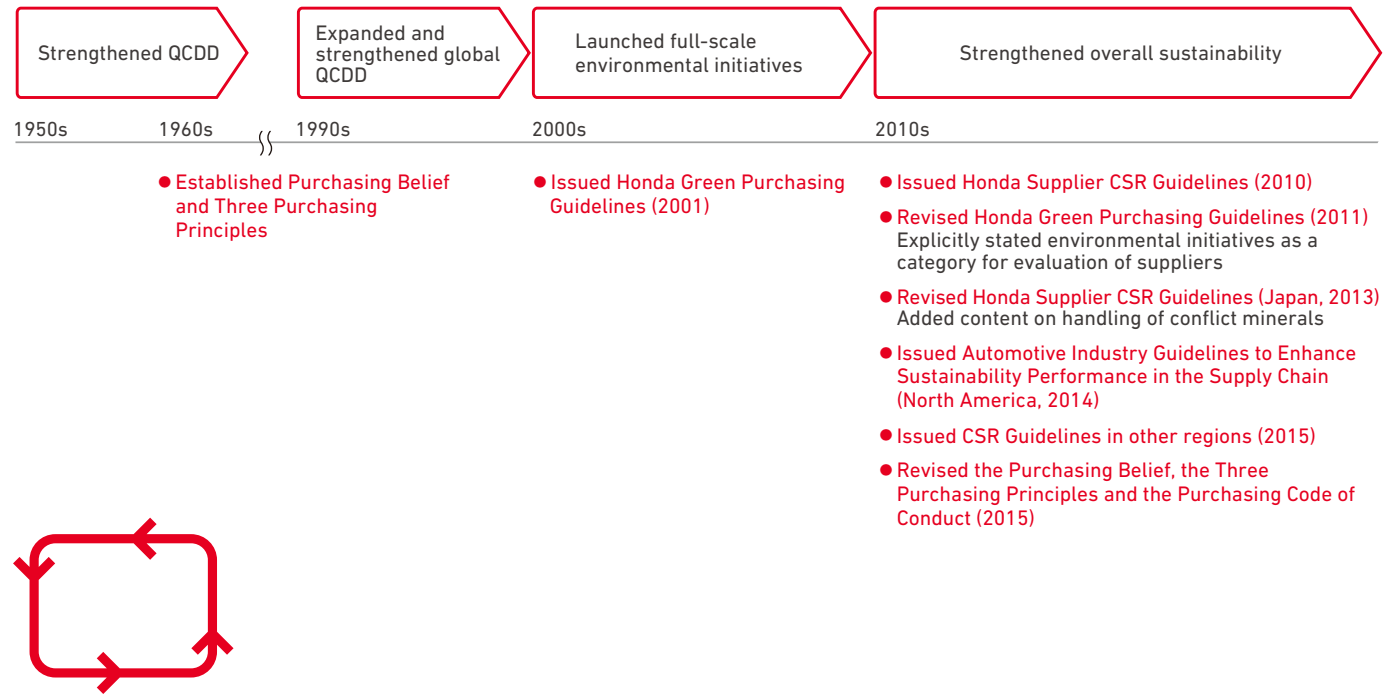
In addition, the Company is working across the entire supply chain, preparing check sheets for its suppliers to help assess their own initiatives and promote sustainability initiatives at sub-tier suppliers.

When selecting suppliers for components and raw materials based on these sustainability policies, Honda confirms their initiatives on QCDD*2, human rights, labor, environment, safety, compliance, risk, protection of information and other aspects to determine the best and most sustainable supplier.

In FY2017, we introduced a third-party audit in Japan.

*1 <http://world.honda.com/sustainability/supply-chain/pdf/csr-guideline.pdf>
 *2 QCDD: An acronym for Quality, Cost, Delivery, Development

Changes in purchasing practices



Global Management of Purchasing

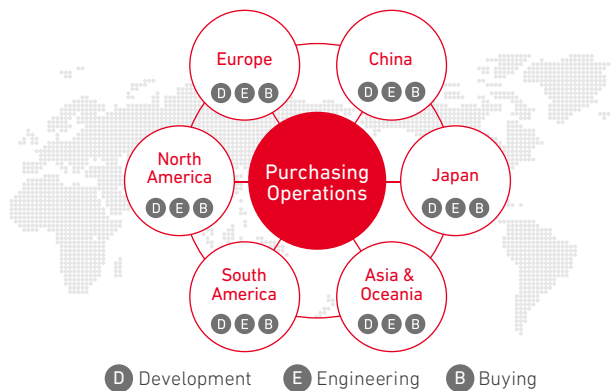
Purchasing System

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 supervise the global function overall, are located in Japan, providing cross-regional and cross-business coordination and planning sustainability policies and goals. In FY2017, 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, and the PDCA cycle is implemented on a global scale by promoting collaboration between Purchasing Operations and each of the regional and business operations.

Honda's global purchasing network



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.

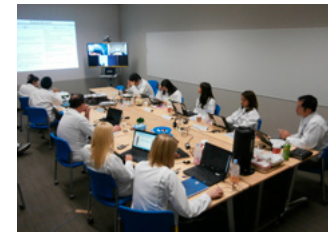
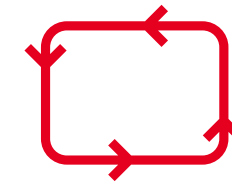
Global Correlation Meeting

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 FY2017, the Global Correlation Meeting was held in Japan to coordinate the direction of sustainability initiatives.

Six Region Sustainability Purchasing Meeting

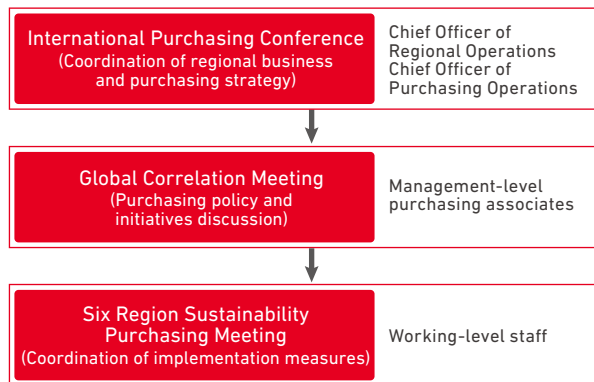
The Six Region Environmental Purchasing Meeting had been held since 2011 in order to strengthen initiatives aimed at a low-carbon society across the global supply chain. This meeting was composed of working level staff from six regions. It discussed and coordinated policies and methods of reducing CO2 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.

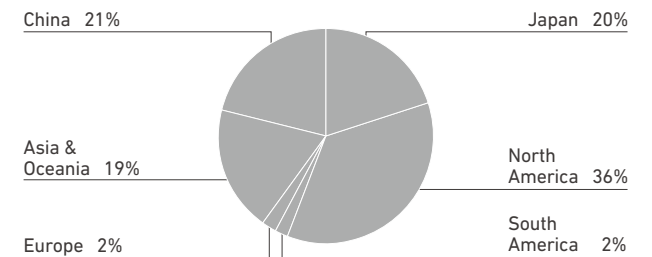


Six Region Sustainability Purchasing Meeting

Global meeting structure



Regional distribution of purchasing volume



Purchasing Initiatives

Reducing Environmental Impact

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.

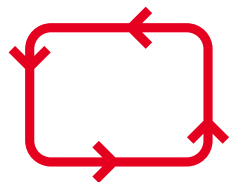
Operating a Management System for CO₂ Data

In order to increase the effectiveness of reductions in environmental impacts in the supply chain, Honda has been pursuing the establishment of a system for the integrated management of data on reductions in CO₂ emissions at suppliers since FY2012, which commenced full-scale operation in FY2015.

Honda is using this system to share reduction targets (reduce CO₂ emissions intensity by 1% per year) and progress status and to implement the PDCA cycle with suppliers worldwide.

As of 2016, approximately 1,700 companies, equating to more than 80% of purchasing value on a global level, are using the system.

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



supply chain

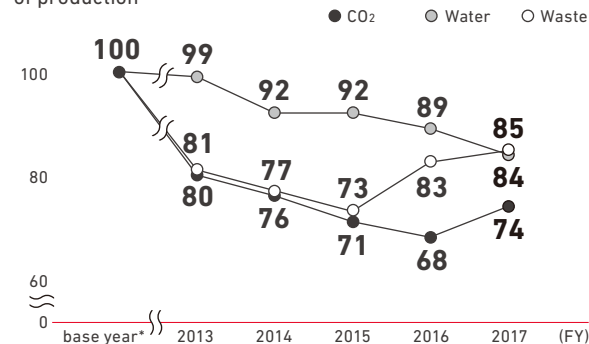
Supporting Reductions in CO₂ at Suppliers

Honda promotes the Energy Conservation Caravan activity together with its suppliers in an effort to reduce CO₂ emissions in each region.

In 2009 Honda launched the Energy Conservation Caravan in Japan, which proposes energy conservation measures and supports establishment of a structure for these initiatives by visiting supplier production sites. The Company is currently expanding this program to other regions.

Honda also began efforts in Japan to analyze CO₂ data from suppliers and provide each with individualized feedback, noting areas of weakness and progress in achieving reductions. This program will be expanded to other regions.

Performance of reducing environmental impact
 Index of CO₂ emission/water use/waste generation per unit of production



*CO₂: FY2012
 Water/Waste: FY2009

Scope of data: all consolidated tier 1 suppliers in Japan

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 supply of components that meet 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, such as natural disasters, fires, financial issues and labor issues within the supply chain, as risks for the procurement of components and materials, and works to reduce them and to prevent the spread of any impact when they materialize. For example, Honda defines all components and raw materials that are dependent on production at one facility as Mission-Critical Parts, and inspections and countermeasures are continually implemented 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.

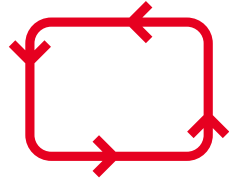
Honda also performs once-yearly evaluations based on supplier surveys in order to minimize financial risk. In addition, the Company checks risk every month by referring to information from third-party organizations.

Purchasing Initiatives

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.



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 in line with rising expectations worldwide to fulfill corporate social responsibility that also includes the supply chain.

The audit comprises two phases, a written investigation and an on-site investigation.

For the written investigation, Honda conducts the following three measures for targeted suppliers.

1. Distributes an audit check sheet based on international standards
2. Confirms the status of sustainability activities
3. Provides feedback on the results of analysis

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.

Flow diagram of third-party audit



Confirming the status of storage for dangerous articles at a supplier site

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. In its Basic Training Course, the Company shares its approach in such areas as the selection of suppliers and initiatives to strengthen QCDD. 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.

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 automobile industry and its suppliers.

Collaboration with Industry Groups

Honda North America Inc., Honda's U.S. subsidiary, participates in four of the work groups established by the Automotive Industry Action Group (AIAG) to strengthen sustainability in the supply chain: the Conflict Minerals Work Group, the Working Conditions Work Group, the GHG Work Group and the Chemical Management Work Group. The Working Conditions Work Group, which Honda co-chairs, promotes training for suppliers. Since 2012, following upon its initiative in North America, the Work Group has been offering training sessions on corporate ethics, environmental regulations, the working environment, human rights and other topics for tier 1 and sub-tier suppliers in China and Mexico.

Dialogue with Suppliers

In March 2016, Honda convened a Sustainability Briefing Session, where it shared current social trends and provided feedback on the results of inspections at business partners in accordance with the Honda Supplier CSR Guidelines.

Honda also regularly holds conferences around the world to share with suppliers the direction of its business and the substance of its initiatives. In FY2017, meetings were held in 30 locations around the world.

In Japan, Honda has held annual Suppliers Conferences since 1974. Senior management from 331 suppliers attended the conference held in January 2017. At the conference, Honda explained both company-wide policies and purchasing policies for the motorcycle, automobile and power products businesses.

At regional conferences, Honda presented Supplier Awards to recognize those suppliers who have achieved outstanding results in each aspect of QCDD.

The Company also presented Environmental Awards to suppliers in each region who have made outstanding efforts in environmental areas such as reducing GHG emissions.

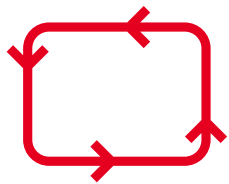
In the North American region, Honda presented the Corporate Citizenship Award to suppliers who made the greatest contributions in social areas such as compliance, safety and health, community activities, the environment, diversity and human rights.



Presentation of Environmental Award to F-TECH Inc. in Japan



Presentation of Corporate Citizenship Award to Cascade Engineering Inc. in North America



GRI Content Index



7

General Standard Disclosures

		Page Number (or link)	Identified Omission(s)	Reason(s) for Omission(s)	Explanation of Omission(s)	Descriptions
Strategy and Analysis	G4-1	8				Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.
	G4-2	9,10,11,18,19,20,27,28,29,30,44,50,62,75,86				Provide a description of key impacts, risks, and opportunities.
Organizational Profile	G4-3	6				Report the name of the organization.
	G4-4	4,6				Report the primary brands, products, and services.
	G4-5	2,6				Report the location of the organization's headquarters.
	G4-6	6				Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.
	G4-7	6				Report the nature of ownership and legal form.
	G4-8	6				Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).
	G4-9	6,7 2017 Form 20-F 28,29,30				Report the scale of the organization.
	G4-10	73				a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).
	G4-11	2017 Form 20-F 78,79				Report the percentage of total employees covered by collective bargaining agreements.
	G4-12	86,92				Describe the organization's supply chain.
	G4-13	2				Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.
	G4-14	2				Report whether and how the precautionary approach or principle is addressed by the organization.
	G4-15	22				List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.
Identified Material Aspects and Boundaries	G4-16	22,68,94				List memberships of associations (such as industry associations) and national or international advocacy organizations.
	G4-17	2017 Form 20-F 28,29,30				a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statement or equivalent documents is not covered by the report.
	G4-18	9,10,11,12				a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.
	G4-19	9,10,11,27				List all the material Aspects identified in the process for defining report content.
	G4-20	2,6,9,10,11,27				For each material Aspect, report the Aspect Boundary within the organization.
	G4-21	2,6,9,10,11,27				For each material Aspect, report the Aspect Boundary outside the organization.
	G4-22	2				Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.
Stakeholder Engagement	G4-23	2				Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.
	G4-24	21				Provide a list of stakeholder groups engaged by the organization.
	G4-25	21				Report the basis for identification and selection of stakeholders with whom to engage.
	G4-26	21				Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.
	G4-27	21				Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.

GRI Content Index

	Page Number (or link)	Identified Omission(s)	Reason(s) for Omission(s)	Explanation of Omission(s)	Descriptions
Report Profile	G4-28	2			Reporting period (such as fiscal or calendar year) for information provided.
	G4-29	2			Date of most recent previous report (if any).
	G4-30	2			Reporting cycle (such as annual, biennial).
	G4-31	2			Provide the contact point for questions regarding the report or its contents.
	G4-32	2,96,97,98,99,100,101,102,103			a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option. c. Report the reference to the External Assurance Report, if the report has been externally assured.
	G4-33	104			a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.
Governance	G4-34	12,13,14,15			Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.
	G4-35	12			Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.
	G4-36	12			Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.
	G4-37	12			Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.
	G4-38	13,14,15			Report the composition of the highest governance body and its committees.
	G4-39	13,14,15			Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).
	G4-40	13,14,15 Honda Corporate Governance Basic Policies http://world.honda.com/investors/policy/governance.html			Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.
	G4-41	13,14,15 Honda Corporate Governance Basic Policies http://world.honda.com/investors/policy/governance.html			Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.
	G4-42	12			Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.
	G4-43	12			Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.
	G4-44	12			a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.
	G4-45	12			a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.
	G4-46	12			Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.
	G4-47	12			Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.
	G4-48	12			Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.
G4-49	12,13			Report the process for communicating critical concerns to the highest governance body.	
G4-50	-	The nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	This information is subject to specific confidentiality constraints.	This information is confidential.	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.

GRI Content Index

	Page Number (or link)	Identified Omission(s)	Reason(s) for Omission(s)	Explanation of Omission(s)	Descriptions
Governance	G4-51	15 Honda Corporate Governance Basic Policies			a. Report the remuneration policies for the highest governance body and senior executives. b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.
	G4-52	15 Honda Corporate Governance Basic Policies			Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.
	G4-53	15 Honda Corporate Governance Basic Policies			Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.
	G4-54	15			Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.
	G4-55	15			Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.
Ethics and Integrity	G4-56	3,9,10,11,16			Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.
	G4-57	17			Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.
	G4-58	17,70			Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.

GRI Content Index

Specific Standard Disclosures

Material Aspects	DMA and Indicators	Page Number (or link)	Identified Omission(s)	Reason(s) for Omission(s)	Explanation of Omission(s)	Descriptions
Category: Economic						
Economic Performance	G4-DMA	21,27,75				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-EC1	7,84				Direct economic value generated and distributed
	G4-EC2	28,31				Financial implications and other risks and opportunities for the organization's activities due to climate change
	G4-EC3	2017 Form 20-F F43,F44,F45,F46,F47				Coverage of the organization's defined benefit plan obligations
	G4-EC4	-		Financial assistance received from government	This information is currently unavailable.	We will consider improving our information disclosure using GRI Guidelines with a view to completing this by the time we publish our 2019 Sustainability Report.
Market Presence	G4-DMA	62,63,75				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-EC5	70				Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation
	G4-EC6	73				Proportion of senior management hired from the local community at significant locations of operation
Indirect Economic Impacts	G4-DMA	75				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-EC7	29				Development and impact of infrastructure investments and services supported
	G4-EC8	6,76,77,78,79,80,81,82,83,84,92				Significant indirect economic impacts, including the extent of impacts
	G4-DMA	86,90,91,92,95				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
Procurement Practices	G4-EC9	92				Proportion of spending on local suppliers at significant locations of operation
	Category: Environment					
Materials	G4-DMA	25,26,27,28,30,37,38				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-EN1	-	Materials used by weight or volume	This information is currently unavailable.	We will consider improving our information disclosure using GRI Guidelines with a view to completing this by the time we publish our 2019 Sustainability Report.	Materials used by weight or volume
	G4-EN2	-	Percentage of materials used that are recycled input materials	This information is currently unavailable.	We will consider improving our information disclosure using GRI Guidelines with a view to completing this by the time we publish our 2019 Sustainability Report.	Percentage of materials used that are recycled input materials
Energy	G4-DMA	25,26,27,28,30,37,38				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-EN3	41				Energy consumption within the organization
	G4-EN4	41				Energy consumption outside of the organization
	G4-EN5	-	Energy intensity	This information is currently unavailable.	We are proceeding with ascertaining per unit energy consumption by business content for motorcycles, automobiles, and power products with the aim of disclosure in the 2019 Sustainability Report.	Energy intensity
	G4-EN6	41				Reduction of energy consumption
	G4-EN7	31,32,40				Reductions in energy requirements of products and services

GRI Content Index

Material Aspects	DMA and Indicators	Page Number (or link)	Identified Omission(s)	Reason(s) for Omission(s)	Explanation of Omission(s)	Descriptions
Category: Environment						
Water	G4-DMA	25,26,27,28,30,37,38				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-EN8	42				Total water withdrawal by source
	G4-EN9	35				Water sources significantly affected by withdrawal of water
	G4-EN10	35				Percentage and total volume of water recycled and reused
Biodiversity	G4-DMA	25,26,27,28,36,37,38				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-EN11	36				Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
	G4-EN12	36				Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas
	G4-EN13	-		Habitats protected or restored	This information is currently unavailable.	We will consider improving our information disclosure using GRI Guidelines with a view to completing this by the time we publish our 2019 Sustainability Report.
	G4-EN14	36				Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk
Emissions	G4-DMA	25,26,27,28,30,31,32,34,35,37,38				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-EN15	40				Direct greenhouse gas (GHG) emissions (Scope 1)
	G4-EN16	40				Energy indirect greenhouse gas (GHG) emissions (Scope 2)
	G4-EN17	40				Other indirect greenhouse gas (GHG) emissions (Scope 3)
	G4-EN18	37				Greenhouse gas (GHG) emissions intensity
	G4-EN19	40,41				Reduction of greenhouse gas (GHG) emissions
	G4-EN20	35				Emissions of ozone-depleting substances (ODS)
	G4-EN21	42				NOx, SOx, and other significant air emissions
Effluents and Waste	G4-DMA	25,26,27,28,33,35,37,38				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-EN22	42				Total water discharge by quality and destination
	G4-EN23	42				Total weight of waste by type and disposal method
	G4-EN24	26				Total number and volume of significant spills
	G4-EN25	35				Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally
	G4-EN26	35,36				Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff
Products and Services	G4-DMA	25,26,27,28,30,37,38				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-EN27	30,31,32				Extent of impact mitigation of environmental impacts of products and services
	G4-EN28	33				Percentage of products sold and their packaging materials that are reclaimed by category
Compliance	G4-DMA	25,26,27,28,30,37,38				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-EN29	26				Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations
Transport	G4-DMA	25,26,27,28,30,37,38,88				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-EN30	37,40,87,88,89				Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce



GRI Content Index

Material Aspects	DMA and Indicators	Page Number (or link)	Identified Omission(s)	Reason(s) for Omission(s)	Explanation of Omission(s)	Descriptions
Category: Environment						
Overall	G4-DMA	25,26,27,28,30,37,38				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-EN31	26				Total environmental protection expenditures and investments by type
Supplier Environmental Assessment	G4-DMA	86,90				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-EN32	91				Percentage of new suppliers that were screened using environmental criteria
Environmental Grievance Mechanisms	G4-EN33	90,93,94				Significant actual and potential negative environmental impacts in the supply chain and actions taken
	G4-DMA	25,26				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-EN34	26				Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms
Category: Social						
Sub-Category: Labor Practices and Decent Work						
Employment	G4-DMA	62,63,64				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-LA1	73				Total number and rates of new employee hires and employee turnover by age group, gender, and region
	G4-LA2	70				Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation
	G4-LA3	69				Return to work and retention rates after parental leave, by gender
Labor/ Management Relations	G4-DMA	62,63,64				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-LA4	71				Minimum notice periods regarding operational changes, including whether these are specified in collective agreements
Occupational Health and Safety	G4-DMA	62,63,64				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-LA5	2017 Form 20-F 78,79				Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs
	G4-LA6	71				Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender
	G4-LA7	71				Workers with high incidence or high risk of diseases related to their occupation
Training and Education	G4-LA8	71				Health and safety topics covered in formal agreements with trade unions
	G4-DMA	62,63,64				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-LA9	65				Average hours of training per year per employee by gender, and by employee category
	G4-LA10	63,64,65,66,68,69				Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings
Diversity and Equal Opportunity	G4-LA11	70				Percentage of employees receiving regular performance and career development reviews, by gender and by employee category
	G4-DMA	62,67,68				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
Equal Remuneration for Women and Men	G4-LA12	13,68,69,73				Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity
	G4-DMA	62,63,64				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
Supplier Assessment for Labor Practices	G4-LA13	68				Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation
	G4-DMA	86,90				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-LA14	91				Percentage of new suppliers that were screened using labor practices criteria
Labor Practices Grievance Mechanisms	G4-LA15	91,93,94,95				Significant actual and potential negative impacts for labor practices in the supply chain and actions taken
	G4-DMA	16,17				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-LA16	17				Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms

GRI Content Index

Material Aspects	DMA and Indicators	Page Number (or link)	Identified Omission(s)	Reason(s) for Omission(s)	Explanation of Omission(s)	Descriptions
Sub-Category: Human Rights						
Investment	G4-DMA	62,63,64,90,91				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-HR1	91				Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening
	G4-HR2	67				Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained
Non-discrimination	G4-DMA	16,17,62				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-HR3	17				Total number of incidents of discrimination and corrective actions taken
Freedom of Association and Collective Bargaining	G4-DMA	62,86,90				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-HR4	71,91,93,94,95				Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights
Child Labor	G4-DMA	62,86,90				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-HR5	91				Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor
Forced or Compulsory Labor	G4-DMA	62,86				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-HR6	91				Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor
Security Practices	G4-DMA	62				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-HR7	67,73				Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations
Indigenous Rights	G4-DMA	62				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-HR8	-	Total number of incidents of violations involving rights of indigenous peoples and actions taken	This indicator is not applicable.	This aspect is not reported because priority is given to other human rights issues.	Total number of incidents of violations involving rights of indigenous peoples and actions taken
Assessment	G4-DMA	62				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-HR9	67				Total number and percentage of operations that have been subject to human rights reviews or impact assessments
Supplier Human Rights Assessment	G4-DMA	62,86,90				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-HR10	91				Percentage of new suppliers that were screened using human rights criteria
	G4-HR11	91,93,94,95				Significant actual and potential negative human rights impacts in the supply chain and actions taken
Human Rights Grievance Mechanisms	G4-DMA	16,17				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-HR12	17				Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms
Sub-Category: Society						
Local Communities	G4-DMA	21,25,75				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-S01	21,76,77,78,79,80,81,82,83,84				Percentage of operations with implemented local community engagement, impact assessments, and development programs
	G4-S02	25				Operations with significant actual and potential negative impacts on local communities
Anti-corruption	G4-DMA	16,17				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.

GRI Content Index

Material Aspects	DMA and Indicators	Page Number (or link)	Identified Omission(s)	Reason(s) for Omission(s)	Explanation of Omission(s)	Descriptions
Sub-Category: Society						
Anti-corruption	G4-SO3	17				Total number and percentage of operations assessed for risks related to corruption and the significant risks identified
	G4-SO4	17				Communication and training on anti-corruption policies and procedures
	G4-SO5	17				Confirmed incidents of corruption and actions taken
Public Policy	G4-DMA	21,22				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-SO6	22				Total value of political contributions by country and recipient/beneficiary
Anti-competitive Behavior	G4-DMA	17				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-SO7	16,17				Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes
Compliance	G4-DMA	16				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-SO8	16				Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations
Supplier Assessment for Impacts on Society	G4-DMA	86,90				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-SO9	91,92				Percentage of new suppliers that were screened using criteria for impacts on society
	G4-SO10	91,93,94,95				Significant actual and potential negative impacts on society in the supply chain and actions taken
Grievance Mechanisms for Impacts on Society	G4-DMA	16,17				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-SO11	17				Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms
Sub-Category: Product Responsibility						
Customer Health and Safety	G4-DMA	44,45,46,47,48,50				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-PR1	48				Percentage of significant product and service categories for which health and safety impacts are assessed for improvement
	G4-PR2	60				Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes
Product and Service Labeling	G4-DMA	25,26,27,28,30,37,38				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-PR3	32				Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements
	G4-PR4	31				Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes
	G4-PR5	56,60				Results of surveys measuring customer satisfaction
	G4-DMA	17				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
Marketing Communications	G4-PR6	-	Sale of banned or disputed products	This indicator is not applicable.	Group sells its products and services to consumers in approximately 150 countries worldwide excluding markets where they are prohibited.	Sale of banned or disputed products
	G4-PR7	16,17				Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes
Customer Privacy	G4-DMA	3,9,10,11,12,18				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-PR8	18				Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data
Compliance	G4-DMA	3,9,10,11,12,16,17				a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.
	G4-PR9	16,17				Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

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, 2017 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 for the year ended March 31, 2017 from Honda Motor Co., Ltd. and 448 consolidated and affiliated companies in Japan and overseas (as at December 31, 2016) (⇒ pp. 40–42).

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, Indirect emissions), Energy consumption (Direct energy consumption, Indirect energy consumption and Total energy consumption), Water use/Wastewater volume, Atmospheric pollutants (SO_x emissions, NO_x emissions), Waste generated.

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(TRANSLATION)

Independent Practitioner's Assurance Report

June 16, 2017

Mr. Takahiro Hachigo,
President, CEO and Representative Director
Honda Motor Co., Ltd.

Masahiko Sugiyama
Representative Director
Deloitte Tohmatsu Sustainability Co., Ltd.
3-3-1, Marunouchi, Chiyoda-ku, Tokyo

We have undertaken a limited assurance engagement of the environmental data with for the year ended March 31, 2017 (the "environmental data") included in the "Honda SUSTAINABILITY REPORT 2017" (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 P40-42]. 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 complied 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.
- Undertaking site visits 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 Company's 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



Honda Motor Co., Ltd.

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